

# Interim Report 2021



# BERTELSMANN

## At a Glance

### Key Figures (IFRS)

in € millions	H1 2021	H1 2020
<b>Business Development</b>		
Group revenues	8,691	7,848
Operating EBITDA	1,417	994
EBITDA margin in percent <sup>1)</sup>	16.3	12.7
Group profit	1,368	488
Investments <sup>2)</sup>	573	402
<b>Consolidated Balance Sheet</b>	<b>6/30/2021</b>	<b>12/31/2020</b>
Equity	12,075	10,725
Equity ratio in percent	42.0	36.1
Total assets	28,725	29,704
Economic debt <sup>3)</sup>	4,432	5,207

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 "Prior-Year Information" in the Consolidated Financial Statements as of December 31, 2020.

1) Operating EBITDA as a percentage of revenues.

2) Taking into account the financial debt assumed, investments amounted to €573 million (H1 2020: €456 million).

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

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## Interactive Interim Report

The Bertelsmann Interim Report 2021 can also be accessed online at [ir2021.bertelsmann.com](http://ir2021.bertelsmann.com)

# Highlights of the First Six Months



- Major consolidation moves agreed in Germany, France, the Netherlands and Belgium, for significant value creation
- Strong growth in streaming services: TV Now in Germany and Videoland in the Netherlands together surpass the 3 million subscriber mark
- Fremantle expands content production business with new Global Factual unit for high-end documentaries

[www.rtlgroup.com](http://www.rtlgroup.com)



- Renowned fiction and nonfiction and ongoing audio boom fuel revenues and earnings growth
- Focus on diversity and inclusion: investment in new, multi-cultural content for publishing programs, and commitment to enhanced diversity in the publishing teams
- Organic growth through launch of new publishing imprints in the UK, Germany, the US, India, South Africa and Australia

[www.penguinrandomhouse.com](http://www.penguinrandomhouse.com)



- Arvato Supply Chain Solutions increases usable logistics space by around 100,000 m<sup>2</sup>, creating conditions for further growth
- Arvato Systems systematically expands cloud computing expertise and develops into a leading provider of cloud migration products and services
- Arvato Financial Solutions expands its existing “pay-after-delivery” cooperation with a leading online mail order company and successfully transfers it to other national markets in Europe

[www.arvato.com](http://www.arvato.com)



- DeutschlandCard multi-partner rewards program enjoys profitable growth and expands its partner network to include EDEKA Nord
- Core market of books sees further systematic expansion through successful integration of two US production facilities acquired in late 2020
- Rotogravure capacities adjusted to reflect sharp drop in demand: print production at Prinovis site in Nuremberg discontinued as planned on April 30

[www.bertelsmann-printing-group.com](http://www.bertelsmann-printing-group.com)



- G+J invests €5 million in expansion of its fast-growing Plus offerings such as “Stern Plus”
- With “Guidos Deko Queen”, the publisher expands its successful personality magazine segment and launches a new type of home and lifestyle magazine, flanked by an eponymous new TV show on VOX
- “Stern” shows social commitment by collecting 350,000 signatures for the Bundestag petition “Pflege in Würde” (“Care in Dignity”), while “Brigitte” and “Eltern” advocate putting an end to discrimination against parents

[www.guj.com](http://www.guj.com)



- BMG delivers best first-half-year result since it was founded
- Creating value together: BMG and KKR join forces to acquire music rights
- BMG continues to focus on service, fairness and transparency, leading the music industry debate about justice

[www.bmg.com](http://www.bmg.com)



- The coronavirus pandemic accelerates shift to digital and blended learning solutions
- Relias’s new ed-tech based training program meets growing demand for home health service skills in the US
- Udacity launches School of Cybersecurity to help enterprises and governments combat increase in cybercrime

[www.bertelsmann-education-group.com](http://www.bertelsmann-education-group.com)



- Bertelsmann Investments’ global portfolio grows to more than 260 young companies and funds
- Bertelsmann signs acquisition of 25 percent equity stake and 46 percent of voting rights in Nasdaq-listed education provider Afya
- Focus on expansion of existing portfolio and 23 new investments via BAI and BDMI funds

[www.bertelsmann-investments.com](http://www.bertelsmann-investments.com)



**Thomas Rabe**  
Chairman and CEO of Bertelsmann

## Dear Readers, Dear Friends of Bertelsmann,

Bertelsmann was extremely successful in the first half of 2021. Revenues grew in the double-digit range and were significantly above the previous year and pre-Corona levels. Our operating result set a new record, and Group profit was the highest in 19 years.

Bertelsmann's consolidated revenues increased by 10.7 percent year on year to €8.7 billion. Organic growth was 16.6 percent, and 7.1 percent compared to the pre-Corona year 2019. Operating EBITDA improved significantly to €1.4 billion compared to €1.0 billion in the first half of 2020 – a new record. At €1.4 billion, net profit already exceeded the €1 billion threshold after six months of the current financial year, the highest figure since 2002.

While delivering this strong business performance, Bertelsmann also advanced the implementation of its five strategic growth priorities, with the following highlights.

### **National Media Champions**

RTL Group and Groupe Bouygues jointly announced the merger of Groupe M6 and Groupe TF1. The deal is expected to close by the end of 2022. The aim is to create a new French media group with a diversified TV, radio, content production and tech portfolio. Similar plans are underway in the Netherlands, where RTL Group and Talpa Network announced their merger in June. The streaming services TV Now in Germany and Videoland in the Netherlands increased their subscriber base by 72 percent to a combined total of more than 3 million paying subscribers. In August, the merger of RTL Deutschland and Gruner + Jahr was announced.

## Global Content

Penguin Random House's acquisition of the Simon & Schuster publishing group, agreed in November 2020, received antitrust clearance from the UK Competition & Markets Authority (CMA) in May. The US regulatory review is ongoing. The Spanish-language book publishing business Penguin Random House Grupo Editorial strengthened its position in the children's, young-adult and Catalan-language book sectors with publishing acquisitions. Barack Obama's "A Promised Land" sold 750,000 copies across all formats in North America in the first half of the year, bringing total sales since publication to almost 5 million copies in North America, and more than 8 million copies worldwide. Penguin Random House also announced the upcoming publications of "Renegades: Born in the USA" by Barack Obama and Bruce Springsteen, and the memoir of Prince Harry, the Duke of Sussex. The production company Fremantle completed three acquisitions or share increases in the first half of the year, and also achieved organic growth of more than 30 percent. In addition, as part of its growth plan, a new Global Factual unit was established to further expand the business with high-quality documentaries. Fremantle is expected to generate annual revenues of €3 billion by the end of 2025. In March 2021, Bertelsmann's music subsidiary BMG and the private equity firm KKR announced an alliance for the acquisition of major music rights packages.

## Global Services

Bertelsmann's global services activities, which are pooled in the Arvato division, again developed dynamically. Arvato Supply Chain Solutions benefited in particular from growth in the IT/tech, consumer products and healthcare sectors, Arvato Financial Solutions in the "pay-after-delivery" segment. Microsoft recognized the IT service provider Arvato Systems as a top partner with 16 gold recognitions and one silver recognition. The global customer experience company Majorel grew significantly in the first half of the year, driven by business with global customers. The Bertelsmann Printing Group enhanced its position in the US with the integration of two production sites acquired in 2020.

## Online Education

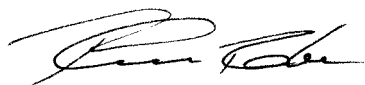
The online courses offered by the e-learning provider Relias and by Alliant International University continued to be in high demand. The online education provider Udacity, in which Bertelsmann owns a stake, also saw growing interest in its Nanodegree courses. In August, Bertelsmann completed the acquisition of 25 percent of the capital shares and 46 percent of the voting rights in the Nasdaq-listed education company Afya in Brazil. This acquisition, which significantly expands Bertelsmann's footprint in the Brazilian education market, has a volume of around €500 million.

## Investment Portfolio

Bertelsmann Investments made 46 new and follow-on investments in the past half-year, mostly via the Bertelsmann Asia Investments (BAI) and Bertelsmann Digital Media Investments (BDMI) funds. In addition, nine exits were completed; Bertelsmann Investments had a total net of 269 holdings as of June 30, 2021.

We expect this positive business performance to continue for the full year 2021. Bertelsmann expects higher revenues overall, continued high operating profitability and Group profit of close to €2 billion.

Yours,

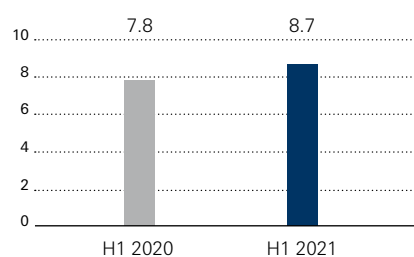


Thomas Rabe

# Group Interim Management Report

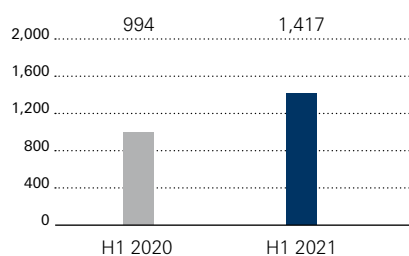
Bertelsmann recorded a successful first half of 2021, exceeding the revenue and profit levels of the period prior to the outbreak of the coronavirus pandemic. The Group saw revenues rise by 10.7 percent to €8.7 billion (H1 2020: €7.8 billion), driven by strong organic growth of 16.6 percent. In addition to the recovery of the advertising-financed businesses, the positive performance of the book publishing and services businesses was the main contributor to this increase. Operating EBITDA increased to €1,417 million (H1 2020: €994 million). The television and production business, the book publishing business and the services business Majorel and Supply Chain Solutions in particular saw strong earnings growth. The EBITDA margin improved to 16.3 percent (H1 2020: 12.7 percent). Driven by the positive operating earnings development and high disposal proceeds in the reporting period, Group profit increased to €1,368 million after €488 million in the same period last year. For 2021 as a whole, Bertelsmann continues to anticipate positive business performance.

**Revenues** in € billions



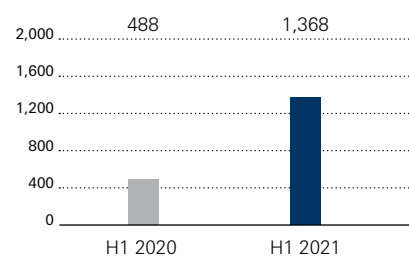
- Revenue up by 10.7 percent, organic revenue growth of 16.6 percent
- Revenue increases primarily at RTL Group, Penguin Random House and Arvato

**Operating EBITDA** in € millions<sup>1)</sup>



- Increase in operating EBITDA by €423 million to a new record level of €1,417 million
- EBITDA margin of 16.3 percent, 3.6 percentage points above same period last year

**Group Profit** in € millions



- Group profit more than doubled to €1,368 million
- Improved operating development and high earnings contribution from disposal proceeds

1) Figure adjusted for H1 2020.



## Fundamental Information about the Group

### Corporate Profile

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

Bertelsmann SE & Co. KGaA is a publicly traded but unlisted company 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. Since achieving important successes through the Group's transformation first begun in 2012, the strategy was developed further in order to meet new challenges, such as growing competition from the US tech platforms. Since that time, the Group has been pursuing five growth priorities: creating national media champions, expanding global content businesses, growing through global services, expanding the online education business, and developing the investment portfolio. The Group aims to grow in existing and new lines of business and through organic initiatives and acquisitions. This strategy will be implemented with a framework of technology and data and by enhancing capabilities through targeted upskilling measures and with cooperation agreements and alliances.

In the first half of 2021, Bertelsmann made considerable progress in all five of the growth priorities. The future merger between RTL Deutschland and Gruner + Jahr is a major step towards creating national media champions. The planned mergers of RTL Nederland and Talpa Network in the Netherlands and of Groupe M6 and Groupe TF1 in France will also function to create national media champions in the European markets. Most recently, RTL Deutschland reinforced its market position by acquiring the outstanding shares in Super RTL; G+J sold its French subsidiary Prisma Media to the French media group Vivendi. Besides acquisitions and disposals, cooperation and strategic partnerships are also important. Super RTL and Gulli announced a strategic partnership for the European licensing market, and the Spiegel group and UFA entered into a content cooperation agreement. Furthermore, continued investments were made to further the expansion of the global content business. The planned acquisition of US book publisher Simon & Schuster by Penguin Random House represents a strategic milestone. Fremantle also invested heavily and significantly expanded its position in the Scandinavian market through the planned acquisition of a total of 12 production firms from Nordic Entertainment Group. BMG and the investment company KKR announced an alliance for the acquisition of music rights. Global services were also further expanded. The customer experience company Majorel reported strong, profitable growth with its global customers and also provided support in the scheduling of vaccination appointments. Arvato Supply Chain Solutions invested in the expansion and automation of its global network of locations. Arvato Financial Solutions reported positive business performance in the field of receivables management and with its range of "purchase-on-account" services, and Arvato Systems increased its activities in the artificial intelligence and IT security lines of business. Bertelsmann Printing Group renewed existing customer contracts and acquired new partners for its DeutschlandCard bonus program. Additionally, Bertelsmann increased its involvement in the rapidly growing Brazilian education market. The acquisition of 25 percent of the shares and 46 percent of the voting rights in Afya, the leading provider of medical education and training in Brazil, will reinforce the online education area. Bertelsmann increased its investment speed with 46 new and follow-on investments in the first half of 2021. As of June 30, 2021, Bertelsmann Investments held in total 269 investments in companies and funds through its four international funds.

## Value-Oriented Management System

Bertelsmann's primary objective is continuous growth of the company's value through a sustained increase in profitability with efficient capital investment at the same time. Strictly defined operational performance indicators, including revenues, operating EBITDA and Bertelsmann Value Added (BVA), are used to directly assess current business performance and are correspondingly used in the outlook. These are distinguished from performance indicators used in the broader sense. These include the EBITDA margin and the cash conversion rate. Some of the key performance indicators are determined on the basis of so-called Alternative Performance Measures, which are not defined under International Financial Reporting Standards (IFRS). These should not be considered in isolation but as complementary information for evaluating Bertelsmann's business performance. For detailed information on this, please refer to the "Alternative Performance Measures" section in the 2020 Combined Management Report.

Revenues as a growth indicator of the businesses increased in the first half of 2021 by 10.7 percent to €8,691 million (H1 2020: €7,848 million). Organic revenue growth was 16.6 percent. Operating EBITDA is determined as earnings before interest, tax, depreciation, amortization, 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, results from disposals of investments and/or restructuring expenses. This means operating EBITDA is a meaningful performance indicator. During the reporting period, operating EBITDA increased to €1,417 million (H1 2020: €994 million).

The performance indicator for assessing the profitability from operations and return on invested capital is BVA. BVA measures the profit realized above and beyond the appropriate return on invested capital. This form of value orientation is reflected in strategic investment and portfolio planning and in the management of operations and, together with qualitative criteria, provides the basis for measuring the variable portion of management remuneration. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated on the basis of operating EBITDA. Operating EBIT is the result of deducting

amortization, depreciation, impairment losses and reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets totaling €415 million (H1 2020: €436 million), which were not included in special items. A flat tax rate of 30 percent was assumed in order to calculate NOPAT of €702 million (H1 2020: €391 million), which is used to calculate BVA. Cost of capital is the product of the average level of capital invested and the weighted average cost of capital (WACC). The average level of capital invested totaled €15.8 billion as of June 30, 2021 (H1 2020: €16.4 billion). The uniform WACC after taxes is 8 percent, resulting in a cost of capital of €630 million (H1 2020: €657 million) in the half-year reporting period. The average invested capital is calculated quarterly on the basis of the Group's operating assets less non-interest-bearing operating liabilities. In the first half of 2021, BVA rose to €121 million (H1 2020: €-222 million). BVA is determined without taking into account the Bertelsmann Investments division, since business performance is represented primarily on the basis of EBIT. Accordingly, the method does not include a NOPAT contribution from this division. To maintain consistency, the invested capital will be adjusted for the Bertelsmann Investment division; hence, capital costs will be neutralized.

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

## Report on Economic Position

### Corporate Environment

#### Overall Economic Developments

The global economic recovery is still progressing despite renewed pandemic-related disruptions. However, disparities in economic dynamics have increased between countries. Economies are increasingly returning to normal, above all in those countries with high vaccination rates.

According to Eurostat, the statistical office of the European Union, real gross domestic product (GDP) in the eurozone decreased by 0.3 percent in the first quarter of 2021 compared

to the previous quarter. According to initial estimates, growth of 2.0 percent is expected for the second quarter of 2021.

Germany's economy also benefited as restrictions implemented to slow the spread of the coronavirus pandemic were gradually lifted towards the middle of the year. Real GDP fell by 2.1 percent in the first quarter of 2021 compared to the previous quarter. According to the initial calculations of the German Federal Statistical Office, real GDP grew by 1.6 percent in the second quarter of 2021.

France's economy stabilized in the early months of 2021. According to INSEE, the French National Institute of Statistics and Economic Studies, real GDP was flat in the first quarter of 2021 and rose by 0.9 percent in the second quarter of 2021.

In the United Kingdom, the economy suffered under extensive coronavirus-related restrictions in the first half of 2021. Real GDP fell by 1.6 percent in the first quarter of 2021, and grew by 4.8 percent in the second quarter of 2021.

The growth trend in the United States continued. Real GDP rose in the first quarter of 2021 at an annualized rate of 6.3 percent. In the second quarter of 2021, real GDP increased by an annualized rate of 6.5 percent according to initial calculations by the Bureau of Economic Analysis.

So far, the economic developments are mainly in the range of the current-year trend anticipated in the 2020 Combined Management Report.

### **Developments in Relevant Markets**

The European television advertising markets experienced strong growth in the first six months of 2021. The streaming markets in Germany and the Netherlands also grew strongly.

The markets for printed books exhibited strong growth in the United States, the United Kingdom and the Spanish-speaking region, while growth was moderate in Germany. The market for e-books was stable in the United States and grew moderately in the United Kingdom. In both countries the digital audiobook market grew strongly.

In the first half of 2021, the German magazine market was characterized by stable print advertising revenues and moderately declining circulation revenues. The relevant digital markets reported significant growth.

Global music publishing markets grew moderately. The global recorded-music markets grew strongly as strong streaming growth more than offset the significant drop in physical recorded music.

The service markets relevant to Arvato showed overall significant growth in the first half of 2021.

The relevant gravure printing markets in Germany, France and the United Kingdom declined strongly in the first six months of 2021, while the corresponding offset markets declined moderately. The North American book printing market showed strong growth.

In the reporting period, the education markets in the United States exhibited moderate to strong growth in the market segments where Bertelsmann is involved – namely, training in healthcare, e-learning in the area of technology and university education.

So far, the developments in the relevant markets are overall above the current-year trend anticipated in the 2020 Combined Management Report.

## **Significant Events in the Current Financial Year**

In March 2021, Bertelsmann announced the signing of an agreement with its former joint venture partner The Walt Disney Company for the acquisition of the remaining 50 percent of the shares in Super RTL. The transaction was approved by the German and Austrian antitrust authorities and closed on July 1, 2021. Since that time, RTL Group holds 100 percent of Super RTL.

In April 2021, RTL Group sold the interest held in its subsidiary SpotX to the US ad-tech company Magnite. RTL Group received a cash payment of €585 million and 12.4 million shares of Magnite stock.

In early May 2021, Núria Cabutí, CEO of the Spanish-speaking book publishing group Penguin Random House Grupo Editorial, was appointed to the Bertelsmann Supervisory Board effective June 1, 2021. She will be a member of this oversight board in her role as representative of the Bertelsmann executives. In this capacity, Núria Cabutí succeeds Ian Hudson, who stepped down from the Supervisory Board after leaving the Group in March 2020.

In May 2021, Groupe TF1, Groupe M6, Groupe Bouygues and RTL Group announced the signing of agreements to immediately begin exclusive negotiations for the merger of Groupe TF1 and Groupe M6. The planned combination was unanimously approved by each of the boards of directors of the four affected groups. In July 2021, after favorable opinions had been issued by the French employee representative bodies, Groupe Bouygues and RTL Group signed agreements relating to the merger. The closing of the transaction is subject to the approval of antitrust authorities and the extraordinary general meetings of Groupe TF1 and Groupe M6, respectively. The transaction is expected to close by the end of 2022.

Effective May 31, 2021, Gruner + Jahr sold its French subsidiary Prisma Media to the French media group Vivendi. Both companies had entered into exclusive sales talks in December 2020 and signed a put option for the sale of Prisma Media at the end of 2020.

In June 2021, RTL Group announced plans to merge its channels and connected media businesses in the Netherlands with Talpa Network into a national media group. Talpa Network will contribute television, radio, print, digital, e-commerce and other assets, and will receive in return a 30 percent share in the expanded company RTL Nederland. RTL Group will hold the remaining 70 percent of the merged group and continue to exercise control over RTL Nederland. The transaction is subject to the approval of antitrust authorities. The transaction is expected to be completed in the first half of 2022.

Also in June 2021, RTL Group announced the planned sale of its Belgian family of channels RTL Belgium to the Belgian media companies DPG Media and Groupe Rossel. The sale is subject to the approval of the responsible antitrust authorities. The transaction is expected to be completed in the fourth quarter of 2021.

## Results of Operations

### Revenue Development

Group revenues increased in the first half of 2021 by 10.7 percent to €8,691 million (H1 2020: €7,848 million). Adjusted for exchange rate effects of -2.8 percent (H1 2020: 0.2 percent) and portfolio and other effects of -3.1 percent (H1 2020: -1.2 percent), organic revenue growth improved to 16.6 percent after an organic revenue decline of 7.9 percent in the same period last year.

RTL Group revenues recovered to a large extent compared with the same period in the previous year, which was defined by the effects of the coronavirus pandemic. The main drivers for the increase in revenues was the positive performance in particular of Fremantle, Groupe M6 and RTL Nederland. Revenues at Penguin Random House rose in all territories, most of all in the United States. Gruner + Jahr generated a revenue increase due to growing digital activities, while the print advertising and distribution business recovered. BMG also managed to increase revenue in the reporting period and continued to benefit from growth in music streaming. Arvato increased revenue mainly due to the positive business performance of the customer experience company Majorel and Supply Chain Solutions. The market-related decline in revenue of the Bertelsmann Printing Group continued. The Bertelsmann Education Group recorded a decline in revenue due to exchange rate and portfolio effects and grew on an organic basis. The investments of Bertelsmann Investments are generally not consolidated, so revenue is not usually reported for this division.

The following changes occurred in the geographical breakdown of revenues compared to the same period last year. The revenue share in Germany amounted to 30.3 percent compared to 32.0 percent in the first half of 2020. The revenue share generated by France amounted to 11.4 percent (H1 2020: 11.3 percent). In the United Kingdom, the revenue share was 6.6 percent (H1 2020: 6.2 percent), while the other European countries achieved a revenue share of 20.0 percent (H1 2020: 18.8 percent). The share of total revenues generated in the United States rose to 24.6 percent (H1 2020: 25.5 percent); other countries accounted for a share of 7.1 percent (H1 2020: 6.2 percent). Overall, the total share of revenues represented by foreign business amounted to 69.7 percent (H1 2020: 68.0 percent). Compared to the first half of 2020, there was a slight shift in the ratio of the four revenue streams (own products and merchandise, advertising, services, and rights and licenses) to one another. The advertising share rose in light of the recovery in demand in the advertising-financed businesses following the coronavirus pandemic.

### Operating EBITDA

During the reporting period, operating EBITDA improved by €423 million to €1,417 million (H1 2020: €994 million). In addition to the favorable business performance in the book publishing and service businesses, the strong increase is also attributable to the ongoing recovery of the advertising-financed businesses. The EBITDA margin increased to 16.3 percent, after 12.7 percent in the same period of the

## Operating EBITDA

in € millions	H1 2021	H1 2020
EBIT (earnings before interest and taxes)	1,929	805
Amortization/depreciation, impairment and reversals of impairment losses on intangible assets, property, plant and equipment and right-of-use assets	424	438
Adjustments on amortization/depreciation, impairment and reversals of impairment losses on intangible assets, property, plant and equipment and right-of-use assets included in special items	(9)	(2)
Special items	(927)	(247)
attributable to: RTL Group	(726)	–
attributable to: Penguin Random House	8	6
attributable to: Gruner + Jahr	(39)	12
attributable to: BMG	3	1
attributable to: Arvato	6	(262)
attributable to: Bertelsmann Printing Group	20	26
attributable to: Bertelsmann Education Group	(4)	(7)
attributable to: Bertelsmann Investments	(194)	(27)
attributable to: Corporate	(1)	4
Operating EBITDA	1,417	994

previous year. Operating EBITDA of the RTL Group improved compared to the same period last year. The increase is attributable in particular to improved earnings at the French Groupe M6, RTL Nederland and Fremantle. Improved earnings in all territories, particularly the US businesses, contributed to higher operating EBITDA at Penguin Random House. Gruner + Jahr also reported growth in operating earnings. BMG reported stable operating EBITDA. Operating EBITDA at Arvato increased as a result of the ongoing positive performance at the customer experience company Majorel and in the Supply Chain Solutions sector. The earnings of the Bertelsmann Printing Group also improved and recovered from the additional negative effects of the coronavirus pandemic. Operating EBITDA at the Bertelsmann Education Group also increased compared to the same period in the previous year. The investments of Bertelsmann Investments are generally not consolidated, so operating earnings are not usually reported for this division.

### Special Items

Special items totaled €927 million (H1 2020: €247 million). They consisted of impairment losses on other financial assets at amortized cost in the amount of €-1 million (H1 2020: €-1 million), adjustment of the carrying amounts of assets classified as held for sale of €-4 million (H1 2020: –), results from disposals of investments of €794 million (H1 2020: €341 million), fair value measurement of investments of €197 million (H1 2020: €60 million), and restructuring expenses and other special

items totaling €-59 million (H1 2020: €-88 million). In the first half of 2021, special items did not include any impairment losses of investments accounted for using the equity method after €-65 million in the same period last year. The increase in results from disposals of investments is mainly attributable to the disposal of the ad-tech company SpotX.

### EBIT

EBIT amounted to €1,929 million in the reporting period (H1 2020: €805 million) after adjusting operating EBITDA to include special items totaling €927 million (H1 2020: €247 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 €-415 million (H1 2020: €-436 million), which were not included in special items.

### Group Profit

The financial result was €-155 million (H1 2020: €-184 million). The tax expense was €-406 million compared to €-133 million in the same period last year. The change is mainly attributable to improved earnings before tax. Group profit thus increased to €1,368 million (H1 2020: €488 million). The share of Group profit attributable to Bertelsmann shareholders was €1,052 million (H1 2020: €386 million). The non-controlling interests in Group profit came to €316 million (H1 2020: €102 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 purpose, Bertelsmann bases its financing policy on the requirements of a "Baa1/BBB+" credit rating and the associated qualitative and quantitative criteria. Credit ratings and capital market transparency make a considerable contribution to the company's financial security and independence.

In accordance with the Group structure, the capital allocation is made centrally by Bertelsmann SE & Co. KGaA, which provides the Group companies with liquidity and manages the issuance of guarantees and letters of comfort for them. The Group uses this method to optimize its capital procurement and investment opportunities.

Bertelsmann utilizes a financial control system employing quantitative financial targets concerning the Group's economic debt and, to a lesser extent, its capital structure. One 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, 2021, operating EBITDA (12 months) amounted to €3,551 million. Economic debt is defined as net financial debt less 50 percent of the nominal capital of the hybrid bonds amounting to €625 million (December 31, 2020: €625 million), plus provisions for pensions amounting to €1,460 million (December 31, 2020: €2,009 million), profit participation capital amounting to €413 million (December 31, 2020: €413 million) and lease liabilities amounting to €1,317 million (December 31, 2020: €1,355 million). As of June 30, 2021, economic debt was €4,432 million (December 31, 2020: €5,207 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 €250 million (December 31, 2020: €250 million) and operating EBITDA decreased by €-355 million (December 31, 2020: €-314 million). This results in a leverage factor of 1.5 as of June 30, 2021 (December 31, 2020: 1.9). Besides the higher earnings, the decrease in the leverage factor is also attributable to the reduction in economic debt.

Net financial debt amounted to €1,867 million compared to €2,055 million as of December 31, 2020.

### Financing Activities

The available liquidity was used to repay various financing instruments ahead of schedule in the first half of 2021. At the start of 2021, a €100 million variable interest promissory note due in April 2023 and a €500 million bond due in May 2021 were terminated and repaid early. Furthermore, parts of bonds due in August 2022, October 2024 and September 2025 totaling a nominal €428 million were repaid ahead of schedule as part of a public repurchase offer in May 2021. In June 2021, the revolving syndicated credit facility was extended for a further year, until 2026.

### Rating

Bertelsmann bases its financing on the requirements of a credit rating of "Baa1/BBB+." 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 €238 million (H1 2020: €1,138 million). The decline is attributable, among other things, to higher net working capital and an increase in tax payments as a result of the improved earnings performance and higher tax prepayments. The cash flow from investing activities was €575 million compared to €-229 million in the same period last year. The increase is mainly attributable to high profits from disposals of subsidiaries and other business units. The cash flow from financing activities was €-1,831 million (H1 2020: €2,219 million). This difference is attributable to the proceeds received in the same period last year from issuing bonds and promissory notes, a return to dividend payment and the repayment measures described in the "Financing Activities" section. Cash and cash equivalents decreased to €3,675 million as of June 30, 2021 (December 31, 2020: €4,773 million). Among other things, this decrease is attributable to capital market measures for the early repayment of various financing instruments.

## Consolidated Cash Flow Statement (Summary)

in € millions	H1 2021	H1 2020
Cash flow from operating activities	238	1,138
Cash flow from investing activities	575	(229)
Cash flow from financing activities	(1,831)	2,219
Change in cash and cash equivalents	(1,018)	3,128
Exchange rate effects and other changes in cash and cash equivalents	58	2
Cash and cash equivalents as of 1/1	4,643	1,643
Cash and cash equivalents as of 6/30	3,683	4,773
Less cash and cash equivalents included within assets held for sale	(8)	–
Cash and cash equivalents as of 6/30 (according to the consolidated balance sheet)	3,675	4,773

### Investments

According to the cash flow statement, investments in the first half of 2021 amounted to €573 million (H1 2020: €402 million). Investments in intangible assets came to €166 million (H1 2020: €174 million) and were attributable primarily to RTL Group for investments in film rights as well as to BMG for the acquisition of music catalogs. As in the same period last year, the majority of investments in property, plant and equipment, totaling €140 million (H1 2020: €139 million), was attributable to Arvato. The sum of €143 million was invested in financial assets (H1 2020: €79 million). Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €124 million in the reporting period (H1 2020: €10 million) and were mainly attributable to the acquisition of full ownership of Super RTL.

### Balance Sheet

Total assets came to €28.7 billion as of June 30, 2021 (December 31, 2020: €29.7 billion). Pension provisions

decreased to €1.5 billion (December 31, 2020: €2.0 billion). In addition to a higher discount rate, this decrease is also due to a voluntary contribution of €200 million to the plan assets managed in trust by Bertelsmann Pension Trust e.V. The increase in Group profit caused equity to rise to €12.1 billion compared to €10.7 billion as of December 31, 2020. This resulted in an equity ratio of 42.0 percent (December 31, 2020: 36.1 percent). Cash and cash equivalents decreased to €3.7 billion as of June 30, 2021, from €4.6 billion as of December 31, 2020. Among other things, this is due to the capital market transactions to repay various financing instruments ahead of schedule mentioned in the “Financing Activities” section.

### Employees

As of June 30, 2021, Bertelsmann had 138,567 employees worldwide.



## Performance of the Group Divisions

### RTL Group

RTL Group reported a strong first half of the year, with strong revenue and earnings growth, mainly due to rising TV advertising revenue. At the same time, the number of streaming subscribers increased and significant progress was made in building national media champions in Europe.

The Group grew its first-half revenues by 13.7 percent to €3.0 billion (H1 2020: €2.7 billion); operating EBITDA increased by 59.0 percent to €583 million (H1 2020: €367 million). This development was driven by a strong recovery in the TV advertising markets, especially in the second quarter; a positive business performance by Fremantle's global content production business; and a dynamically growing streaming business.

The streaming services TV Now in Germany and Videoland in the Netherlands increased their number of paying subscribers by 72 percent to a combined total of more than 3 million, thanks in part to various distribution partnerships. Revenues from streaming grew by 34 percent to €107 million.

RTL Group agreed to several far-reaching consolidation moves during the reporting period, with the aim of creating national media champions that can compete with the global tech platforms. In May 2021, Groupe TF1, Groupe M6, Groupe Bouygues and RTL Group announced plans to merge Groupe TF1 and Groupe M6. In June 2021, RTL Group and Talpa Network announced plans to merge their broadcasting and media businesses in the Netherlands. In the same month, RTL Group signed an agreement for the sale of RTL Belgium to the Belgian media companies DPG Media and Groupe Rossel. All three aforementioned transactions are subject to approval by the relevant competition and regulatory authorities.

Shortly after the end of the first half of the year, RTL Group announced that RTL Deutschland had reached an agreement with Bertelsmann to acquire Gruner + Jahr's German magazine assets and brands. The full acquisition of Super RTL had already been completed.

Fremantle reported strong revenue growth in the first half of the year and announced three acquisitions or increases in shareholdings. As part of its growth plan, it established a new Global Factual unit to expand the high-end documentary business.

### Penguin Random House

Penguin Random House reported significant revenues and earnings growth despite a changing marketplace and economic uncertainties. The publishing group benefited from the success of new and established publications and a continuing audio boom in nearly all territories. Penguin Random House's revenues rose 10.9 percent to €1.8 billion (H1 2020: €1.6 billion), while operating EBITDA increased 55.1 percent to €324 million (H1 2020: €209 million).

The top titles in the first half of the year included "The Hill We Climb: An Inaugural Poem for the Country" by Amanda Gorman, which sold 400,000 copies in the US in the first three months of publication. Barack Obama's "A Promised Land" sold 750,000 copies in North America in all formats combined, bringing total sales in North America since its November 2020 publication to 4.8 million copies, and more than 8 million worldwide. Other successful titles included "The President's Daughter" by Bill Clinton and James Patterson, "How to Avoid a Climate Disaster" by Bill Gates, "The Thursday Murder Club" by Richard Osman, and "Über Menschen" by Juli Zeh.

Thanks to its high number of digitally available titles (e-books, audiobooks) and its state-of-the-art distribution logistics for physical content, Penguin Random House continued to benefit from the accelerated shift to online retail channels.

During the first half of the year, the publishing group established new imprints in numerous markets, such as Ebury Spotlight in the UK, Penguin Junior in Germany and 4 Color Books in the US. The Spanish-language Penguin Random House Grupo Editorial made publishing acquisitions in the children's, young-adult and Catalan-language markets.

The acquisition of the Simon & Schuster publishing group, announced in November 2020, received antitrust clearance from the UK Competition and Markets Authority (CMA) in May 2021; US regulatory review was ongoing at the end of the reporting period.

### Gruner + Jahr

Despite the ongoing pandemic, the Hamburg-based publishing subsidiary Gruner + Jahr (G+J) recorded a successful first half of 2021 with a significant increase in revenues and earnings. Revenues increased 4.6 percent to €548 million



(H1 2020: €524 million), while operating EBITDA doubled to €57 million (H1 2020: €28 million).

The factors driving G+J's positive business performance were a significantly positive second-quarter performance in the print and digital ad sales and circulation business compared to the previous year; continued efficiency measures; and strong revenue and earnings growth at the AppLike Group and at Territory. The total revenue share contributed by the digital businesses increased to 48 percent.

Under the Bertelsmann Content Alliance, numerous new content and digital event formats were created with G+J's participation. For example, STERN, RTL and NTV launched their joint weekday podcast "heute wichtig" ("important today"). STERN CRIME and Penguin Random House Verlagsgruppe hosted the first digital Crime Day, and G+J, UFA and TV NOW launched their first true-crime podcast series in streaming, "Der Maskenmann" ("The Masked Man"). G+J also advocated for independent journalism through the "JAhr zur Wahrheit" ("Year for Truth") initiative.

After the end of the first half of 2021, it was announced that RTL Deutschland would take over G+J's German magazine businesses and brands. The new company will launch in early 2022. At the end of May, G+J sold its French subsidiary Prisma Media to Vivendi.

## BMG

Bertelsmann's music subsidiary BMG reported a strong first half, with revenue increases driven by organic growth, especially in the recordings business. The streaming business reported double-digit growth. BMG's total revenue increased by 5.2 percent to €296 million (H1 2020: €282 million), while operating EBITDA reached €50 million (H1 2020: €49 million), up 3.1 percent. This is the company's best first-half result since it was founded in 2008. The digital businesses' contribution to BMG's total revenue increased to 62 percent (H1 2020: 59 percent).

In March 2021, BMG and the global investment firm KKR announced an alliance to acquire major music rights packages. The collaboration aims to deliver compelling solutions for artists, songwriters and other music rights owners seeking to realize and grow the value of their music assets.

In the recordings segment, BMG released successful new works by AJR and Parmalee & Blanco Brown in the US, by No Angels and Kontra K in Germany, and by KSI and Gary Numan in the UK. BMG increased its sales of albums in the UK by 10 percent during the reporting period, a rate many times greater than the market growth. Key signings included Louis Tomlinson, No Angels and Duran Duran.

In the publishing business, albums by DJ Khaled in the US and Ufo361 and Helloween in Germany topped the charts. BMG songwriter Tyron Hapi co-wrote Masked Wolf's chart-topping hit track "Astronaut in the Ocean", which generated more than 600 million streams on Spotify. The Scorpions and Robin Schulz renewed their publishing contracts; Max Giesinger added publishing to his successful recordings deal.

The Netflix streaming service signed a long-term, exclusive deal with BMG to manage its music publishing rights outside the US. BMG partnered with gaming platform Roblox to develop new opportunities for artists and songwriters. In its latest fairness initiative, BMG accelerated payment to 20,000 songwriters on old contracts in the US and UK.

## Arvato

Bertelsmann's services businesses, which are combined in the Arvato division, performed very well in the first half of the financial year 2021. Overall, the internationally operating services group significantly improved both its revenues and operating result. Revenues grew by 16.3 percent to €2.4 billion (H1 2020: €2.1 billion), while operating EBITDA increased by 31.2 percent to €400 million (H1 2020: €305 million).

Arvato Supply Chain Solutions' logistics services businesses grew dynamically and profitably in the first six months of the financial year. The Solution Group benefited in particular from the fact that the pandemic has greatly accelerated the shift in global trade toward e-commerce. Its global network of locations was further strengthened by the establishment of new distribution centers and the expansion of existing ones in Germany and Turkey, among other countries. In addition, investments were made in equipping selected sites with state-of-the-art automation technology so as to exploit existing long-term growth potential as well.

As expected, Arvato Financial Solutions' revenues and earnings declined in the reporting period due to portfolio effects

(sale of 60 percent of the risk management business to the information services provider Experian in 2020) and government regulations in the receivables management business in Germany and in Norway. By contrast, the financial services provider recorded a very positive revenue development in the pay-after-delivery business. Its receivables management business in the UK, Austria, Switzerland and the Netherlands also grew profitably in the first six months of 2021.

The IT service provider Arvato Systems also recorded a positive first-half performance, signing new customer contracts and further expanding its strategic partnerships with major international software and Internet groups. Microsoft verified Arvato Systems as a top partner with 16 gold competencies and one silver competency. In the cloud environment, among other things, the company was awarded "AWS Well-Architected Partner" status by Amazon Web Services. As IT security is becoming an increasingly important topic, Arvato Systems joined the Microsoft Intelligent Security Association (MISA), among others.

Majorel, the global customer experience company jointly operated by Bertelsmann and the Saham Group and fully consolidated at Bertelsmann, developed very dynamically in the first half of 2021 and again increased both its revenues and earnings. The company grew by expanding its worldwide business relationships with customers, especially with global Internet customers. A particular focus was also placed on further expansion into digital customer experience services and integrated front- and back-office solutions. In addition, Majorel acquired Arvato's Chinese CRM business from Bertelsmann earlier this year, strengthening its position in this important growth market. And finally, Majorel acquired Junokai, one of the leading customer experience consultancies in the DACH region (which is comprised of Germany, Austria and Switzerland), to further expand its consulting portfolio along the customer journey.

### **Bertelsmann Printing Group**

Bertelsmann Printing Group (BPG), provider of printing and marketing services in Europe and North America, saw its revenues decline by 4.1 percent year on year to €624 million in the first half of 2021 (H1 2020: €650 million), due to the situation in the relevant print markets, which remains challenging. Meanwhile, operating EBITDA increased to €26 million (H1 2020: €19 million; plus 36.8 percent) thanks to cost optimization measures, automation initiatives and continued growth in marketing services.

The printing businesses in Germany recorded a significant decline in first-half revenues, due primarily to the scheduled discontinuation of print production at the Nuremberg gravure plant end of April 2021. By contrast, the offset printing company Mohn Media and GGP Media, which specializes in print solutions for book publishers, recorded an overall positive business performance with a solid order situation in the first six months of the year.

Thanks to a positive trend among existing and new customers, the multichannel marketing businesses Dialog and Campaign improved their first-half revenue and earnings year on year. The DeutschlandCard multi-partner rewards program added new program partners in the first six months of the year and continued the sustainable expansion of its digital offerings.

The picture for the group's international printing activities is varied. While Prinovis in the UK was under pressure again, primarily due to declining volumes of supplements among major newspaper publishers, the printing group saw an improvement in its US business. The two book production sites in Fairfield and Martinsburg, acquired at the end of 2020, were successfully integrated into the Group in the first half of the year.

BPG's replication and packaging specialists again performed well in a market that continued to decline and were able to moderately increase their revenues. One reason for this development was the further expansion of the business with sustainable packaging solutions for the food industry.

### **Bertelsmann Education Group**

The Bertelsmann Education Group saw a decline in revenues in the first half of the year, due to portfolio and exchange rate effects; however, earnings increased compared to the same period of the previous year. Adjusted for exchange rate effects, both the e-learning provider Relias, a specialist in continuing education and training for the healthcare sector, and Alliant International University, which specializes in psychology and education, benefited from increased demand and experienced revenue growth.

In sum, Bertelsmann's education businesses generated revenues of €136 million, down 13.9 percent year on year (H1 2020: €158 million). The Bertelsmann Education Group achieved operating EBITDA of €44 million (H1 2020: €40 million, plus 10.0 percent). The decline in revenue and increase in earnings is essentially due to the sale of the majority

of the operating business of the university service provider HotChalk in Q4 2020. Adjusted for portfolio and exchange-rate effects, first-half revenue increased organically by 5.5 percent year on year.

Demand for Relias's learning solutions continued to be high. Further, the company has offered its COVID-19 prevention courses free of charge worldwide since 2020; concentrated on digitized, cloud-based and data-driven learning offerings; and continued to expand its portfolio during the reporting period. For example, a home health aide certification program developed on the basis of new digital education technologies is aimed at healthcare agencies seeking to meet the increased demand for home healthcare in the US.

The online continuing education platform Udacity, in which Bertelsmann has a major stake, saw increasing interest in its Nanodegree courses, especially from enterprises and governments, along with overall business growth. The company expanded its course offerings to include cybersecurity programs, among other things, so as to meet the growing demand from enterprises and governments for qualified professionals in this field. By offering its programs globally, Udacity is able to help increase the diversity of the cybersecurity workforce so that it can better reflect the diverse backgrounds of cybercrime.

Alliant International University recorded revenue increases, mainly due to a continuous expansion of its online curriculum.

### **Bertelsmann Investments**

Bertelsmann Investments made 46 new and follow-on investments in the reporting period, most of them via the Bertelsmann Asia Investments (BAI) and Bertelsmann Digital Media Investments (BDMI) funds. In addition, it completed nine exits, so that Bertelsmann Investments held a total of 269 start-up investments as of June 30, 2021.

BAI made 26 new and follow-on investments in the reporting period, including in the pharmaceutical companies ComMedX, NeoX and Galixir, which develop and test drugs for difficult-to-cure diseases based on artificial intelligence. BAI also recorded the successful IPOs of Linklogis, one of China's leading technology companies, and DingDong Fresh, a Chinese fresh food delivery service.

In Brazil, Bertelsmann strengthened its footprint in the education market. Bertelsmann signed the acquisition of a 25 percent stake and 46 percent of the voting rights in Afya, the leading provider of medical education and training in Brazil, for around €500 million. Bertelsmann Brazil Investments founded and built up Afya together with the Crescera Investimentos investment fund.

BDMI made 17 new and follow-on investments, including investments in the non-fungible tokens marketplace Infinite Objects, the freelance banking app Lance, and My Yoga Teacher, an online provider of yoga classes. The fund profited from successful exits from podcast platform Wondery, programmatic advertising provider Pubmatic, and Barkbox, a subscription service for pet supplies.

In India, Bertelsmann India Investments (BII) enhanced its portfolio with follow-on investments in the Indian direct-to-consumer food platform Licious and the e-commerce service provider Shiprocket. BII also profited from a successful second partial exit from Eruditus. BII continues to hold a significant stake in the global executive education platform, which is the first "unicorn" in the BII portfolio.

Bertelsmann Investments' business performance is mainly determined based on EBIT, which amounted to €188 million for the first half of the year (H1 2020: €23 million).

## Significant Events after the Balance Sheet Date

The takeover of Gruner + Jahr's German magazine businesses and brands by RTL Deutschland was announced on August 6, 2021. A previous announcement made in February 2021 described how the two companies were reviewing a range of options for working together more closely. Merging these two companies will form a national cross-media champion, bringing together content and brands and thus creating a growth alliance across a spectrum of media. The closing of the transaction is planned for January 1, 2022.

In early August 2021, Bertelsmann also completed the acquisition of shares in the Brazilian education company Afya. In June 2021, Bertelsmann had already announced its intention to further expand its global education business and to acquire 25 percent of the shares and 46 percent of the voting rights in Afya. The Nasdaq-listed company is a leading provider of medical education and training in Brazil. Bertelsmann acquired the Afya shares from Crescera Educacional II, a fund launched by Crescera Capital in 2014 with Bertelsmann as one of the lead investors.

In August 2021, a subsidiary of RTL Group signed a definitive agreement for the sale of its investment in the mobile gaming company Ludia. The transaction – with an expected consideration in the low three-digit million range – is subject to regulatory approvals.

## Risks and Opportunities

### Risk Management System

Please refer to the 2020 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 2020 Combined Management Report

Please refer to the respective disclosures in the 2020 Combined Management Report for a description of the key risks to the Bertelsmann Group. Overall, as of June 30, 2021, the same

Group risks are considered material as those existing as of December 31, 2020. However, the significance of individual types of risk in terms of Bertelsmann's future business performance has changed. Despite a cautiously optimistic assessment of pandemic-related risks, economic risks continue to represent the most significant risk in the Group due to continued uncertainty regarding the effects of the further course of the coronavirus pandemic.

### Strategic and Operational Risks

Overall, the risks of the Group have decreased slightly from those depicted in the 2020 Combined Management Report. Contributing to this, in particular, is the unanticipated strong performance of film and television productions at Fremantle. Penguin Random House US managed to continue reducing supplier risk by implementing additional countermeasures such as an optimized supplier management system. The sales of SpotX at RTL Group and Prisma Media at Gruner + Jahr also served to reduce risk. Due to the ongoing uncertainty surrounding the further course of the coronavirus pandemic, there is a significant risk of a potential economic downturn for the advertising-financed businesses of RTL Group and Gruner + Jahr.

### Legal and Regulatory Risks

As part of its strategic orientation, Bertelsmann is planning mergers of Penguin Random House and Simon & Schuster, RTL Nederland and Talpa, and Groupe M6 and Groupe TF1, for which the approval of the relevant authorities in the respective countries is still outstanding. Furthermore, regulatory changes, for instance from the amendment of copyright laws, could impact Bertelsmann's business models. Please refer to the 2020 Combined Management Report for details of other legal and regulatory risks.

### Financial Market Risks

Compared with the situation in the 2020 Combined Management Report, financial market risks have increased overall. Higher interest rate sensitivity from variable interest

rate agreement for investing liquidity and an increase in currency-sensitive positions have contributed to this increase.

## Overall Risk

The overall risk position has decreased slightly overall. Despite the ongoing coronavirus pandemic, no risks were identified for Bertelsmann as a going concern as of June 30, 2021.

## Opportunities

The assessment of opportunities has not changed substantially compared to the information presented in the 2020 Combined Management Report.

## Outlook

For 2021 as a whole, the global economy is expected to increasingly recover from the negative effects of the coronavirus pandemic. Primarily the previously strained brick-and-mortar retail sector and contact-intensive services will benefit from the lifting of pandemic-related restrictions. However, existing supply bottlenecks in the industrial sector will negatively impact production for many companies and also further increase pressure on prices. According to the economic estimates by the Kiel Institute for the World Economy (IfW), global output is expected to grow by 6.7 percent in 2021. This is slightly above previous expectations.

The economic recovery in the eurozone is picking up speed. Overall, the IfW expects real GDP in the eurozone to grow by 5.3 percent in 2021. GDP in Germany will increase by 3.9 percent, as expected. Growth of 6.1 percent is expected in France. A recovery is also expected in the United Kingdom; according to the IfW estimates, real GDP could grow by 6.8 percent in 2021. The economic outlook is also pointing upward for the United States. The IfW expects real GDP to grow by 6.7 percent in 2021. The relatively high growth forecasts are, to a large part, attributable to catch-up effects, as many countries experienced a recession

of historic proportions last year due to the coronavirus pandemic.

The following assessments are subject to a particularly high degree of uncertainty. The economic consequences of the ongoing coronavirus pandemic can only be estimated on a preliminary basis, and it is therefore not possible to adequately forecast their impacts. In addition, geopolitical crises, national deficits, currency turbulence or the introduction of higher tariffs as a result of rising protectionist tendencies could interfere with economic performance. The resulting developments could adversely affect the economic situation, which is a key factor influencing Bertelsmann's business performance.

In light of the business performance in the reporting period and the overall stronger recovery of the relevant markets, the forecast for the Group has been raised for 2021. Without the disposal proceeds generated from real estate transactions in financial year 2020 and taking into consideration the continued expenses in the streaming business and investments in the technology and data fields, Bertelsmann now expects operating EBITDA in the current financial year to rise significantly to strongly (outlook presented in the 2020 Combined Management Report: stable development). Including the disposal proceeds generated from real estate transactions in financial year 2020, operating EBITDA is now expected to decline moderately in financial year 2021 (outlook presented in the 2020 Combined Management Report: decline strongly). The remaining forecasts made in the 2020 Combined Management Report remain unchanged.

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 advanced on the basis of the information that is currently available. Should underlying assumptions fail to apply and/or further risks arise, actual results may differ from those expected. Accordingly, no assurances can be provided concerning the accuracy of such statements.



# Condensed Interim Consolidated Financial Statements

## Consolidated Income Statement

in € millions	H1 2021	H1 2020
Revenues	8,691	7,848
Other operating income	382	179
Cost of materials	(2,688)	(2,372)
Royalty and license fees	(672)	(754)
Personnel costs	(2,881)	(2,660)
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	(424)	(438)
Other operating expenses	(1,307)	(1,300)
Results from investments accounted for using the equity method	34	26
Impairment and reversals on investments accounted for using the equity method	-	(65)
Results from disposals of investments	794	341
EBIT (earnings before interest and taxes)	1,929	805
Interest income	7	6
Interest expenses	(73)	(73)
Other financial income	3	5
Other financial expenses	(92)	(122)
Financial result	(155)	(184)
Earnings before taxes	1,774	621
Income tax expense	(406)	(133)
Group profit or loss	1,368	488
attributable to:		
Bertelsmann shareholders	1,052	386
Non-controlling interests	316	102

The prior-year comparatives have been adjusted. Further details are presented in the section "Prior-Year Information" in the Consolidated Financial Statements as of December 31, 2020.

## Consolidated Statement of Comprehensive Income

in € millions	H1 2021	H1 2020
Group profit or loss	1,368	488
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurement component of defined benefit plans	251	20
Changes in fair value of equity instruments	1	(1)
Share of other comprehensive income of investments accounted for using the equity method	–	–
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>		
Exchange differences		
– changes recognized in other comprehensive income	157	(100)
– reclassification adjustments to profit or loss	(12)	(9)
Cash flow hedges		
– changes in fair value recognized in other comprehensive income	(17)	4
– reclassification adjustments to profit or loss	25	(3)
Share of other comprehensive income of investments accounted for using the equity method	2	1
<b>Other comprehensive income net of tax</b>	<b>407</b>	<b>(88)</b>
<b>Group total comprehensive income</b>	<b>1,775</b>	<b>400</b>
<b>attributable to:</b>		
Bertelsmann shareholders	1,450	306
Non-controlling interests	325	94



## Consolidated Balance Sheet

in € millions	6/30/2021	12/31/2020
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill	7,932	7,868
Other intangible assets	2,362	2,308
Property, plant and equipment and right-of-use assets	2,705	2,717
Investments accounted for using the equity method	836	820
Minority stakes and other financial assets	1,282	1,196
Trade and other receivables	94	69
Other non-financial assets	984	881
Deferred tax assets	974	1,124
	17,169	16,983
<b>Current assets</b>		
Inventories	1,776	1,658
Trade and other receivables	4,133	4,570
Other financial assets	620	178
Other non-financial assets	1,076	992
Current income tax receivables	103	56
Cash and cash equivalents	3,675	4,571
	11,383	12,025
Assets held for sale	173	696
	28,725	29,704
<b>Equity and liabilities</b>		
<b>Equity</b>		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	7,022	5,751
Bertelsmann shareholders' equity	10,367	9,096
Non-controlling interests	1,708	1,629
	12,075	10,725
<b>Non-current liabilities</b>		
Provisions for pensions and similar obligations	1,460	2,009
Other provisions	125	136
Deferred tax liabilities	122	93
Profit participation capital	413	413
Financial debt	5,386	5,911
Lease liabilities	1,037	1,098
Trade and other payables	298	246
Other non-financial liabilities	397	401
	9,238	10,307
<b>Current liabilities</b>		
Other provisions	320	352
Financial debt	156	715
Lease liabilities	280	257
Trade and other payables	4,477	4,833
Other non-financial liabilities	1,887	1,926
Current income tax payables	177	216
	7,297	8,299
Liabilities related to assets held for sale	115	373
	28,725	29,704

## Consolidated Cash Flow Statement

in € millions	H1 2021	H1 2020
Group earnings before interest and taxes	1,929	805
Taxes received/paid	(407)	35
Depreciation and write-ups of non-current assets	429	504
Results from disposals of investments	(794)	(341)
Gains/losses from disposals of non-current assets	(2)	(1)
Change in provisions for pensions and similar obligations	(239)	48
Change in other provisions	(39)	3
Change in net working capital	(435)	139
Fair value measurement of investments	(197)	(60)
Other effects	(7)	6
<b>Cash flow from operating activities</b>	<b>238</b>	<b>1,138</b>
Investments in:		
– intangible assets	(166)	(174)
– property, plant and equipment	(140)	(139)
– financial assets	(143)	(79)
– purchase prices for consolidated investments (net of acquired cash)	(124)	(10)
Disposals of subsidiaries and other business units	680	27
Disposals of other fixed assets	468	146
<b>Cash flow from investing activities</b>	<b>575</b>	<b>(229)</b>
Issues of bonds and promissory notes	–	1,834
Redemption of bonds and promissory notes	(1,026)	–
Proceeds from/redemption of other financial debt	(49)	1,279
Redemption of lease liabilities	(136)	(124)
Interest paid	(169)	(111)
Interest received	9	16
Dividends to Bertelsmann shareholders	(180)	–
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18(b))	(225)	(7)
Change in equity	(32)	(677)
Other effects	(23)	9
<b>Cash flow from financing activities</b>	<b>(1,831)</b>	<b>2,219</b>
<b>Change in cash and cash equivalents</b>	<b>(1,018)</b>	<b>3,128</b>
Exchange rate effects and other changes in cash and cash equivalents	58	2
Cash and cash equivalents 1/1	4,643	1,643
Cash and cash equivalents 6/30	3,683	4,773
Less cash and cash equivalents included within assets held for sale	(8)	–
<b>Cash and cash equivalents 6/30 (according to the consolidated balance sheet)</b>	<b>3,675</b>	<b>4,773</b>

The prior-year comparatives have been adjusted. Further details are presented in the section "Prior-Year Information" in the Consolidated Financial Statements as of December 31, 2020.

## Changes in Net Liabilities Arising from Financing Activities

in € millions	H1 2021	H1 2020
Net liabilities arising from financing activities at 1/1	(3,410)	(4,756)
Cash flow from operating activities	238	1,138
Cash flow from investing activities	575	(229)
Interest, dividends and changes in equity, additional payments (IAS 32.18(b))	(597)	(779)
Exchange rate effects and other changes in net liabilities arising from financing activities	10	(101)
<b>Net liabilities arising from financing activities at 6/30</b>	<b>(3,184)</b>	<b>(4,727)</b>

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

## Consolidated Statement of Changes in Equity

	Sub- scribed capital	Capital reserve <sup>1)</sup>	Retained earnings				Bertels- mann share- holders' equity	Non- con- trolling interests	Total	
			Other retained earnings	Accumulated other comprehensive income <sup>2)</sup>						
			Exchange differ- ences	Fair value reserve	Cash flow hedges	Share of other com- prehen- sive income of investments accounted for using the equity method				
in € millions										
Balance as of 1/1/2020	1,000	2,345	5,496	3	8	1	1	8,854	1,591	10,445
Group profit or loss	-	-	386	-	-	-	-	386	102	488
Other comprehensive income	-	-	20	(101)	(1)	1	1	(80)	(8)	(88)
Group total comprehensive income	-	-	406	(101)	(1)	1	1	306	94	400
Dividend distributions	-	-	-	-	-	-	-	-	(2)	(2)
Changes in ownership interests in subsidiaries that do not result in a loss of control <sup>3)</sup>	-	-	(429)	(8)	-	-	-	(437)	(235)	(672)
Equity transactions with shareholders	-	-	(429)	(8)	-	-	-	(437)	(237)	(674)
Other changes	-	-	-	-	-	-	-	-	(1)	(1)
Balance as of 6/30/2020	1,000	2,345	5,473	(106)	7	2	2	8,723	1,447	10,170
Balance as of 1/1/2021	1,000	2,345	6,086	(331)	9	(11)	(2)	9,096	1,629	10,725
Group profit or loss	-	-	1,052	-	-	-	-	1,052	316	1,368
Other comprehensive income	-	-	245	143	1	7	2	398	9	407
Group total comprehensive income	-	-	1,297	143	1	7	2	1,450	325	1,775
Dividend distributions	-	-	(180)	-	-	-	-	(180)	(217)	(397)
Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	(3)	-	-	-	-	(3)	(40)	(43)
Equity transactions with shareholders	-	-	(183)	-	-	-	-	(183)	(257)	(440)
Other changes	-	-	-	-	-	4	-	4	11	15
Balance as of 6/30/2021	1,000	2,345	7,200	(188)	10	-	-	10,367	1,708	12,075

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, 2021, and June 30, 2020, no significant amounts relate to assets classified as held for sale in accordance with IFRS 5.

3) In the same period in the previous year, the changes in ownership interests in subsidiaries that do not result in a loss of control mainly arise from the shareholding increase in Penguin Random House.

## Segment Information

in € millions	Penguin									
	RTL Group		Random House		Gruner + Jahr		BMG		Arvato	
	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
Revenues from external customers	2,964	2,617	1,803	1,627	532	508	295	280	2,402	2,064
Intersegment revenues	50	35	1	–	16	16	1	2	34	31
Divisional revenues	3,014	2,652	1,804	1,627	548	524	296	282	2,436	2,095
Operating EBITDA	583	367	324	209	57	28	50	49	400	305
EBITDA margin <sup>1)</sup>	19.4%	13.8%	18.0%	12.8%	10.4%	5.4%	16.9%	17.3%	16.4%	14.6%
Impairment (-)/reversals (+) on intangible assets, property, plant and equipment and right-of-use assets	1	2	–	–	–	–	–	–	–	(2)
Results from investments accounted for using the equity method	14	13	2	(1)	6	–	–	–	4	5
Impairment (-)/reversals (+) on investments accounted for using the equity method	–	(65)	–	–	–	–	–	–	–	–

The prior-year comparatives have been adjusted. Further details are presented in the section "Prior-Year Information" in the Consolidated Financial Statements as of December 31, 2020.

1) Operating EBITDA as a percentage of revenues.

2) The business development of Bertelsmann Investments is determined primarily on the basis of EBIT. EBIT amounted to €188 million (H1 2020: €23 million).

## Reconciliation to Operating EBITDA

in € millions	H1 2021	H1 2020
EBIT	1,929	805
Special items		
– adjustment to carrying amounts on assets held for sale	4	–
– Impairment (+)/reversals (-) on other financial assets at amortized cost	1	1
– Impairment (+)/reversals (-) on investments accounted for using the equity method	–	65
– results from disposals of investments	(794)	(341)
– fair value measurement of investments	(197)	(60)
– restructuring and other special items	59	88
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	424	438
Adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	(9)	(2)
Operating EBITDA	1,417	994

The prior-year comparatives have been adjusted. Further details are presented in the section "Prior-Year Information" in the Consolidated Financial Statements as of December 31, 2020.

Bertelsmann Printing Group		Bertelsmann Education Group		Bertelsmann Investments <sup>2)</sup>		Total divisions		Corporate		Consolidation		Group total	
H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
552	584	136	158	3	4	8,687	7,842	4	6	–	–	8,691	7,848
72	66	–	–	–	1	174	151	17	16	(191)	(167)	–	–
624	650	136	158	3	5	8,861	7,993	21	22	(191)	(167)	8,691	7,848
26	19	44	40	(6)	(3)	1,478	1,014	(61)	(16)	–	(4)	1,417	994
4.1%	2.9%	32.1%	24.9%	(191.0)%	(71.0)%	16.7%	12.7%	n/a	n/a	n/a	n/a	16.3%	12.7%
(7)	–	–	–	–	–	(6)	–	–	–	–	–	(6)	–
–	–	8	10	–	–	34	27	–	–	–	(1)	34	26
–	–	–	–	–	–	–	(65)	–	–	–	–	–	(65)

## Selected Explanatory Notes

### 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 full Consolidated Financial Statements and should be read in conjunction with the Bertelsmann Consolidated Financial Statements as of December 31, 2020.

The Condensed Interim Consolidated Financial Statements were 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, 2020. A detailed description of these policies is presented in the notes to the Consolidated Financial Statements in the 2020 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.

## Effects of the Coronavirus Pandemic on the Condensed Interim Consolidated Financial Statements

The operating and accounting effects resulting from the coronavirus pandemic on the Condensed Interim Consolidated Financial Statements of Bertelsmann SE & Co. KGaA no longer show a strong impact in the Media, Services, Education and Investments divisions. As shown by the first six months of 2021, the broad positioning of the Bertelsmann Group continues to contribute to positive business performance. Revenue and profit levels are higher than the pre-pandemic levels achieved in the first half of 2019 and significantly higher than in the same period last year.

As the coronavirus pandemic continues, balance sheet effects are still being evaluated for the particularly relevant issues. These issues are the impairment of goodwill and individual assets, leasing, royalties, program rights, inventories, trade receivables, government grants, deferred tax assets, losses from onerous contracts and revenues. As the economic situation in 2021 appears to be significantly more stable overall and is expected to remain so, and due to a continuing recovery of the relevant markets, there was

no requirement to recognize an impairment loss on goodwill, even in light of the ongoing coronavirus pandemic. Furthermore, no material negative effects are anticipated on the assets, liabilities and financial performance of the Bertelsmann Group in any of the other accounting areas deemed to be vulnerable to the coronavirus pandemic.

Economic uncertainties arising from the coronavirus pandemic continue to require extended discretionary judgments, estimates and assumptions. The assessment of the extent to which current and future customers will be able to fulfill their payment obligations resulting from customer contracts in the future is still subject to uncertainties in the current macroeconomic situation; therefore, Bertelsmann focuses on examining this criterion before and at the time of satisfying performance obligations as part of revenue recognition. In addition, the estimation of the variable consideration based on capacity utilization and the determination of transaction prices are subject to uncertainty.

## Scope of Consolidation

The Condensed Interim Consolidated Financial Statements as of June 30, 2021, include Bertelsmann SE & Co. KGaA and all material subsidiaries over which Bertelsmann SE & Co. KGaA is able to exercise control in accordance with IFRS 10. Joint ventures and associates are accounted for using the equity method in accordance with IAS 28. As of June 30, 2021, the scope of consolidation including Bertelsmann SE & Co. KGaA consists of 873 (December 31, 2020: 894) companies with 12 additions and 33 disposals in the first half of 2021. This includes 816 (December 31, 2020: 830) consolidated

companies. In addition, investments in 17 (December 31, 2020: 21) joint ventures and 40 (December 31, 2020: 43) associates are accounted for using the equity method in the Consolidated Financial Statements. A total of 167 (December 31, 2020: 170) companies were excluded from the scope of consolidation. These consist of the associates in the portfolio of the Bertelsmann Investments division and entities without significant business operations and of negligible importance for the financial position and financial performance of the Bertelsmann Group.

## Acquisitions and Disposals

The Bertelsmann Group made several acquisitions in the first half of 2021, 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. The cash flow from acquisition activities totaled €-124 million, of which €7 million related to new acquisitions during the first half of the year less cash and cash equivalents acquired, €-7 million to payments in connection with acquisitions made in previous years, and €-124 million to an advance payment on the acquisition of the remaining 50 percent of the shares in Super RTL (further details are presented in the section "Other Information").

The consideration transferred in accordance with IFRS 3 amounted to €29 million. In addition, put options in the amount of €38 million were accounted for in relation to the acquisitions made by the RTL Group division. The other acquisitions resulted in goodwill totaling €36 million, which reflects synergy potential. The goodwill is not tax deductible and relates mainly to the RTL Group division. Transaction-related costs were immaterial in the first half of 2021 and have been recognized in profit or loss.

The purchase price allocations consider all the facts and circumstances prevailing as of the respective dates of acquisition that were known prior to preparation of the

Consolidated Financial Statements. In accordance with IFRS 3, should further facts and circumstances become known within the 12-month measurement period, the purchase price allocation will be adjusted accordingly.

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

## Effects of Acquisitions

in € millions	Total
<b>Non-current assets</b>	
Other intangible assets	25
Property, plant and equipment and right-of-use assets	3
<b>Current assets</b>	
Inventories	37
Trade and other receivables	8
Cash and cash equivalents	15
<b>Liabilities</b>	
Financial debt	(6)
Lease liabilities	(1)
Other financial and non-financial liabilities	(56)
<b>Net assets acquired</b>	<b>25</b>
Goodwill	36
Non-controlling interests	(11)
Fair value of pre-existing interests	(21)
<b>Consideration transferred according to IFRS 3</b>	<b>29</b>
Less fair value of contributed assets	(21)
<b>Consideration paid in cash</b>	<b>8</b>
Cash and cash equivalents acquired	(15)
<b>Cash outflow from acquisitions in accordance with IFRS 3</b>	<b>(7)</b>
Payments on prior year's acquisitions	7
Advance payment on acquisition of shares in Super RTL	124
<b>Total cash flow from acquisition activities</b>	<b>124</b>

Since initial consolidation, all new acquisitions in accordance with IFRS 3 in the first half of 2021 have contributed €23 million to revenue and €2 million to Group profit or loss.

If consolidated as of January 1, 2021, these would have contributed €57 million to revenue and €4 million to Group profit or loss.

In April 2021, RTL Group sold its interests held in its subsidiary SpotX to the US ad-tech company Magnite for €965 million. The purchase price was settled by the transfer of 12.4 million shares of Magnite stock, for a total of €380 million after considering the lock-up adjustment measured at fair value through profit or loss (level 3), and a cash payment of €585 million after considering closing adjustments in accordance with the sales and purchase agreement. Net of disposed net assets and transaction-related costs, the transactions resulted in an overall gain of €745 million recognized in the item "Results from disposals of investments."

In May 2021, Gruner + Jahr sold its interests held in Prisma Media for €169 million. Net of transaction-related costs, the sale resulted in a gain of €49 million recognized in the item "Results from disposals of investments."

After considering the cash and cash equivalents disposed of, the Bertelsmann Group recorded cash flows in the amount of €680 million from all disposals in the first half of 2021. The disposals led to a gain from deconsolidation of €797 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	SpotX	Prisma Media	Other	Total
<b>Non-current assets</b>				
Goodwill	109	129	5	243
Other intangible assets	22	19	-	41
Property, plant and equipment and right-of-use assets	10	35	-	45
Other non-current assets	1	6	-	7
<b>Current assets</b>				
Inventories	-	9	-	9
Other current assets	170	67	1	238
Cash and cash equivalents	68	9	-	77
<b>Liabilities</b>				
Provisions for pensions and similar obligations	-	15	-	15
Lease liabilities	4	29	-	33
Other financial and non-financial liabilities	174	108	1	283



## 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	Balance as of 6/30/2021	Balance as of 12/31/2020
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill	32	237
Other intangible assets	2	33
Property, plant and equipment and right-of-use assets	37	43
Investments accounted for using the equity method	–	2
Other non-current assets	–	1
Deferred tax assets	6	5
<b>Current assets</b>		
Inventories	31	9
Trade and other receivables	54	286
Other current assets	7	8
Cash and cash equivalents	8	72
Impairment on assets held for sale	(4)	–
<b>Assets held for sale</b>	<b>173</b>	<b>696</b>
<b>Equity and liabilities</b>		
<b>Non-current liabilities</b>		
Provisions for pensions and similar obligations	22	14
Deferred tax liabilities	–	3
Lease liabilities	25	27
Trade and other payables	2	1
<b>Current liabilities</b>		
Other provisions	–	6
Lease liabilities	4	10
Trade and other payables	41	254
Other current liabilities	21	58
<b>Liabilities related to assets held for sale</b>	<b>115</b>	<b>373</b>

As of June 30, 2021, the carrying amounts of the assets classified as held for sale and related liabilities are almost completely attributable to the RTL Group division. In June 2021, RTL Group announced that it had signed a definitive agreement for the sale of RTL Belgium. The transaction – with an expected consideration of €215 million and after a dividend distribution of €35 million – is subject to regulatory approvals and is expected to close in the fourth quarter of 2021. An immaterial portion of the carrying amounts of the assets

classified as held for sale and related liabilities is attributable to the Majorel Stralsund disposal group within the Arvato division as of June 30, 2021.

An impairment of €4 million was recognized in the first half of 2021 for the Majorel Stralsund disposal group, which was measured at fair value less costs to sell. 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 2021	H1 2020	6/30/2021	12/31/2020	6/30/2020
Australian dollar	AUD	1.5626	1.6746	1.5853	1.5896	1.6344
Canadian dollar	CAD	1.5031	1.5036	1.4722	1.5633	1.5324
Chinese renminbi	CNY	7.7972	7.7500	7.6742	8.0225	7.9219
British pound	GBP	0.8679	0.8740	0.8581	0.8990	0.9124
US dollar	USD	1.2053	1.1020	1.1884	1.2271	1.1198

## Additional Disclosures on Revenues

In the first half of 2021, Group revenues of €8,533 million were generated from contracts with customers in accordance with IFRS 15 (H1 2020: €7,713 million). The other revenues amounting to €158 million (H1 2020: €135 million) not in the scope of IFRS 15 resulted almost entirely from financial services in the Arvato division. The following table shows the revenues from contracts with customers in accordance with IFRS 15 by

division and broken down by revenue 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 consequently differ in amount from the breakdown of revenues in segment reporting.

## Revenue from Contracts with Customers

H1 2021								
in € millions	RTL Group	Penguin Random House	Gruener + Jahr	BMG	Arvato	Bertelsmann Printing Group	Bertelsmann Education Group	Total divisions <sup>1)</sup>
<b>Revenue Sources</b>								
Own products and merchandise	23	1,725	214	24	30	11	–	2,027
Services	151	52	158	–	2,214	531	136	3,242
Advertising	1,611	–	151	–	–	10	–	1,772
Rights and licenses	1,179	26	9	271	–	–	–	1,485
	2,964	1,803	532	295	2,244	552	136	8,526
<b>Geographical Areas</b>								
Germany	906	114	335	19	809	347	1	2,531
France	638	3	99	11	217	24	–	992
United Kingdom	102	183	20	45	177	45	–	572
Other European countries	718	154	40	34	670	64	–	1,680
United States	515	1,076	11	160	179	67	131	2,139
Other countries	85	273	27	26	192	5	4	612
	2,964	1,803	532	295	2,244	552	136	8,526
<b>Timing</b>								
Point in time	941	1,750	307	65	31	20	–	3,114
Over time	2,023	53	225	230	2,213	532	136	5,412
	2,964	1,803	532	295	2,244	552	136	8,526

H1 2020								
in € millions	RTL Group	Penguin Random House	Gruener + Jahr	BMG	Arvato	Bertelsmann Printing Group	Bertelsmann Education Group	Total divisions <sup>1)</sup>
<b>Revenue Sources</b>								
Own products and merchandise	52	1,561	243	15	37	9	–	1,917
Services	164	44	117	–	1,892	565	158	2,940
Advertising	1,343	–	141	–	–	10	–	1,494
Rights and licenses	1,058	22	7	265	–	–	–	1,352
	2,617	1,627	508	280	1,929	584	158	7,703
<b>Geographical Areas</b>								
Germany	791	114	347	39	756	379	1	2,427
France	541	2	103	17	199	22	–	884
United Kingdom	103	182	13	33	97	57	1	486
Other European countries	608	127	29	29	555	72	–	1,420
United States	519	990	7	139	143	49	153	2,000
Other countries	55	212	9	23	179	5	3	486
	2,617	1,627	508	280	1,929	584	158	7,703
<b>Timing</b>								
Point in time	896	1,582	337	60	64	22	–	2,961
Over time	1,721	45	171	220	1,865	562	158	4,742
	2,617	1,627	508	280	1,929	584	158	7,703

1) Excluding Bertelsmann Investments and Corporate activities.

## Additional Disclosures on Financial Instruments

The principles and methods used for the fair value measurement remain unchanged compared to those used in the previous year. Only disclosures on financial instruments that are significant to an understanding of the changes in financial position and financial performance since the end of the last annual reporting period are explained below. 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. The reconciliation of the carrying amounts of the financial instruments to the measurement categories is not disclosed, as the composition of the financial instruments has not changed significantly compared with December 31, 2020. In addition, no fair values are disclosed for financial instruments not measured at fair value whose carrying amount is a reasonable approximation of fair value.

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

### Level 1:

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

### Level 2:

For measuring the fair value of unlisted derivatives, Bertelsmann uses various financial methods reflecting the prevailing market conditions and risks at the respective balance sheet dates. Irrespective of the type of financial instrument, future cash flows are discounted at the end of the reporting period based on the respective market interest rates and yield curves at the end of the reporting period. The fair value of forward exchange transactions is calculated using the average spot prices at the end of the reporting period and taking into account forward markdowns and markups for the remaining term of the transactions. The fair value of interest rate derivatives is calculated on the basis of the respective market rates and yield curves at the end of the reporting period. The fair value of forward commodity transactions is derived from the stock exchange listings published at the end of the reporting period. Any mismatches to the standardized stock exchange contracts are reflected through interpolation or additions.

### Level 3:

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

The measurement category "fair value through profit or loss" mainly includes the minority stakes in start-ups and fund investments purchased by the Bertelsmann Investments division, and shares of Magnite stock from the disposal of SpotX. 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 in the item "Fair value measurement of investments."

The market value of the 2001 profit participation certificates with a closing rate of 347.20 percent on the last day of trading in the first half of 2021 on the Frankfurt Stock Exchange was €987 million (December 31, 2020: €908 million with a rate of 319.51 percent) and, correspondingly, €31 million for the 1992 profit participation certificates with a rate of 184.12 percent (December 31, 2020: €31 million with a rate of 180.00 percent). The market values are based on level 1 of the fair value hierarchy.

In January 2021, Bertelsmann terminated a floating-rate promissory note of €100 million due in April 2023. The promissory note was repaid ahead of schedule in April 2021. In addition, a €500 million bond due in May 2021 was terminated early in March 2021. Repayment took place in April 2021, one month before the original maturity date.

In addition, early repayments of parts of the bonds due in August 2022, October 2024 and September 2025 totaling a nominal €428 million were made in May 2021 as part of a public repurchase offer.

In June 2021, the revolving syndicated credit facility was extended for a further year, until 2026.

On June 30, 2021, the cumulative market value of the listed bonds totaled €5,158 million (December 31, 2020: €6,146 million) with a nominal volume of €4,822 million (December 31, 2020: €5,750 million) and a carrying amount of €4,796 million (December 31, 2020: €5,719 million). The stock market prices are based on level 1 of the fair value hierarchy. On June 30, 2021, the total carrying amount of the private placements and promissory notes totaled €573 million (December 31, 2020: €673 million), and the total market value amounted to €638 million

(December 31, 2020: €753 million). The fair values of private placements and promissory notes are determined using actuarial methods based on yield curves adjusted for the Group's credit margin. This credit margin results from the market price for credit default swaps at the end of the respective reporting periods. Fair value is measured on the basis of discount rates ranging from -0.50 percent to 0.78 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 6/30/2021
Financial assets measured at fair value	158	10	1,653	1,821
Primary and derivative financial assets held for trading	–	37	–	37
Derivatives with hedge relation	–	13	–	13
	158	60	1,653	1,871

### Financial Assets Measured at Fair Value Based on Level 3

in € millions	Financial assets measured at fair value	Primary and derivative financial assets held for trading	Total
Balance as of 1/1/2021	1,067	–	1,067
Total gain (+) or loss (-)	196	–	196
– in profit or loss	186	–	186
– in other comprehensive income	10	–	10
Purchases	525	–	525
Sales/settlements	(134)	–	(134)
Transfers out of level 3	(1)	–	(1)
Balance as of 6/30/2021	1,653	–	1,653
Gain (+) or loss (-) for assets still held at the end of the reporting period	162	–	162

The purchases relate in the amount of €380 million to the Magnite shares RTL Group received as a part of the non-cash consideration from the sale of SpotX. The effect from remeasurement of these shares amounted to €-33 million

and is disclosed in the item "in profit or loss." Additionally, the item "Purchases" includes various new and follow-on investments by the Bertelsmann Investments division, none of which was material on a stand-alone basis.

## 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 6/30/2021
Financial liabilities measured at fair value through profit or loss	–	–	14	14
Primary and derivative financial liabilities held for trading	–	33	–	33
Derivatives with hedge relation	–	32	–	32
	–	65	14	79

## Financial Liabilities Measured at Fair Value Based on Level 3

in € millions	Financial liabilities mea- sured at fair value through profit or loss	Total
Balance as of 1/1/2021	17	17
Total gain (-) or loss (+)	1	1
– in profit or loss	–	–
– in other comprehensive income	1	1
Purchases	1	1
Settlements	(5)	(5)
Transfers out of/into level 3	–	–
Balance as of 6/30/2021	14	14
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	–	–

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 €33 million relating to cash flow hedges (H1 2020: €-3 million) was reclassified from accumulated other comprehensive income to the income statement. These are amounts before tax.

## Income Taxes

The tax expense for the first half of 2021 was calculated in accordance with IAS 34 using the average annual tax rate expected for the whole of 2021, in relation to taxable earnings before taxes, which is calculated at 30.7 percent (H1 2020: 32.6 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. The tax expense for the first half of 2021 was higher than in the same period of the previous year, in particular due to transactions.

## 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 the consequences of the coronavirus pandemic due to its macroeconomic effects and related uncertainty (further explanations are presented in the section "Effects of the Coronavirus Pandemic on Condensed Interim Consolidated Financial Statements"). In a financial year unaffected by influences such as the coronavirus pandemic, higher revenues and a higher operating result tend to be expected in the second half of the year compared to the first half of the year. These higher revenues are due to increasing demand during the year-end holiday season, in particular in advertising-driven businesses and in the publishing business, as well as to the customary seasonality in the music business. This seasonality for revenue in 2021 may differ from prior years given the global economic development and current economic uncertainty.

As of June 30, 2021, total assets amounted to €28.7 billion (December 31, 2020: €29.7 billion). Pension provisions decreased to €1.5 billion (December 31, 2020: €2.0 billion). In addition to a higher discount rate, the main reason for the decrease is a voluntary addition of €200 million to the plan assets managed in trust by Bertelsmann Pension Trust e.V.

Due to a triggering event, impairment tests were conducted for selected cash-generating units as of June 30, 2021. On account of the coronavirus pandemic, the assumptions for impairment testing overall continue to be subject to increased uncertainty and extended discretionary judgment in the context of cash flow forecasts.

Fremantle continued to recover in the first half of 2021, despite the ongoing impact of the coronavirus pandemic. Driven by the high overall market demand for content from a diversified set of potential clients (including broadcasters, platforms and streaming services) and Fremantle's well-diversified territorial coverage (Fremantle's network of local production and distribution companies operates in over 30 territories around the world), the exposure of Fremantle towards potentially long-lasting recessions of specific economies is limited. The

streaming platforms are expected to continue to increase their content spend. Further initiatives to develop new formats, to expand Fremantle's slate of scripted, entertainment and factual productions, and to further diversify Fremantle's global footprint support the continued growth of the business. Based on a Discounted Cash Flow (DCF) model with revised budget assumptions, a discount rate of 8.15 percent (December 31, 2020: 8.21 percent), a long-term growth rate of 1.80 percent (December 31, 2020: 1.80 percent) and with a perpetual EBITA margin of 8 percent (December 31, 2020: 8 percent), the headroom at the level of Fremantle has increased to €306 million (December 31, 2020: €213 million).

Despite the recovery of the share price of Atresmedia, and the indicated increase of TV advertising spend for the upcoming months, the ongoing challenging economic environment in Spain due to the coronavirus pandemic combined with strong competition, changing viewing preferences and continued dependence on linear television still leads to high uncertainty in terms of forecasts. As of June 30, 2021, neither an additional impairment loss nor a reversal of impairment loss had to be recognized on the investment in Atresmedia accounted for using the equity method.

In March 2021, RTL Deutschland announced that it had signed an agreement for the acquisition of the remaining 50 percent of the shares in Super RTL (RTL Disney Fernsehen GmbH & Co. KG) from The Walt Disney Company (Buena Vista International Television Investments, Inc). The transaction will be accounted for as a business combination in accordance with IFRS 3. As of June 30, 2021, the purchase price payment of €124 million was already paid and is included in the cash flow statement under the item "purchase prices for consolidated investments (net of acquired cash)" in the cash flow from investing activities. In accordance with IFRS 3, the acquisition date is assumed to be July 1, 2021. At the time the Condensed Interim Consolidated Financial Statements were prepared, the purchase price allocation was at a very preliminary stage. In particular, the valuations have not yet been finalized. As a result, the fair values of identifiable assets, especially intangible assets, and liabilities acquired have only

been determined provisionally and have not been recognized accordingly. The accounting for the acquisition is expected to be finalized at the end of the year, based on facts and circumstances existing at the date control was assumed.

In June 2021, Bertelsmann announced the acquisition of 25 percent of the capital shares and 46 percent of the voting rights in Afya, a leading provider of medical education and training in Brazil. By acquiring the Afya shares from Crescera Educacional II, a fund launched by Crescera Capital in 2014 with Bertelsmann as one of the lead investors, Bertelsmann expands its involvement

in Brazil's rapidly growing education market. As of June 30, 2021, the transaction was subject to the approval of regulatory authorities. Following the granting of this approval, the transaction was closed in August 2021. Going forward, the investment in Afya will be accounted for using the equity method.

For further portfolio changes, including the merger between RTL Deutschland and Gruner + Jahr, and the planned mergers of RTL Nederland and Talpa Network in the Netherlands and of Groupe TF1 and Groupe M6 in France, please refer to the explanations in the Group Interim Management Report.

## Notes on Segment Reporting

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

For segment reporting, intercompany leases are 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 2021	H1 2020
Operating EBITDA	1,417	994
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	424	438
Adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	(9)	(2)
Special items	(927)	(247)
EBIT	1,929	805
Financial result	(155)	(184)
Earnings before taxes	1,774	621
Income tax expense	(406)	(133)
Group profit or loss	1,368	488

## Events after the Reporting Period

In August 2021, a subsidiary of RTL Group signed a definitive agreement for the sale of its investment in the mobile gaming company Ludia. The transaction – with an expected

consideration in the low three-digit million range – is subject to regulatory approvals.



# 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 26, 2021

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

Thomas Rabe

Markus Dohle

Rolf Hellermann

Immanuel Hermreck

# Review Report

To Bertelsmann SE & Co. KGaA, Gütersloh

We have reviewed the Condensed Interim Consolidated Financial Statements of Bertelsmann SE & Co. KGaA – 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, 2021 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 30, 2021

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Dr. Tonne  
Wirtschaftsprüfer  
[German Public Auditor]

Thiele  
Wirtschaftsprüfer  
[German Public Auditor]

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

[www.bertelsmann.com](http://www.bertelsmann.com)



The Interim Report is also available in German.

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