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Interim Report 2017



BERTELSMANN

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At a Glance

Key Figures (IFRS)

in € millions	H1 2017	H1 2016
Business Development		
Group revenues	8,134	7,966
Operating EBITDA	1,099	1,111
EBITDA margin in percent ¹⁾	13.5	13.9
Group profit	502	482
Investments ²⁾	636	603
Consolidated Balance Sheet	6/30/2017	12/31/2016
Equity	9,740	9,895
Equity ratio in percent	41.6	41.6
Total assets	23,434	23,794
Economic debt ³⁾	6,291	5,913

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

1) Operating EBITDA as a percentage of revenues.

2) Taking into account the financial debt assumed, investments amounted to €643 million (H1 2016: €605 million).

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

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Interactive Interim Report

The Bertelsmann Interim Report 2017 can also be accessed online at ir2017.bertelsmann.com

Highlights of the First Six Months



- “American Gods”: The series, eagerly awaited by fans worldwide, launches on the US cable network Starz and can be watched internationally via the Amazon Prime Video streaming service.
- “American Idol”: Fremantle Media brings one of the world’s most popular and iconic TV shows back to screens for the 2017–18 season on the US network ABC.
- “Sing meinen Song – Das Tauschkonzert,” “Kitchen Impossible” and others: Vox secures its position among the leading TV channels in Germany with local formats – ahead even of competitor ProSieben in terms of total audience.
- Penguin Random House secures worldwide rights to each of the two books being written by former US President Barack Obama and former First Lady Michelle Obama and will publish globally in all its territories.
- Penguin Random House Grupo Editorial expands its strong market positions in Spain and Latin America with the acquisition of Ediciones B publishing group.
- “Into the Water,” the second thriller by “The Girl on the Train” author Paula Hawkins, sells more than 600,000 copies in the English- and German-speaking territories in just two months.

www.RTLGroup.com

www.penguinrandomhouse.com



- Arvato acquires the IT and analytics company Ramyam. The Indian start-up will help Arvato structure large volumes of data, as well as develop and market new big data solutions.
- In the supply chain management business, Arvato expands its existing network of European sites – for example, in France for the key customer Zalando.
- Arvato invests in the Fintech start-up Solaris Bank, thereby securing long-term access to innovative financial technology.
- Offset printing businesses in Germany and gravure printing in the United Kingdom enjoy high capacity utilization, counter to the market downtrend.
- Mohn Media commissions a third 96-page offset press as part of expanding its brochure business.
- Sonopress grows its market share in Ultra HD storage media replication.

www.arvato.com

www.bertelsmann-printing-group.com



- Portfolio expansion: New lifestyle magazine “Hygge” from G+J subsidiary Deutsche Medien-Manufaktur is the fifth title since it was founded in 2016; others include “Essen & Trinken mit Thermomix.”
- On an expansionist path: G+J’s historic title “Schöner Wohnen” now also offers a furniture collection, once again extending the brand’s range of offers.
- Digital growth: The app-discovery platform AppLike is already active in markets in 15 countries, making it the most international digital business at G+J.

www.guj.com



- BMG acquires the BBR Music Group, securing a relevant position in the lucrative country music market.
- BMG signs contracts with international artists such as Avril Lavigne, Fergie, Kylie Minogue and Mando Diao.
- BMG clients, including Nickelback (records) and DJ Khaled (music publishing), experience significant chart success.

www.bmg.com



- On a growth course: The e-learning provider Relias Learning wins additional customers and further expands its activities in the hospital segment.
- Acquisition: Relias Learning fully takes over the data analysis company WhiteCloud Analytics.
- IT training: The e-learning provider Udacity develops new Nanodegrees and increases student numbers.

www.bertelsmann-education-group.com



- Bertelsmann digital funds invest in 14 companies with innovative business models and now have stakes in some 150 start-ups worldwide.
- Bertelsmann strengthens its activities in growth regions with relevant investments and successful trend scouting.
- Bertelsmann Asia Investments (BAI) again makes a relevant contribution to Group profit through capital gains from the sale of shareholdings.

www.bertelsmann-investments.com



Thomas Rabe
Chairman and CEO of Bertelsmann

Dear readers and friends of Bertelsmann,

Bertelsmann looks back on a successful performance in the first half of 2017.

Our Group's revenues for the first six months rose by 2.1 percent year on year to €8.1 billion. Nearly a third of revenues came from our high-growth businesses, which we have expanded in recent years. Collectively, they grew by 9 percent in the first six months of 2017.

At €1.1 billion, our operating result almost matched the record level seen in the first half of 2016, when we benefited from a positive effect of €43 million at our French TV subsidiary Groupe M6. Penguin Random House in the United States, Gruner + Jahr in Germany and BMG in particular saw an increase in earnings. Meanwhile, start-up losses for digital and new businesses in the first half of the year came to €37 million at RTL Group and the Bertelsmann Education Group.

We increased our first-half operating Group profit to over €500 million for the first time. Our Chinese fund Bertelsmann Asia Investments (BAI) made a major contribution to this through high capital gains.

Once again, this positive business development reflects the implementation of our strategy. The first half of the year saw further progress in all four of our strategic priorities.

Particularly noteworthy is the ownership-share increase in Penguin Random House, which we have been preparing for in recent months and plan to complete in the fourth quarter of this year. Bertelsmann will own a strategic

three-quarters majority of the company – the best prerequisite for successfully developing this core business that is part of our identity. Together with our partner Pearson, we are investing in expanding its position as the only truly global trade publishing group, as exemplified when we acquired the world rights to one book each by Barack and Michelle Obama. The acquisition of the Ediciones B publishing group in April further strengthens our presence in the Spanish-speaking markets.

Besides Penguin Random House, we have **strengthened other core businesses** as well. RTL Group's families of channels expanded their share of the audience and advertising markets in both Germany and France. Penguin Random House placed 263 titles on the "New York Times" bestseller lists, including 37 at number one. Among other initiatives, Gruner + Jahr launched a new magazine called "Hygge." Many Bertelsmann Printing Group sites were well utilized; Mohn Media commissioned a new rotary press.

Our businesses also made progress in the **transformation to digital**. Compared to the same period for the previous year, RTL Group's digital revenues rose by 47 percent to €389 million in the first half of this current year and by 23 percent to €128 million in the core markets. Among its other accomplishments, RTL Group increased its shareholding in the ad tech company VideoAmp, and Gruner + Jahr strengthened the app-discovery platform AppLike. Bertelsmann companies now collectively reach more than two billion followers worldwide with their social media offers.

We accelerated the expansion of our **growth platforms**. Our production subsidiary Fremantle Media achieved international viewer success, especially with the new series "American Gods." BMG acquired the BBR Music Group, its biggest single acquisition in the recorded-music market since its launch, and signed such celebrated artists as Fergie and Kylie Minogue. Arvato expanded its footprint in Germany, the Netherlands and the United States with additional logistics sites, and it invested in the Fintech start-up Solaris Bank. Our education activities also showed a positive development. The online education provider Relias Learning grew organically and through acquisitions. Udacity was able to more than double its number of students in the reporting period.

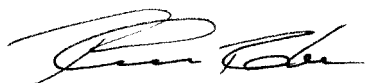
We also strengthened Bertelsmann's presence in our **growth regions**. Through our fund businesses, which are pooled in Bertelsmann Investments, we have shareholdings in some 150 innovative digital companies around the world, nearly two-thirds of them in China, India and Brazil. BAI made 10 new investments in recent months; Bertelsmann India Investments (BII) invested in the education company Eruditus. Arvato acquired the IT analytics start-up Ramyam in India and increased its shareholding in the financial services company Intervalor in Brazil.

As you will see in this report, all eight of Bertelsmann's divisions contributed to making us a more digital, more international, more diversified, and faster-growing company in the first half of 2017.

We will continue on this path and are accordingly optimistic about meeting our expectations for the full year: higher revenues than in 2016, continued high profitability and Group profit of more than one billion euros.

I am pleased that you continue to show an interest in our company's development.

Yours sincerely,

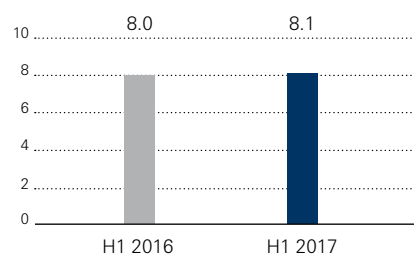


Thomas Rabe

Group Interim Management Report

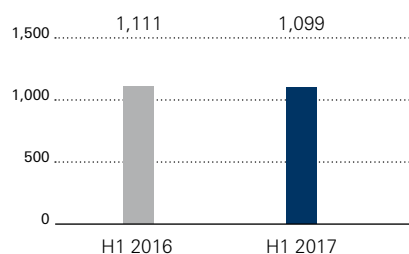
Bertelsmann recorded a successful first half of 2017. The Group increased its revenues by 2.1 percent to €8.1 billion (H1 2016: €8.0 billion) and achieved a strong operating result. The digital businesses of the RTL Group and Gruner + Jahr, the music business, Arvato and the continued development of the education business contributed to revenue growth in particular. The operating EBITDA amounted to €1,099 million (H1 2016: €1,111 million). The EBITDA margin was 13.5 percent (H1 2016: 13.9 percent). Earnings growth was achieved in particular by the US book publishing business, the German magazine business, the music business and the US educational business. This was contrasted by slightly lower earnings contributions from some TV and service businesses. It was also counteracted by start-up losses for digital and new businesses, which for Bertelsmann Education Group and RTL Group alone totaled €37 million (H1 2016: €44 million). The contribution to earnings of the French TV business was below the corresponding comparative value as a result of a positive effect in the same period last year. Group profit increased to €502 million (H1 2016: €482 million). For the whole of 2017, Bertelsmann expects the positive performance to continue.

Revenues in € billions



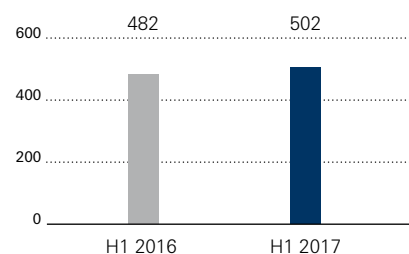
- Group revenues increased by 2.1 percent, organic revenue growth of 1.4 percent
- Revenue growth mainly at RTL Group, BMG and Bertelsmann Education Group

Operating EBITDA in € millions



- Decline in operating EBITDA of 1.1 percent to €1,099 million primarily attributable to a higher comparison basis at RTL Group in the previous year
- EBITDA margin of 13.5 percent compared to 13.9 percent during the same period last year

Group Profit in € millions



- Group profit above previous year, financial result improved, lower tax expenses

Fundamental Information about the Group

Corporate Profile

Bertelsmann is a media, services and education company that operates in about 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 regions such as Brazil, China and India. The Bertelsmann divisions include the broadcaster RTL Group, the trade book publisher Penguin Random House, the magazine publisher Gruner + Jahr, the music company BMG, the service provider Arvato, the Bertelsmann Printing Group, the Bertelsmann Education Group and Bertelsmann Investments, an international network of funds.

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

Three foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) indirectly hold 80.9 percent of Bertelsmann SE & Co. KGaA shares, with the remaining 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the General Meeting of Bertelsmann SE & Co. KGaA and Bertelsmann Management SE (general partner).

Strategy

Bertelsmann's primary objective is continuous growth of the company's value through a sustained increase in profitability (see the "Value-Oriented Management System" section). Bertelsmann aims to achieve a faster-growing, more digital, more international and more diversified Group portfolio. The Group strategy comprises four strategic priorities: strengthening the core businesses, driving the digital transformation forward, developing growth platforms and expanding into growth regions.

In the first half of 2017 and in the following two months, Bertelsmann made further progress in line with all of the strategic priorities. The core businesses were continuously strengthened, particularly in the book publishing sector

through the announced increase of the stake held in Penguin Random House and the expansion of the Spanish-language businesses in connection with the takeover of Ediciones B. The digital transformation of the core businesses was continued and was accompanied by further acquisitions. This is reflected in ever-increasing digital revenues at RTL Group and Gruner + Jahr. In the area of growth platforms at Arvato, the Supply Chain Management (SCM) area further expanded its international logistics activities for customers from the high-tech and e-commerce sectors. Arvato Financial Solutions (AFS) acquired a stake in the Fintech start-up Solaris Bank. In addition, Arvato Customer Relationship Management (CRM) took over the Indian IT and analytics company Ramyam. The BMG music business was also expanded through the takeover of the Nashville-based BBR Music Group. The Bertelsmann Education Group continued to strengthen the education business. In line with this, the online education provider Relias Learning announced the acquisition of WhiteCloud Analytics, a company specializing in analyses and data processing in the healthcare sector. Bertelsmann also expanded its presence in the growth regions through Bertelsmann Investments. The funds Bertelsmann Digital Media Investments (BDMI) and Bertelsmann Asia Investments (BAI) acquired several new investments in service and education businesses. For example, BAI in China invested once more in the bike-sharing app Mobike, and Bertelsmann India Investments (BII) purchased a stake in the education provider Eruditus.

Value-Oriented Management System

In order to manage the Group, Bertelsmann uses revenues, operating EBITDA and Bertelsmann Value Added (BVA) as strictly defined key performance indicators to directly assess business performance; accordingly, these form the basis of the outlook. The Group also uses broadly defined performance indicators. These include the EBITDA margin as an additional criterion for assessing business performance and the cash conversion rate as a measure of cash generated from business activities. 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.

Group revenues as a growth indicator of the businesses increased in the first half of 2017 by 2.1 percent to €8,134 million (H1 2016: €7,966 million). Organic growth was 1.4 percent. Operating EBITDA is determined as earnings before interest,

tax, depreciation, amortization and 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, which is not affected by special factors or structural distortions. These special items primarily include impairment losses and reversals of impairment losses, remeasurements, restructuring expenses and/or results from disposals of investments. This means that operating EBITDA is a meaningful performance indicator. During the reporting period, operating EBITDA amounted to €1,099 million (H1 2016: €1,111 million).

The central performance indicator for assessing the profitability from operations and return on invested capital is BVA. BVA measures the profit realized above and beyond the appropriate return on invested capital. This form of value orientation is reflected in strategic investment, portfolio planning and the management of Group operations, and it is the basis for management compensation. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated on the basis of operating EBITDA. Operating EBIT is the result of deducting amortization, depreciation, impairments and reversals of impairments on intangible assets and property, plant and equipment totaling €309 million (H1 2016: €306 million), which were not included in special items. A flat tax rate of 33 percent was assumed in order to calculate NOPAT of €529 million (H1 2016: €539 million), which is used to calculate BVA. Cost of capital is the product of the average level of capital invested on a pro rata basis and the weighted average cost of capital (WACC). The average level of capital invested on a pro rata basis totaled €15,025 million as of June 30, 2017 (H1 2016: €14,117 million). The uniform WACC after taxes is 8 percent, resulting in cost of capital of €601 million (H1 2016: €565 million) in the half-year reporting period. Invested capital is calculated on the basis of the Group's operating assets less non-interest-bearing operating liabilities. The present value of operating leases is also taken into account when calculating the invested capital. In the first half of 2017, BVA decreased to €-72 million (H1 2016: €-26 million). The reduction stemmed primarily from a further increase in invested capital in view of the continued investments in new and digital businesses.

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

Report on Economic Position

Corporate Environment

Overall Economic Developments

Global economic growth was consolidated in the first half of 2017 despite political uncertainties. The economic position improved in the developed economies and increasingly stabilized in the emerging countries.

The economic recovery in the eurozone continued in the reporting period. According to Eurostat, the statistical office of the European Union, real gross domestic product (GDP) in the eurozone rose by 0.5 percent in the first quarter of 2017 compared to the previous quarter and by 0.6 percent in the second quarter.

In view of increased investments and exports, the German economy continued to grow. According to the Federal Statistical Office, real GDP rose by 0.7 and 0.6 percent in each of the first two quarters of 2017 compared to the respective previous quarter.

The growth of the French economy continued during the reporting period. According to INSEE, the French National Institute of Statistics and Economic Studies, real GDP rose by 0.5 percent in each of the first two quarters of 2017.

Economic growth in the United Kingdom slowed at the start of the year. Real GDP rose by a mere 0.2 percent in the first quarter of 2017 and by 0.3 percent in the second quarter.

In the United States, real GDP rose in the first quarter of 2017 at an annualized rate of 1.2 percent. In the second quarter, real GDP increased by an annualized rate of 2.6 percent according to initial calculations by the Bureau of Economics.

So far, the overall economic developments are in the range of the current-year trend anticipated in the 2016 Combined Management Report.

Developments in Relevant Markets

The European TV advertising markets experienced primarily declining growth in the first six months of 2017. The TV advertising markets in France and Hungary declined slightly, while the German TV advertising market showed a moderate decline. While the Dutch TV advertising market fell significantly and the Belgian and Croatian TV markets saw a sharp decline, the Spanish TV advertising market remained stable.

The markets for printed books achieved slightly positive growth in the first six months of 2017. Sales of printed books saw moderate growth in the United States, grew slightly in the United Kingdom and remained virtually unchanged in Spain and Germany. Publishing sales of e-books in the United States and the United Kingdom continued to fall.

The magazine markets in Germany and France were characterized by strongly declining print advertising businesses and moderately declining circulation businesses in the reporting period. The digital circulation businesses posted strong growth; the digital advertising markets saw stable to moderately declining growth.

Worldwide, the music publishing markets showed moderate growth while the global recorded-music markets experienced significant growth.

The service markets relevant to Arvato showed moderate to significant growth in the first half of 2017.

The relevant European print markets in Germany, France and the United Kingdom declined in the first six months of 2017, while the offset market showed more stable development than the gravure printing market. The North American book printing market was stable over the same period.

As expected, the education markets in the United States grew strongly in the first half of 2017 in the market segments where Bertelsmann is involved – namely, e-learning in the health-care and technology sectors, online services and university education.

With the exception of the slightly lower TV advertising markets, the developments in the relevant markets are so far mainly within the current-year trend anticipated in the 2016 Combined Management Report.

Significant Events in the Current Financial Year

At the end of January 2017, BMG took over the BBR Music Group, which includes well-known country music labels such as Broken Bow Records, Stoney Creek Records, Wheelhouse Records and Red Bow Records, and the music publisher Magic Mustang Music. The takeover also included the rights to the music of well-known country artists.

The British education company Pearson, which holds an interest of 47 percent in Penguin Random House, informed Bertelsmann on February 1, 2017, of its intent to sell its shareholding in the

trade book publisher and submitted an exit notice as required by contract. As of that date, a structured negotiation procedure began that ended, among other things, in the intended increase in Bertelsmann's shareholding in Penguin Random House (see "Significant Events After the Balance Sheet Date" section).

Results of Operations

Revenue Development

Group revenues increased in the first half of 2017 by 2.1 percent to €8,134 million (H1 2016: €7,966 million). Adjusted for exchange rate effects of 0.0 percent (H1 2016: -1.1 percent) and portfolio and other effects of 0.7 percent (H1 2016: -1.1 percent), organic revenue growth amounted to 1.4 percent (H1 2016: 1.3 percent).

RTL Group revenues improved compared to the same period in the previous year. This was primarily attributable to a positive development at Mediengruppe RTL Deutschland, Groupe M6, Fremantle Media and the digital activities. Penguin Random House recorded a slight increase in revenues, mainly in the US publishing businesses. This was contrasted by lower revenues in the United Kingdom, partly due to exchange rate effects. At Gruner + Jahr the revenues compared to the same period in the previous year declined primarily as a result of portfolio effects arising from sales made in the second half of 2016. This was offset primarily by the positive development of digital businesses, particularly in Germany. Revenues at BMG increased as a result of further organic and acquisitive business expansion. The revenue increase at Arvato was generated in particular from the SCM division as a result of new customer business and growth of existing customers. Arvato Systems and Customer Relationship Management (CRM) had a negative impact on revenue due to falling volumes from key accounts. The revenue development of the Bertelsmann Printing Group was characterized by the decline of the storage media replication business including the closure of Sonopress USA in the previous year. The Bertelsmann Education Group pressed ahead with the expansion of the education business and increased its revenues. The increase is mainly attributable to the organic and acquisitive growth of Relias Learning. There were no contributions to revenue from the Bertelsmann Investments division fund activities as none of the held investments are fully consolidated.

There were minor changes in the geographical breakdown of revenues compared to the same period in the previous year. The revenue share in Germany decreased to 33.7 percent, compared to 35.2 percent in the first half of 2016. The revenue share generated by businesses in France amounted

Operating EBITDA

in € millions	H1 2017	H1 2016
EBIT (earnings before interest and taxes)	805	805
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	311	309
Adjustments on amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment included in special items	(2)	(3)
Special items	(15)	0
attributable to: RTL Group	(10)	–
attributable to: Penguin Random House	7	3
attributable to: Gruner + Jahr	3	8
attributable to: BMG	5	4
attributable to: Arvato	8	7
attributable to: Bertelsmann Printing Group	2	2
attributable to: Bertelsmann Education Group	(1)	7
attributable to: Bertelsmann Investments	(42)	(41)
attributable to: Corporate	13	10
Operating EBITDA	1,099	1,111

to 13.7 percent (H1 2016: 14.2 percent). In the United Kingdom, the revenue share was 6.1 percent (H1 2016: 5.7 percent), while the other European countries achieved a revenue share of 19.2 percent (H1 2016: 18.5 percent). The share of total revenues generated in the United States rose to 20.7 percent (H1 2016: 20.4 percent); other countries accounted for a share of 6.6 percent (H1 2016: 6.0 percent). Overall, these figures show that the total share of revenues represented by foreign business increased slightly, from 64.8 percent in the first half of 2016 to 66.3 percent. The ratio of the four revenue streams (products and merchandise, advertising, services, and rights and licenses) to one another remained mostly unchanged compared to the first half of 2016.

Operating EBITDA

Bertelsmann achieved an operating EBITDA of €1,099 million during the reporting period (H1 2016: €1,111 million). The EBITDA margin of 13.5 percent was below the level of 13.9 percent in the same period last year. The operating EBITDA includes start-up losses for digital and new businesses, which for Bertelsmann Education Group and RTL Group alone totaled €37 million (H1 2016: €44 million). RTL Group's operating EBITDA fell primarily due to a lower contribution to earnings from Groupe M6 compared to the previous year. The French television businesses profited

above all from a positive effect in connection with the gradual phase-out of the M6 Mobile contract. The operating result at Penguin Random House increased. An increase in earnings was generated by the US publishing businesses in particular. Gruner + Jahr grew its operating result due to positive performance in Germany. Operating EBITDA at BMG increased further as a result of the continued organic and acquisitive expansion of business. Arvato's operating result fell primarily in the CRM division due to declining business from customers in the telecommunications sector. Further negative effects resulted from start-up losses for new customers in the CRM and SCM divisions. Falling volumes and persistent price pressure resulted in declining earnings at the Bertelsmann Printing Group. The operating EBITDA of the Bertelsmann Education Group improved mainly as a result of the expansion of business at Relias Learning and lower start-up losses compared to the same period in the previous year. None of the investments in the fund activities grouped under Bertelsmann Investments are fully consolidated, therefore in most cases no operating results are disclosed for this segment.

Special Items

Special items totaled €15 million (H1 2016: €0 million). They consisted of impairments and reversals of impairment losses on investments accounted for using the equity method totaling €-2 million (H1 2016: –), impairments on other financial

assets of €-7 million (H1 2016: €-5 million), adjustments of carrying amounts of assets held for sale of €-3 million (H1 2016: -), results from disposals of investments of €68 million (H1 2016: €56 million), fair value remeasurement of investments of €13 million (H1 2016: -), and restructuring expenses as well as other adjustments totaling €-54 million (H1 2016: €-51 million).

EBIT

Taking into account operating EBITDA, adjusted for special items totaling €15 million (H1 2016: €0 million) and the amortization, depreciation, impairments and reversals of impairments on intangible assets and property, plant and equipment totaling €-309 million (H1 2016: €-306 million), which were not included in special items, EBIT amounted to €805 million in the reporting period (H1 2016: €805 million).

Group Profit or Loss

The financial result was €-105 million (H1 2016: €-117 million). The tax expense was €-197 million compared to €-206 million in the same period in the previous year. Earnings after taxes from continuing operations increased to €503 million (H1 2016: €482 million). Taking into account the earnings after taxes from discontinued operations of €-1 million (H1 2016: -), Group profit was €502 million (H1 2016: €482 million). The share of Group profit held by Bertelsmann shareholders was €308 million (H1 2016: €288 million). The non-controlling interests in Group profit came to €194 million (H1 2016: €194 million).

Net Assets and Financial Position

Financing Guidelines

The primary objective of Bertelsmann's financial policy is to achieve a balance of financial security, return on equity and growth. For this, Bertelsmann bases its financing policy on the requirements of a "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 consists largely of a single financial unit, thereby

optimizing capital procurement and investment opportunities. Bertelsmann utilizes a financial control system employing quantitative financial targets concerning the Group's economic debt and – to a lesser extent – its capital structure. One key financial target is a dynamic leverage factor, calculated as the ratio of economic debt to operating EBITDA over a 12-month period and limited to a maximum of 2.5. As of June 30, 2017, operating EBITDA (12 months) amounted to €2,556 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, 2016: €625 million) plus provisions for pensions amounting to €1,762 million (December 31, 2016: €1,999 million), profit participation capital amounting to €413 million (December 31, 2016: €413 million) and the present value of operating leases amounting to €1,432 million (December 31, 2016: €1,501 million). As of June 30, 2017, economic debt was €6,291 million (December 31, 2016: €5,913 million). In determining the leverage factor, the economic debt and the 12-month operating EBITDA are modified in order to enable financial management that corresponds to the Group's structure and its tolerable indebtedness. The economic debt therefore increased by €115 million (December 31, 2016: €199 million); operating EBITDA declined by €-55 million (December 31, 2016: €-101 million). This gives a leverage factor of 2.6 as of June 30, 2017 (December 31, 2016: 2.5).

Owing to seasonal influences, net financial debt increased to €3,309 million compared to €2,625 million as of December 31, 2016. The increase is attributable, among other things, to dividend payments to shareholders and non-controlling interests, most of which were made during the first half of the year.

Financing Activities

In the reporting period, the Group's capital resources were strengthened. Bertelsmann placed a four-year benchmark bond in May 2017 with an issue volume of €500 million. The bond, which is listed in Luxembourg, has a fixed 0.25 percent coupon.

Rating

Bertelsmann is rated by Moody's as "Baa1" (outlook: stable) and by S&P as "BBB+" (outlook: stable). Both credit ratings are in the investment-grade category and meet Bertelsmann's target rating. Bertelsmann's short-term credit quality rating is "P-2" from Moody's and "A-2" from S&P.

Consolidated Cash Flow Statement (Summary)

in € millions	H1 2017	H1 2016
Cash flow from operating activities	390	751
Cash flow from investing activities	(563)	(502)
Cash flow from financing activities	128	276
Change in cash and cash equivalents	(45)	525
Exchange rate effects and other changes in cash and cash equivalents	(21)	(24)
Cash and cash equivalents on 1/1	1,376	1,310
Cash and cash equivalents on 6/30	1,310	1,811
Less cash and cash equivalents included within assets held for sale	(5)	–
Cash and cash equivalents on 6/30 (according to the consolidated balance sheet)	1,305	1,811

Cash Flow Statement

In the reporting period, Bertelsmann generated cash flow from operating activities of €390 million (H1 2016: €751 million). The decline is primarily attributable to an increase in net working capital. The cash flow from investing activities was €-563 million compared to €-502 million in the same period last year. At €128 million, the cash flow from financing activities was below the level of the previous year of €276 million. Cash and cash equivalents changed slightly to €1,305 million as of June 30, 2017 (December 31, 2016: €1,373 million).

Investments

In the first half of 2017, according to the cash flow statement, investments totaled €636 million (H1 2016: €603 million). Investments in intangible assets came to €159 million (H1 2016: €212 million) and were attributable in particular to BMG for the acquisition of music catalogs and to RTL Group for investments in film rights. As in the same period last year, a large portion of the investments in property, plant and equipment, totaling €210 million (H1 2016: €129 million), stemmed

from Arvato. The sum of €112 million was invested in financial assets (H1 2016: €134 million). Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €155 million in the reporting period (H1 2016: €128 million) and were attributable, among other things, to BMG's acquisition of BBR Music Group.

Balance Sheet

Total assets came to €23.4 billion (December 31, 2016: €23.8 billion). Pension provisions decreased significantly to €1.8 billion (December 31, 2016: €2.0 billion) due to increased interest rates. Equity was €9.7 billion compared to €9.9 billion as of December 31, 2016. This resulted in an equity ratio of 41.6 percent (December 31, 2016: 41.6 percent). Cash and cash equivalents changed slightly as of June 30, 2017, to €1,305 million compared to €1,373 million as of December 31, 2016.

Employees

As of June 30, 2017, Bertelsmann had 118,541 employees worldwide.

Performance of the Group Divisions

RTL Group

RTL Group's revenues increased by 3.5 percent to €3.0 billion in the first half of 2017 (H1 2016: €2.9 billion). Key contributors to this development were the fast-growing digital businesses and the group's three largest business units – Mediengruppe RTL Deutschland, Groupe M6 and Fremantle Media. Operating EBITDA declined by 7.7 percent year on year to €624 million (H1 2016: €676 million). In the previous year, RTL Group benefited from a positive effect from the phase-out of the M6 Mobile contract at Groupe M6. Adjusted for this, RTL Group's operating profit was only slightly down.

In a challenging environment, RTL Group's families of channels delivered a positive performance in a number of areas. In its core markets of Germany and France, RTL Group was able to expand its leading positions in terms of both audience shares and advertising revenue. In Germany, RTL Television was the only broadcaster to attract a double-digit audience share in the target group, further increasing its lead over its largest commercial competitor. In France, the flagship channel M6 recorded a slight decline in audience share, but remained the clear number two in the target group. In the previous year, M6 benefited from very high ratings thanks to live broadcasts from soccer's European Championship in France.

In the first half of 2017, Fremantle Media recorded higher revenues as well as a slight improvement in its earnings contribution, mainly due to higher revenues at Fremantle Media International and from Europe and North America. In particular, the production "American Gods" contributed significantly to the growth in revenues – through its sales to the US cable network Starz and to the international streaming service Amazon Prime Video.

RTL Group's digital businesses continued to grow dynamically. In the reporting period, their revenues increased by 47.3 percent to €389 million (H1 2016: €264 million). RTL Group also recorded higher platform revenues. TV advertising accounted for less than 50 percent of RTL Group's revenue.

Penguin Random House

Penguin Random House published numerous bestsellers in the first half of 2017 and recorded a positive business performance with earnings growth.

Including Verlagsgruppe Random House, the German publishing group wholly owned by Bertelsmann, Penguin Random House's revenues remained stable at €1.5 billion, a

1.1 percent year-on-year rise (H1 2016: €1.5 billion). Further growth in audio sales, higher revenues in the Asia Pacific region and expansion of the third-party publisher services business contributed to offset a decline in e-book revenues in the English-speaking countries. Operating EBITDA rose by 11.4 percent to €206 million (H1 2016: €185 million). In addition to positive impetus from the businesses in North America, Spain and Australia, further post-merger operational improvements were impactful.

In the United States, Penguin Random House publishers had 263 titles on the "New York Times" bestseller lists in the first half of the year, 37 of them at number one. The biggest-selling single title for the period was the novel "Thirteen Reasons Why" by Jay Asher, which benefited from a media adaptation and sold more than a million copies across all formats. Other major bestsellers were "Into the Water" by Paula Hawkins and "Camino Island" by John Grisham. In addition, various classics from Dr. Seuss sold more than five million copies. In February, Penguin Random House secured the worldwide rights to each of the two books being written by former US President Barack Obama and former First Lady Michelle Obama and announced plans for a global publication event.

In the United Kingdom, 45 percent of the books included in the top 10 of the "Sunday Times" weekly bestseller lists were Penguin Random House titles. In addition to "Into the Water" and Lee Child's "Night School," several classic Roald Dahl children's books were among the division's bestselling titles.

Penguin Random House Grupo Editorial recorded a positive business performance, boosted in part by increasing e-book revenues. The acquisition of the Ediciones B publishing group expands and strengthens its market positions in Spain and Latin America.

In Germany, Verlagsgruppe Random House placed 238 titles on the "Spiegel" bestseller lists.

Numerous Penguin Random House authors won internationally renowned awards, including four of five Pulitzer prizes for Letters and the Man Booker International Prize.

In the reporting period, Bertelsmann owned 53 percent of shares in Penguin Random House; Pearson, 47 percent. In July, Bertelsmann agreed to an increase in its shareholding to 75 percent, while Pearson retains the remaining 25 percent. The completion of the acquisition is scheduled for the fourth quarter.

Gruner + Jahr

Gruner + Jahr continued its strategic transformation. The first half of the year was characterized by a successful business in Germany and continued growth in the digital business. Revenues declined by 4.4 percent to €743 million (H1 2016: €777 million) in particular due to the sale of the News Group in Austria and the publishing business in Spain in the second half of 2016. Operating EBITDA rose to €59 million (H1 2016: €52 million), an improvement of 13.5 percent year on year.

G+J Germany significantly increased its revenues and earnings in the first half of the year due to organic double-digit growth in the digital business, Deutsche Medien-Manufaktur (particularly its publications "Landlust," "Essen & Trinken mit Thermomix" and "Hygge"), and the more than a dozen new magazine titles that G+J has successfully launched in Germany over the past two years. Thanks to the new businesses, revenues from print ads remained stable, on a par with the previous year's level, while revenues from magazine sales actually increased considerably. The content communication provider Territory and the DDV Media Group in Dresden also recorded slightly higher revenues year on year.

In France, Prisma Media's revenues declined moderately as a result of the general market trend.

The sustained growth in G+J's digital business continued in the first half of the year. Digital revenues in the core markets of Germany and France rose by 23 percent. The reason for this was the organic business in line with the "content, community, commerce" strategy, acquisitions from 2016 – including Webguerillas and the advertising platform LiquidM – and the company's successful digital start-ups, especially Applike.

BMG

Bertelsmann's music subsidiary BMG continued to grow its business and expand its market position in the first six months of the 2017 financial year. Revenues increased by 28.0 percent to €233 million (H1 2016: €182 million). This development was driven primarily by the recording and music publishing business in the United Kingdom and the United States, as well as the music publishing business in Australia. Operating EBITDA was €40 million, a year-on-year increase of 25.0 percent (H1 2016: €32 million).

With the acquisition of the BBR Music Group (BBRMG) in the reporting period, BMG made its biggest single acquisition in the recording business since its launch in 2008. BBRMG includes the country music labels Broken Bow Records,

Stoney Creek Records, Wheelhouse Records and Red Bow Records, as well as the music publishing company Magic Mustang Music. It also represents the rights to well-known country music artists like Jason Aldean and Dustin Lynch. The deal gives BMG a significant position in the country music capital of Nashville, Tennessee – and thus in the lucrative country music market.

BMG also strengthened its portfolio in the recorded-music rights sector by signing a number of contracts with international artists including Avril Lavigne and Fergie in the United States, Kylie Minogue in the United Kingdom and Mando Diao in Germany. The Bertelsmann music subsidiary also achieved success in the publishing segment, for example, renewing contracts with the American singer-songwriter Hillary Lindsey and DJ Khaled.

In the first half of 2017, BMG clients achieved significant chart success, including shares in the international hits "I'm the One," "Despacito" and "Wild Thoughts" and Roger Waters's album "Is This the Life We Really Want?"

Arvato

In the first six months of this year, the services subsidiary Arvato increased its revenue and achieved a first-half operating result that was below the previous year. Revenues grew by 0.3 percent to €1.9 billion (H1 2016: €1.9 billion), while operating EBITDA decreased by 18.5 percent to €145 million (H1 2016: €178 million).

In the first half of the year, the operating result of Arvato CRM Solutions' service center business was impacted by a decline in the volume of business in the telecommunications sector and by high start-up costs for expanding the business with new and existing customers from other sectors. Arvato made a strategic investment for CRM Solutions in January with the acquisition of Ramyam, an Indian IT and analytics company.

Arvato SCM Solutions' supply chain management revenues showed a positive development. This was achieved, among other things, by expanding existing national and international business relationships. Arvato also expanded its existing SCM network and opened several new distribution centers – including in France for its key customer Zalando. Start-up costs were incurred for these construction measures and the launch of new operations, for example, for customers in the high-tech industry.

Revenues for the first half of 2017 also developed positively for the financial services businesses pooled in Arvato

Financial Solutions. Arvato made several investments during the reporting period. By acquiring a stake in the Fintech start-up Solaris Bank, the company secured long-term access to innovative financial technology to strengthen its own portfolio. Moreover, Arvato increased its stake in the Brazilian financial services provider Intervalor from 40 percent to over 80 percent.

The IT services provider Arvato Systems expanded its business, especially in the Netherlands, the United Kingdom and Scandinavia. It was particularly successful with its positioning in the healthcare market: Arvato Systems provides solutions for the serialization of medicinal products and introduced them to the market in 12 European countries during the reporting period.

Bertelsmann Printing Group

In the first six months of the 2017 financial year, the Bertelsmann Printing Group saw its revenues decline by 0.6 percent to €811 million (H1 2016: €816 million) compared to the same period last year. One reason for this was the overall decline in gravure and storage media replication markets. Operating EBITDA also fell from €49 million to €47 million.

At the beginning of February, parts of Arvato's digital marketing business were retroactively integrated into the Bertelsmann Printing Group with effect from January 1, 2017. In particular, these included AZ Direct's activities in Germany, Austria and Switzerland, as well as DeutschlandCard.

The Bertelsmann Printing Group's offset printing businesses in Germany recorded a positive development in their revenues and operating EBITDA during the reporting period. The offset printing company Mohn Media bucked the market, enjoying consistently high capacity utilization. As part of the expansion of the brochure business, a third 96-page offset press was put into operation.

Prinovis Group's gravure printing activities similarly stood their ground, counter to the general market trend. The German sites had a high level of capacity utilization, as did Prinovis UK in Liverpool, which successfully added new customers in the first half of 2017.

In the book printing segment, the Bertelsmann Printing Group's US printing plants were able to increase their revenues in an environment that continued to be fiercely competitive. However, the operating result was slightly below that of the previous year.

Given the general market situation, worldwide revenues from storage media replication declined as expected. Meanwhile, at its headquarters in Gütersloh, Sonopress further expanded its replication activities in the innovative Ultra HD format due to new customer acquisition. Sonopress managed to further increase its market share in this segment.

Bertelsmann Education Group

The education activities pooled in the Bertelsmann Education Group, with their focus on e-learning (health and technology) and education services, developed positively on the whole during the reporting period. The businesses that are fully consolidated by Bertelsmann achieved a significant increase in revenues of 43.8 percent to €92 million (H1 2016: €64 million). Operating EBITDA improved to €-4 million (H1 2016: €-13 million), mainly due to the expansion of the e-learning provider Relias Learning and lower start-up losses compared to the previous year.

Relias Learning grew both organically and through acquisitions. The Bertelsmann subsidiary expanded its customer base from some 5,900 to around 6,400 institutions, whose employees completed more than 17.5 million online courses in the first six months of the current year. Relias also continued expanding its activities in the hospital segment, and during the reporting period it took over WhiteCloud Analytics, a company specializing in data analysis and the improvement of clinical outcomes.

The e-learning provider Udacity, together with renowned partner companies, accelerated the development of its range of courses and was able to more than double student numbers during the reporting period, including through the successful launch of new Nanodegrees on topics such as deep learning and robotics. Bertelsmann is one of the largest shareholders in Udacity.

The education service provider HotChalk continued its partnerships with universities in the United States and supported them in the establishment and expansion of online degrees. Several thousand students at a number of universities are currently enrolled in programs supported by HotChalk.

In the reporting period, Alliant International University, which specializes in psychology, continued its transformation by developing, among other things, a digital range of courses.

Bertelsmann Investments

The Group's investment funds, forming the division Bertelsmann Investments, expanded their portfolio of holdings

in international start-ups. Bertelsmann Asia Investments (BAI), Bertelsmann Brazil Investments (BBI), Bertelsmann India Investments (BII), and Bertelsmann Digital Media Investments (BDMI) made 14 new investments during the reporting period, so that Bertelsmann owned stakes in approximately 150 companies worldwide through the four funds as of June 30, 2017. The funds also made several follow-on investments in existing shareholdings. Across all countries, the investments focused on companies with innovative, digital business models, for example, in the Fintech sector, in education and in virtual reality.

Bertelsmann Investments' business performance is mainly determined based on its EBIT, which at nearly €41 million was nearly on par with the first half of the previous year (H1 2016: €42 million). Capital gains from divestments – especially at BAI – once again made a relevant contribution to Group profit.

During the reporting period, BAI also bought new stakes in 10 companies in China, including the financial service provider Linklogis and VeeR, an online platform for virtual reality videos. Follow-on investments were made in companies already in the portfolio, for example, the bike-sharing app Mobike and the financial service provider Meixin.

In India, Bertelsmann strengthened its activities in the education market by acquiring a stake, through BII, in Eruditus Executive Education. The company develops executive education programs in partnership with prestigious universities such as Wharton, INSEAD and Harvard and markets and administers them in India, Southeast Asia and the Middle East.

In Brazil, BBI and its partner Bozano Investimentos continued their establishment of a network of universities focusing on education in the healthcare sector.

In the reporting period, BDMI made three new investments including charity start-up Omaze, as well as several follow-on investments, including in the next-generation publisher Clique Media.

Significant Events After the Balance Sheet Date

At the beginning of July 2017, Penguin Random House announced that it had completed the takeover of Ediciones B, the publishing business of the Spanish media group Grupo Zeta. In the future, Ediciones B will strengthen the publishing businesses in Spain and Latin America as part of the Spanish-language Penguin Random House Grupo Editorial.

On July 11, 2017, Bertelsmann announced its intent to increase its shareholding in Penguin Random House. The Group will take over a further 22 percent of the shares from co-shareholder Pearson and thus secure a three-quarters majority in the trade book publisher. The increase in shareholding is scheduled to close in the fourth quarter.

Fernando Carro resigned from the Executive Board of Bertelsmann Management SE with effect from the end of July 13, 2017. The position of Arvato CEO represented on the Bertelsmann Executive Board will not be filled. Executive Board Chairman Thomas Rabe and Chief Financial Officer Bernd Hirsch shall in the future share the responsibility for the Arvato division on the Bertelsmann Executive Board.

In August 2017, RTL Group concluded an agreement to sell a number of buildings in Paris. The proceeds from the sale are €114 million, and the gain on disposal is estimated at €86 million before tax. The transfer is expected to come into effect in December 2017.

Also in August, RTL Group decided to fully acquire the non-controlling interests in SpotX Inc. by exercising a purchase option for an expected amount of US\$141.5 million.

Bertelsmann concluded an agreement in August 2017 to issue a promissory note in the amount of €150 million with a term of 18 months.

Risks and Opportunities

Risk Management System

Please refer to the 2016 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 2016 Combined Management Report

Please refer to the 2016 Combined Management Report for a presentation of the key risks to the Bertelsmann Group. The following significant changes have been identified as part of the risk report as of June 30, 2017. Overall, after the first six months of 2017, the same Group risks are considered material as those existing as of December 31, 2016. However, the significance of individual types of risk in terms of Bertelsmann's future business development has changed. The customer risks that were classified as low as of December 31, 2016,

have increased in significance. The most significant risk in the Group remains the customer risk.

Strategic and Operational Risks

The strategic and operational risk position for the Group remains essentially unchanged from that depicted in the 2016 Combined Management Report.

The economic recovery in the eurozone is expected to continue. Nonetheless, a number of risks remain in view of political uncertainties and the uncertain long-term impact of Brexit. For Bertelsmann, this could result primarily in indirect risks to businesses that depend on the advertising markets.

Legal and Regulatory Risks

Please refer to the 2016 Combined Management Report for details of the legal and regulatory risks. No significant changes have been identified.

Financial Market Risks

Compared to the situation in the 2016 Combined Management Report, the financial market risks have increased to a low moderate level, due to a slightly higher interest rate risk.

Overall Risk

The overall risk position has increased slightly compared with the previous year. No going concern risks were identified for Bertelsmann as of June 30, 2017.

Opportunities

The assessment of opportunities has not changed substantially compared to the information presented in the Combined Management Report 2016.

Outlook

The global economic momentum is expected to pick up over the rest of the year. The business climate in the developed economies is positive, and the economic situation in the emerging countries has noticeably improved. The global economic risks are not significantly dampening the economic activity at present. The risks stem primarily from political uncertainties and potential problems in connection with the presumably upcoming normalization of monetary policy.

The economic estimates by the Kiel Institute for the World Economy (IfW) concerning global development are 3.6 percent for 2017, which is slightly above the previous expectations.

The economic recovery in the eurozone is expected to continue. The IfW expects real GDP growth of 2.0 percent in 2017. In the IfW's view, the speed of growth in Germany will continue, and real GDP in 2017 will increase by 2.0 percent. France is expected to achieve real GDP growth of 1.5 percent in 2017. The IfW estimates the real growth rate in the United Kingdom to be 1.6 percent. Expectations for economic development in the United States were lowered after a weak first quarter. The IfW expects lower real GDP growth of 2.2 percent in 2017.

These expectations remain subject to a high level of uncertainty due to difficulties in forecasting economic developments. Certain risks remain for the global recovery. Geopolitical crises, government deficits, currency turbulence or the high rates of unemployment in some developed countries could interfere with economic development. In addition, high volatility in the financial markets is creating uncertainty. The resulting developments could adversely affect the economic situation, which is a key factor influencing Bertelsmann's business development.

Bertelsmann confirms the forecast and still expects slightly increasing revenues and stable operating EBITDA for the current financial year. Also, due to increased invested capital, expectations of strongly declining BVA in the financial year 2017 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 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 2017	H1 2016 (adjusted)
Revenues	8,134	7,966
Other operating income	248	299
Cost of materials	(2,575)	(2,500)
Royalty and license fees	(681)	(647)
Personnel costs	(2,747)	(2,669)
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	(311)	(309)
Other operating expenses	(1,356)	(1,410)
Results from investments accounted for using the equity method	26	16
Impairment losses and reversals on investments accounted for using the equity method	(2)	–
Results from financial assets	1	3
Results from disposals of investments	68	56
EBIT (earnings before interest and taxes)	805	805
Interest income	8	6
Interest expenses	(65)	(78)
Other financial income	12	16
Other financial expenses	(60)	(61)
Financial result	(105)	(117)
Earnings before taxes from continuing operations	700	688
Income tax expense	(197)	(206)
Earnings after taxes from continuing operations	503	482
Earnings after taxes from discontinued operations	(1)	–
Group profit or loss	502	482
attributable to:		
Bertelsmann shareholders		
Earnings from continuing operations	309	288
Earnings from discontinued operations	(1)	–
Earnings attributable to Bertelsmann shareholders	308	288
Non-controlling interests		
Earnings from continuing operations	194	194
Earnings from discontinued operations	–	–
Earnings attributable to non-controlling interests	194	194

Figures for H1 2016 have been adjusted. Further details on the adjustment to previously published information are presented in section "Prior-year Information."

Consolidated Statement of Comprehensive Income

in € millions	H1 2017	H1 2016
Group profit or loss	502	482
Items that will not be reclassified subsequently to profit or loss		
Remeasurement component of defined benefit plans	161	(415)
Share of other comprehensive income of investments accounted for using the equity method	–	–
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Currency translation differences		
– changes recognized in equity	(283)	(124)
– reclassification adjustments for gains (losses) included in profit or loss	(2)	–
Available-for-sale financial assets		
– changes in fair value recognized in equity	(2)	3
– reclassification adjustments for gains (losses) included in profit or loss	(36)	–
Cash flow hedges		
– changes in fair value recognized in equity	(35)	(10)
– reclassification adjustments for gains (losses) included in profit or loss	(13)	–
Share of other comprehensive income of investments accounted for using the equity method	(6)	6
Other comprehensive income net of tax	(216)	(540)
Group total comprehensive income	286	(58)
attributable to:		
Bertelsmann shareholders	151	(214)
Non-controlling interests	135	156

Consolidated Balance Sheet

in € millions	6/30/2017	12/31/2016
Assets		
Non-current assets		
Goodwill	8,132	8,174
Other intangible assets	2,526	2,544
Property, plant and equipment	1,670	1,564
Investments accounted for using the equity method	985	1,041
Other financial assets	508	542
Trade and other receivables	91	76
Other non-financial assets	679	704
Deferred tax assets	966	1,007
	15,557	15,652
Current assets		
Inventories	1,726	1,685
Trade and other receivables	3,626	3,853
Other financial assets	77	112
Other non-financial assets	1,016	953
Current income tax receivables	97	66
Cash and cash equivalents	1,305	1,373
	7,847	8,042
Assets held for sale	30	100
	23,434	23,794
Equity and liabilities		
Equity		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	4,494	4,527
Bertelsmann shareholders' equity	7,839	7,872
Non-controlling interests	1,901	2,023
	9,740	9,895
Non-current liabilities		
Provisions for pensions and similar obligations	1,762	1,999
Other provisions	136	136
Deferred tax liabilities	137	146
Profit participation capital	413	413
Financial debt	4,067	3,763
Trade and other payables	364	392
Other non-financial liabilities	380	362
	7,259	7,211
Current liabilities		
Other provisions	291	315
Financial debt	547	235
Trade and other payables	3,865	4,307
Other non-financial liabilities	1,554	1,657
Current income tax payables	163	166
	6,420	6,680
Liabilities related to assets held for sale	15	8
	23,434	23,794

Consolidated Cash Flow Statement

in € millions	H1 2017	H1 2016
Group earnings before interest and taxes	804	805
Taxes paid	(232)	(134)
Depreciation and write-ups of non-current assets	323	314
Results from disposals of investments	(67)	(56)
Change in provisions for pensions and similar obligations	(39)	(40)
Change in other provisions	(22)	(41)
Change in net working capital	(388)	(108)
Fair value remeasurement of investments	(13)	–
Other effects	24	11
Cash flow from operating activities	390	751
– thereof discontinued operations	–	–
Investments in:		
– intangible assets	(159)	(212)
– property, plant and equipment	(210)	(129)
– financial assets	(112)	(134)
– purchase prices for consolidated investments (net of acquired cash)	(155)	(128)
Disposals of subsidiaries and other business units	(3)	(4)
Disposals of other fixed assets	76	105
Cash flow from investing activities	(563)	(502)
– thereof discontinued operations	–	–
Issues of bonds and promissory notes	497	694
Proceeds from/redemption of other financial debt	167	71
Interest paid	(116)	(106)
Interest received	7	5
Dividends to Bertelsmann shareholders	(180)	(180)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18b)	(247)	(205)
Change in equity	–	(3)
Cash flow from financing activities	128	276
– thereof discontinued operations	–	–
Change in cash and cash equivalents	(45)	525
Exchange rate effects and other changes in cash and cash equivalents	(21)	(24)
Cash and cash equivalents 1/1	1,376	1,310
Cash and cash equivalents 6/30	1,310	1,811
Less cash and cash equivalents included within assets held for sale	(5)	–
Cash and cash equivalents 6/30 (according to the consolidated balance sheet)	1,305	1,811

Change in Net Financial Debt

in € millions	H1 2017	H1 2016
Net financial debt at 1/1	(2,625)	(2,765)
Cash flow from operating activities	390	751
Cash flow from investing activities	(563)	(502)
Interest, dividends and changes in equity, additional payments (IAS 32.18b)	(536)	(489)
Exchange rate effects and other changes in net financial debt	25	51
Net financial debt at 6/30	(3,309)	(2,954)

Net financial debt is the balance of the balance sheet positions “Cash and cash equivalents” and “Financial debt.”

Consolidated Statement of Changes in Equity

	Sub- scribed capital	Capital reserve ¹⁾	Retained earnings					Bertels- mann share- holders' equity	Non- controlling interests	Total
			Other retained earnings	Cumulated Currency transla- tion dif- ferences	other Available- for-sale financial assets	comprehensive Cash flow hedges	income ²⁾ Share of other compre- hensive income of invest- ments accounted for using the equity method			
in € millions										
Balance as of 1/1/2016	1,000	2,345	3,993	96	13	29	15	7,491	1,943	9,434
Group profit or loss	–	–	288	–	–	–	–	288	194	482
Other comprehensive income	–	–	(399)	(99)	2	(8)	2	(502)	(38)	(540)
Group total comprehensive income	–	–	(111)	(99)	2	(8)	2	(214)	156	(58)
Dividend distributions	–	–	(180)	–	–	–	–	(180)	(213)	(393)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	5	–	–	–	–	5	4	9
Equity transactions with shareholders	–	–	(175)	–	–	–	–	(175)	(209)	(384)
Other changes	–	–	(5)	–	–	–	–	(5)	(1)	(6)
Balance as of 6/30/2016	1,000	2,345	3,702	(3)	15	21	17	7,097	1,889	8,986
Balance as of 1/1/2017	1,000	2,345	4,276	113	85	32	21	7,872	2,023	9,895
Group profit or loss	–	–	308	–	–	–	–	308	194	502
Other comprehensive income	–	–	151	(229)	(38)	(36)	(5)	(157)	(59)	(216)
Group total comprehensive income	–	–	459	(229)	(38)	(36)	(5)	151	135	286
Dividend distributions	–	–	(180)	–	–	–	–	(180)	(258)	(438)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	1	–	–	–	–	1	–	1
Equity transactions with shareholders	–	–	(179)	–	–	–	–	(179)	(258)	(437)
Other changes	–	–	(5)	–	–	–	–	(5)	1	(4)
Balance as of 6/30/2017	1,000	2,345	4,551	(116)	47	(4)	16	7,839	1,901	9,740

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, 2017, a total of €-12 million relates to assets classified as held for sale in accordance with IFRS 5. As of June 30, 2016, no assets classified as held for sale in accordance with IFRS 5 were affected.

Segment Information (Continuing Operations)

in € millions	Penguin									
	RTL Group		Random House		Gruner + Jahr		BMG		Arvato	
	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016 (adjusted)
Revenues from external customers	2,975	2,874	1,532	1,515	731	765	232	181	1,829	1,823
Intersegment revenues	3	4	–	1	12	12	1	1	33	34
Divisional revenues	2,978	2,878	1,532	1,516	743	777	233	182	1,862	1,857
Operating EBITDA	624	676	206	185	59	52	40	32	145	178
EBITDA margin ¹⁾	20.9%	23.5%	13.5%	12.2%	7.9%	6.8%	17.0%	17.4%	7.8%	9.6%
Impairment (-)/reversals (+) on intangible assets and property, plant and equipment	(1)	(5)	–	–	–	–	–	–	(1)	(1)
Results from investments accounted for using the equity method	32	32	–	–	4	–	–	–	4	4

Figures for H1 2016 have been adjusted. Further details on the adjustment of previously published information are presented in the “Notes on Segment Reporting” section.

1) Operating EBITDA as a percentage of revenues.

2) The business development of Bertelsmann Investments is determined primarily on the basis of EBIT. EBIT totaled €41 million (H1 2016: €42 million).

Reconciliation to Operating EBITDA (Continuing Operations)

in € millions	H1 2017	H1 2016
EBIT from continuing operations	805	805
Special items		
– impairment losses and reversals on investments accounted for using the equity method	2	–
– impairment on other financial assets	7	5
– adjustment to carrying amounts on assets held for sale	3	–
– results from disposals of investments	(68)	(56)
– fair value remeasurement of investments	(13)	–
– restructuring and other special items	54	51
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	311	309
Adjustments on amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment included in special items	(2)	(3)
Operating EBITDA from continuing operations	1,099	1,111

Selected Explanatory Notes

Accounting Principles

The Interim Financial Report for Bertelsmann SE & Co. KGaA has been prepared according to Section 37w of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and has been subject to a limited review by the Group’s auditor. It complies with International Financial Reporting Standards (IFRS) and the related interpretations (IFRIC) of the IFRS Interpretations Committee (IFRS IC) applicable in the European Union (EU-IFRS) and contains Condensed Interim

Consolidated Financial Statements prepared in accordance with IAS 34 Interim Financial Reporting, including selected explanatory notes. This report was prepared – with the exception of the financial reporting standards 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, 2016. A detailed description of these policies and the new or revised

Bertelsmann Printing Group		Bertelsmann Education Group		Bertelsmann Investments ²⁾		Total divisions		Corporate		Consolidation		Continuing operations	
H1 2017	H1 2016 (adjusted)	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016 (adjusted)	H1 2017	H1 2016	H1 2017	H1 2016 (adjusted)	H1 2017	H1 2016
718	719	92	64	–	–	8,109	7,941	25	25	–	–	8,134	7,966
93	97	–	–	–	–	142	149	21	16	(163)	(165)	–	–
811	816	92	64	–	–	8,251	8,090	46	41	(163)	(165)	8,134	7,966
47	49	(4)	(13)	(1)	1	1,116	1,160	(18)	(43)	1	(6)	1,099	1,111
5.7%	6.0%	-4.4%	-20.9%	n/a	n/a	13.5%	14.3%	n/a	n/a	n/a	n/a	13.5%	13.9%
–	–	–	–	–	–	(2)	(6)	–	–	–	–	(2)	(6)
–	–	(4)	(14)	(9)	(7)	27	15	–	–	(1)	1	26	16

financial reporting standards and interpretations to be applied from 2017 are presented in the notes to the Consolidated Financial Statements in the 2016 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 mandatory.

The IASB issued the final version of IFRS 9 Financial Instruments in July 2014. The new version contains revised regulations for the classification and measurement of financial assets, new requirements for impairment of financial instruments and new requirements for hedge accounting. Analyses to assess the effects of IFRS 9 on the Consolidated Financial Statements started in 2016 were continued in 2017. The analysis of debt instruments indicated that, in the vast majority of cases, these were held in order to collect the contractual cash flows representing exclusively principal and interest payments. Bertelsmann expects that the majority of debt instruments will continue to be carried at amortized cost. In total, new regulations for the classification of financial instruments are not expected to have a material effect on the Consolidated Financial Statements. The effects on the measurement of financial instruments, in particular in regard to the impairment of financial instruments, are still being analyzed. Impairment matrices are currently being prepared for this analysis in order to determine

the loss allowance of trade receivables on the basis of historic bad debt losses, maturity bands and expected credit losses. The impairment matrices are created for division-specific or business-unit-specific groups of receivables, each with similar default patterns. In addition, separate risk assessments are performed for key customers. On the basis of analyses previously conducted, no material impact is anticipated with regard to the measurement of financial instruments. Unchanged from the assessment as of December 31, 2016, no material impacts are anticipated for the Consolidated Financial Statements from the new regulations for hedge accounting.

IFRS 15 includes new comprehensive regulations for the recognition of revenue that are independent of a specific industry or transaction and replace the current regulations in IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenues – Barter Transactions Involving Advertising Services. The new standard replaces the current risk and reward approach with a contract-based five-step model. In addition to substantially more extensive application guidance for the accounting treatment of revenue from contracts with customers, there are more detailed disclosure requirements. Upon endorsement, application of the standard is mandatory for financial years beginning on or after January 1, 2018, even though the endorsement is still outstanding for the clarifications to IFRS 15 issued in April 2016. Initial application must be generally retrospective, but various practical expedients

are allowed. Bertelsmann has opted to apply the modified retrospective approach for its initial application of IFRS 15, according to which IFRS 15 will be applied prospectively on a Group-wide basis from January 1, 2018, recognizing the cumulative effect of first-time application in retained earnings. As part of the implementation of IFRS 15, Bertelsmann initiated a Group-wide project tailored to the individual needs of the respective divisions. Based on analyzed core business models within the divisions, the rollout to existing customer contracts is currently in process. Furthermore, through gap analyses currently performed in the revenue-related processes of each of the divisions, the potential need for adaptations is being assessed; this will be the basis for ensuring fulfillment of the process-related requirements of IFRS 15 and for being able to do the necessary adjustment in a timely fashion. In mid-2017, Bertelsmann assessed the anticipated impact of implementing IFRS 15 on the balance sheet, income statement and notes for each business unit based on the revenues generated in 2016. In relation to the impact on the income statement, a differentiation was made between effects on the timing of revenue recognition, the change from expense recognition to revenue reduction and other effects. Based on this, overall, still no material effects on the balance sheet and the income statement are expected from Group perspective, while the disclosures related to revenue recognition will increase. The anticipated effects from implementing IFRS 15 for revenues from licensing at the RTL Group are subject to earlier revenue recognition while still no material effects regarding timing and measurement of revenue recognition are expected overall at Arvato, due to the service character of its operations, and also at the Bertelsmann Printing Group. Anticipated returns at Penguin Random House and Gruner + Jahr are no longer to be offset against receivables but presented as return liabilities. This is expected to result in a higher balance sheet total. At BMG and the Bertelsmann Education Group as well, currently no impact on the balance sheet and the income statement is expected.

Prior-year Information

The items "Changes in inventories" and "Own costs capitalized" will no longer be reported separately in the Consolidated Income Statement but shown in the item "Cost of materials." The reclassifications increase clarity, legibility and comparability with the international companies preparing their

The core principal-agent analyses have been completed with the conclusion that, based on the business models analyzed, no material impact in the assessment between gross and net presentation is expected. Based on the increased requirements regarding presentation in balance sheet and income statement and regarding disclosure requirements, adjustments to the reporting system, the chart of accounts and notes schedules are currently being prepared. The Group opted to apply the following practical expedients from January 1, 2018:

- The costs of obtaining a contract will not be recognized if the underlying asset is amortized within a period of not more than 12 months.
- The consideration will not be adjusted for the effects of a material financing component if the financing component pertains to a period of not more than 12 months.

IFRS 16, issued in January 2016, sets out principles for recognition, measurement, presentation and disclosure requirements for leases. The changes mainly affect lessee accounting and generally require lessees to recognize contractual rights and obligations on the lessee's balance sheet. The standard is to be applied for the first time from 2019. For the initial application of IFRS 16, there is an option to choose a full retrospective approach or a modified retrospective approach. The standard has not yet been endorsed by the European Union. IFRS 16 will be introduced in the Bertelsmann Group as part of a Group-wide implemented project. Under this project, analyses of the Bertelsmann Group's material lease agreements are currently ongoing. The analysis of material leases has not been completed. The effects on the Consolidated Financial Statements will be quantified as part of the further analysis. No decision has been made within the Bertelsmann Group concerning the election to apply the accounting options for short-term leases with a lease term of up to one year and for leases for low-value assets, as well as for the approach for initial application of IFRS 16.

Consolidated Financial Statements using the cost of sales method. The figures of the previous year were adjusted for better comparability. Because these items were only reclassified within the income statement, EBIT and Group profit or loss remain unchanged in their respective amounts.

Scope of Consolidation

The Condensed Interim Consolidated Financial Statements as of June 30, 2017, 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, 2017, the scope of consolidation including Bertelsmann SE & Co. KGaA consists of 966 companies (December 31, 2016: 952) with 33 entries and 19 exits in the first half of 2017. This includes

878 (December 31, 2016: 874) fully consolidated companies. In addition, investments in 28 (December 31, 2016: 26) joint ventures and 60 (December 31, 2016: 52) associates are accounted for using the equity method in the Consolidated Financial Statements. A total of 214 (December 31, 2016: 227) companies without significant business operations are excluded from the scope of consolidation due to their negligible importance for the financial position and financial performance of the Bertelsmann Group.

Acquisitions and Disposals

In the first half of 2017, the cash flow from acquisition activities totaled €155 million, of which €103 million relates to new acquisitions during the first half of the year less cash and cash equivalents acquired. The consideration transferred amounted to a total of €206 million taking into account contingent consideration of €6 million and the fair value of the interests already held in the amount of €38 million. In addition, put options totaling €4 million related to the business combinations were recognized.

At the end of January 2017, BMG fully acquired the American group of companies BBR Music Group (BBRMG), which includes established country music labels Broken Bow Records, Stoney Creek Records, Wheelhouse Records and Red Bow Records, and the music publisher Magic Mustang Music. Concluding this transaction guarantees BMG a leading role in the capital of country music – Nashville, Tennessee (USA) – and promises numerous benefits to the artists and songwriters under contract with BBRMG and BMG. By becoming a part of BMG's global platform, the customers of BBRMG will also benefit from a significantly larger international reach. At BMG, the musicians also have access to a wide range of marketing resources. The preliminary consideration transferred amounts of €95 million and is paid fully in cash. The purchase price agreement includes a variable consideration dependent on future sales figures of artists under contract with BBRMG. The maximum variable consideration amounts to US\$25 million. As of June 30, 2017, Bertelsmann anticipates no payment from this variable consideration. The preliminary purchase price allocation resulted in tax-deductible goodwill amounting

to €7 million, mainly representing potential synergy effects to be realized and increased future sales opportunities combining BBRMG and BMG as a respected and well-regarded label in the US recorded-music market. Due to exercising an optional right in the United States, from a tax perspective the acquisition is treated as asset deal. On an individual level the total consideration transferred is tax deductible over 15 years. Transaction-related costs amounted to less than €1 million and have been recognized in profit or loss.

As of the end of the reporting period, the purchase price allocation for BBRMG has not yet been completed, as the underlying financial information is still being prepared and audited. As a result, changes in the allocation of the purchase price to the individual assets and liabilities are still possible.

In addition, the Bertelsmann Group made several acquisitions in the first half of 2017, 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 other acquisitions resulted in non-tax-deductible goodwill totaling €90 million, which reflects synergy potential. The remeasurement of the interests already held resulted in other operating income of €15 million. The costs of these transactions amounted to €1 million and have been recognized in profit or loss. 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	BBR Music Group	Other	Total
Non-current assets			
Goodwill	7	90	97
Other intangible assets	88	27	115
Property, plant and equipment	–	5	5
Trade and other receivables	–	–	–
Other non-current assets	–	–	–
Current assets			
Inventories	–	1	1
Trade and other receivables	–	14	14
Other current assets	1	1	2
Cash and cash equivalents	8	6	14
Liabilities			
Provisions for pensions and similar obligations	–	–	–
Financial debt	–	(7)	(7)
Other financial and non-financial liabilities	(9)	(24)	(33)
Non-controlling interests	–	(2)	(2)

Since initial consolidation, all new acquisitions in accordance with IFRS 3 in the first half of 2017 have contributed €32 million to revenue and €-7 million to Group profit or loss. If consolidated as of January 1, 2017, they would have contributed €45 million to revenue and €-8 million to Group profit or loss.

After considering the cash and cash equivalents disposed of, the Bertelsmann Group generated cash flows totaling €-3 million from disposals in the first half of 2017. The disposals led to a negligible amount of income from deconsolidation, which is recognized in “Results from disposals of investments.”

In October 2016, RTL Group entered into an agreement to sell Media Properties Sàrl, which owns RTL Group’s new buildings in Luxembourg (“RTL City”). The disposal was expected to be completed during the second quarter of 2017. At year-end 2016 the buildings were therefore recognized as assets held for sale. In May 2017, the parties decided to renounce the transaction by common agreement. RTL Group management has decided not to pursue the sale process over the coming year. Accordingly the buildings were reclassified in the amount of €83 million from assets held for sale back into property, plant and equipment, and the related amortization expense was retrospectively recognized over the second quarter for an immaterial amount.

Currency Translation

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

Foreign currency unit per €1		Average rate		Closing rate		
		H1 2017	H1 2016	6/30/2017	12/31/2016	6/30/2016
Australian dollar	AUD	1.4360	1.5221	1.4851	1.4596	1.4929
Canadian dollar	CAD	1.4452	1.4840	1.4785	1.4188	1.4384
Chinese renminbi	CNY	7.4442	7.2956	7.7385	7.3202	7.3755
British pound	GBP	0.8606	0.7788	0.8793	0.8562	0.8265
US dollar	USD	1.0832	1.1161	1.1412	1.0541	1.1102

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. Further information about the additional information and disclosures on financial instruments is presented in the notes to the Consolidated Financial Statements in the Annual Report 2016. Only disclosures on financial instruments that are significant to an understanding of the changes in financial position and financial performance since the end of the last annual reporting period are explained below.

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

Level 1:

The fair value of the existing 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 incongruities to the standardized stock exchange contracts are reflected through interpolation or additions.

Level 3:

If no observable market data is available, measuring fair values is based primarily on cash-flow-based valuation techniques. As a rule, qualified financing rounds are used for minority stakes in the Bertelsmann Investments division.

The valuation 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. In the first half of 2017, no reclassifications were performed between levels 1, 2 and 3.

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

The item "Other financial assets" includes mainly the minority stakes in other entities and so-called fund-of-fund investments purchased by the Bertelsmann Investments division. As a rule, these financial instruments are measured at fair value, and the gains and losses from fluctuations in fair value are recognized

in other comprehensive income with deferred taxes taken into consideration. The fair value measurement of fund-of-fund investments is based on the valuations of the external management as presented in regular reporting and taking into account a fungibility discount. When possible, measuring fair value of minority stakes in other entities is based on observable prices obtained as part of the most recently implemented qualified financing rounds taking into account the life and development cycle of the entity.

Certain investments in affiliates and selected other investments that are classified as available-for-sale are measured at cost as they do not have a quoted price on an active market and a reliable estimate of the fair value is not possible. For all other financial assets and financial liabilities, their carrying amount represents a reasonable approximation of fair value.

The market value of the 2001 profit participation certificates with a closing rate of 330.00 percent on the last day of trading in the first half of 2017 on the Frankfurt Stock Exchange was €938 million (December 31, 2016: €907 million with a rate of 319.00 percent) and, correspondingly, €33 million for the 1992 profit participation certificates with a rate of 195.00 percent (December 31, 2016: €32 million with a rate

of 190.00 percent). The market values are based on level 1 of the fair value hierarchy.

In May 2017, Bertelsmann placed a publicly listed bond of €500 million with a term of four years.

On June 30, 2017, the cumulative market value of the listed bonds totaled €3,646 million (December 31, 2016: €3,121 million) with a nominal volume of €3,500 million (December 31, 2016: €3,000 million) and a carrying amount of €3,475 million (December 31, 2016: €2,977 million). The stock market prices are based on level 1 of the fair value hierarchy. On June 30, 2017, the total carrying amount of the private placements and promissory notes totaled €707 million (December 31, 2016: €707 million), and the total market value amounted to €747 million (December 31, 2016: €756 million). The market value 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 -0.28 percent to 2.00 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 6/30/2017
Financial assets initially recognized at fair value through profit or loss	–	14	–	14
Available-for-sale financial assets	7	1	334	342
Primary and derivative financial assets held for trading	–	67	–	67
Derivatives with hedge relation	–	12	–	12
	7	94	334	435

Financial Assets Measured at Fair Value Based on Level 3

in € millions	Available-for-sale financial assets	Primary and derivative financial assets held for trading	Total
Balance as of 1/1/2017	371	3	374
Total gain (+) or loss (-)	(1)	-	(1)
- in profit or loss	(1)	-	(1)
- in other comprehensive income	-	-	-
Purchases	33	-	33
Sales/settlements	(60)	(3)	(63)
Other effects	(9)	-	(9)
Balance as of 6/30/2017	334	-	334
Gain (+) or loss (-) for assets still held at the end of the reporting period	(1)	-	(1)

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 6/30/2017
Financial liabilities initially recognized at fair value through profit or loss	-	-	34	34
Primary and derivative financial liabilities held for trading	-	32	-	32
Derivatives with hedge relation	-	12	-	12
	-	44	34	78

Financial Liabilities Measured at Fair Value Based on Level 3

in € millions	Financial liabilities initially recognized at fair value through profit or loss	Total
Balance as of 1/1/2017	48	48
Total gain (-) or loss (+)	5	5
- in profit or loss	6	6
- in other comprehensive income	(1)	(1)
Purchases	10	10
Issues	-	-
Settlements	(29)	(29)
Transfers out of/into level 3	-	-
Balance as of 6/30/2017	34	34
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	-	-

Income Taxes

Tax expenses for the first half of 2017 were calculated in accordance with IAS 34 using the average annual tax rate expected for the whole of 2017, which is calculated at 32.2 percent according to Bertelsmann management's current estimation.

In addition, non-recurring tax items have been recognized in current tax and deferred tax, which resulted in a lower tax rate in the income statement.

Other Information

As a result of seasonal influences on the divisions, higher revenues and a higher operating result tend to be expected in the second half of the year compared to the first half of the year. The higher revenues in the second half of the year are primarily due to the increasing demand during the year-end holiday season, in particular in advertising-driven businesses and in the publishing business as well as to the customary seasonality in the music business.

The results from disposals of investments are mainly attributable to several transactions conducted in the Bertelsmann Investments division, among others from the sale of the investments in UCloud and Uxin.

As of June 30, 2017, the cash-generating unit StyleHaul was tested for impairment in accordance with IAS 36. Revenue growth of StyleHaul is in line with plan and previous impairment test exercises, but through a different revenue mix. The delayed ramp-up of certain high-margin revenue streams, notably branded entertainment, impacts negatively the evolution of EBITDA toward break-even. In addition, the annual cost of management incentive plans has significantly increased since the previous impairment test exercise, mainly linked

to a reduction of the plan's term from four to three years while maintaining the total framework. The discount rate also increased from 13.9 percent to 14.2 percent, impacting negatively the discounted cash-flow-based value in use for about €5 million. The recoverable amount was determined using the value in use on the basis of the discounted cash flow method with a long-term growth rate of 2.0 percent (December 31, 2016: 2.0 percent) and a discount rate of 14.2 percent (December 31, 2016: 13.9 percent). As of June 30, 2017, the recoverable amount equals almost the carrying amount (December 31, 2016: The recoverable amount exceeded the carrying amount by €23 million). By measuring the fair value less costs of disposal on the basis of multiples, it exceeds the carrying amount significantly.

As a result of the increase in the discount rate for measuring provisions for pensions, actuarial gains amounting to €210 million before related tax effects were recognized in the item "Remeasurement component of defined benefit plans."

The item "Other operating income" includes income of €26 million from exercising a call option on a non-financial asset and its immediate resale.

Notes on Segment Reporting

In early February, portions of the Arvato digital marketing business were integrated into the Bertelsmann Printing Group with retroactive effect as of January 1, 2017. In detail, these included the activities of AZ Direct in Germany, Austria and Switzerland as well as the DeutschlandCard. The figures from the first half 2016 have been adjusted accordingly.

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

Reconciliation of Segment Information to Group Profit or Loss

in € millions	H1 2017	H1 2016
Operating EBITDA from continuing operations	1,099	1,111
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	311	309
Adjustments on amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment included in special items	(2)	(3)
Special items	(15)	–
EBIT from continuing operations	805	805
Financial result	(105)	(117)
Earnings before taxes from continuing operations	700	688
Income tax expense	(197)	(206)
Earnings after taxes from continuing operations	503	482
Earnings after taxes from discontinued operations	(1)	–
Group profit or loss	502	482

Events After the Reporting Period

The acquisition of the renowned publishing group Ediciones B from Spain's Grupo Zeta media group announced in April 2017 by Penguin Random House was completed in July 2017. Penguin Random House considers the acquisition as a reinforcement of Penguin Random House Grupo Editorial's market position and cultural importance in Spain, Latin America and the entire Spanish-speaking world. The transaction will be accounted for as a business combination in accordance with IFRS 3. The preliminary purchase price totals €37 million. As a result of the early stage of the preliminary purchase price allocation, it is currently not possible to quantify any adjustments relating to the fair value prior to the preparation of the Consolidated Financial Statements and to provide any other information required by IFRS 3 on the acquisition of Ediciones B.

In July 2017, Bertelsmann announced that in addition to its existing 53-percent interest in Penguin Random House, it would acquire another 22 percent of the shares in the world's largest trade book publisher from Pearson, the British media and education company. The other 25 percent of the shares in the company, which was created by the combination of the Random House and Penguin Group book publishing companies on July 1, 2013, will remain with Pearson. By securing a strategic three-quarters majority, Bertelsmann gains greater governance rights at Penguin Random House and will thus in the future, among other things, appoint the chairman of the trade book publisher's board of directors. The closing of the acquisition of shares is scheduled for the fourth quarter. The

enterprise value of the trade book publisher has been set at US\$3.55 billion for this transaction. As part of the agreement with Pearson, Bertelsmann will execute a recapitalization of Penguin Random House that will be used for dividend payments to the shareholders of Penguin Random House. The purchase price payment for the 22-percent interest, the recapitalization and the dividend payments will lead to a net cash outflow of US\$968 million expected in 2017 and US\$66 million in 2018.

In August 2017, RTL Group has concluded an agreement for the disposal of the real estate properties in Paris. The sale proceeds amount to €114 million (VAT excluded); the capital gain is estimated at €86 million before income tax (€56 million net of income tax). The transaction effective date is expected to occur in December 2017; the criteria for classifying the properties in assets held for sale were not met as of June 30, 2017.

In August 2017 RTL Group decided to acquire the remaining 36.4 percent (on a fully diluted basis) non-controlling interest in SpotX Inc. ("SpotX") by exercising the call option for an amount of US\$141.5 million contingent on the cash and debt position. Since RTL Group already exercises control over SpotX, the acquisition will be treated as an equity transaction.

In August 2017, Bertelsmann concluded an agreement to issue a promissory note in the amount of €150 million with a term of 18 months.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for Interim Financial Reporting, the Condensed Interim Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Management

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

Gütersloh, August 29, 2017

Bertelsmann SE & Co. KGaA

represented by:

Bertelsmann Management SE, the personally liable partner

The Executive Board

Dr. Thomas Rabe

Markus Dohle

Dr. Immanuel Hermreck

Bernd Hirsch

Anke Schäferkordt

Auditor's Review Report

To Bertelsmann SE & Co. KGaA

We have reviewed the condensed consolidated interim financial statements – comprising the income statement and the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and selected explanatory notes – and the interim group management report of Bertelsmann SE & Co. KGaA, Gütersloh, for the period from January 1 to June 30, 2017, which are part of the half-year financial report pursuant to § (Article) 37w WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Executive Board of the personally liable partner Bertelsmann Management SE. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated

by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Bielefeld, August 30, 2017

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www.bertelsmann.com



The Interim Report is also available in German.

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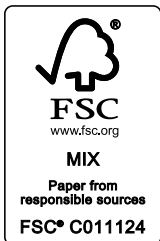
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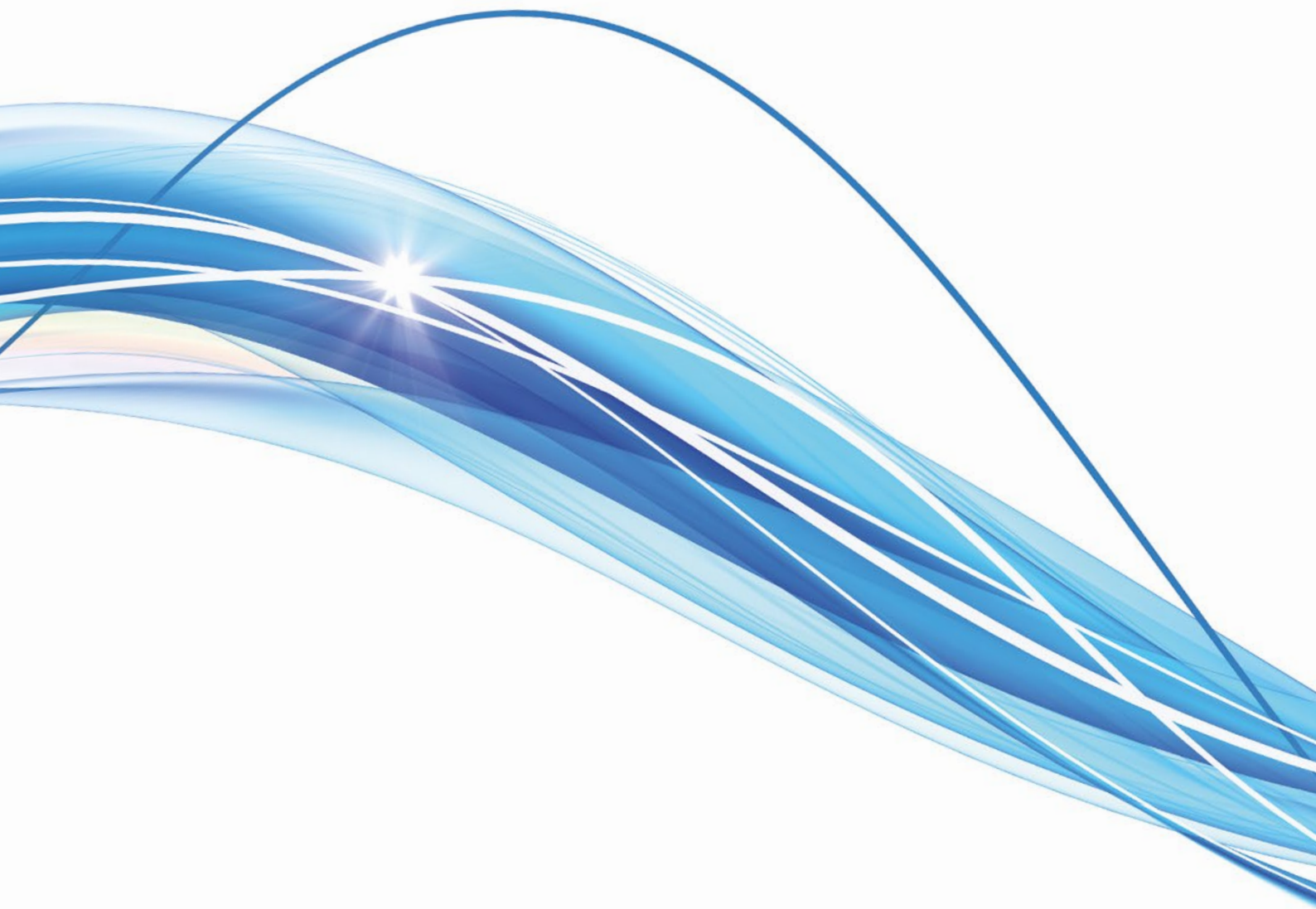
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