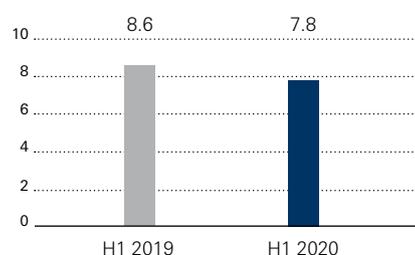


Group Interim Management Report

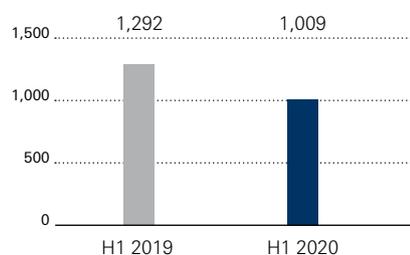
In the first half of 2020, Bertelsmann held its ground in a challenging business environment. The second quarter of 2020, in particular, was severely impacted by the coronavirus pandemic and the economic consequences, which Bertelsmann responded to by increasing liquidity and taking countermeasures. Group revenues fell by 8.9 percent to €7.8 billion (H1 2019: €8.6 billion), and organic revenue decreased by 7.9 percent. Bertelsmann's diversified portfolio of businesses, the large share of digital business models and diverse cost-cutting measures partially offset this downward trend. While the coronavirus pandemic negatively impacted the advertising-financed businesses in particular, BMG and Arvato's service businesses performed well. Operating EBITDA decreased by 21.9 percent to €1,009 million (H1 2019: €1,292 million), while EBITDA margin declined to 12.9 percent from 15.0 percent in the first half of 2019. Primarily RTL Group, Gruner + Jahr and the Bertelsmann Printing Group suffered earnings losses. Group profit once again reached a high level of €488 million (H1 2019: €502 million). Business is expected to stabilize in the second half of 2020.

Revenues in € billions



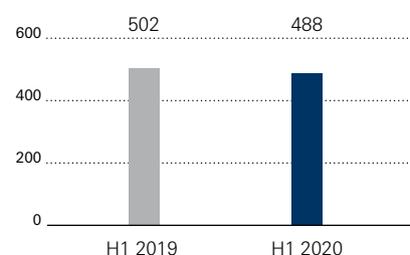
- Revenue fell by 8.9 percent; organic revenue decreased by 7.9 percent
- Coronavirus-related declines partially offset by diversified portfolio of businesses and large share of digital businesses

Operating EBITDA in € millions



- Decline in operating EBITDA to €1,009 million, attributable to negative effects of coronavirus pandemic
- EBITDA margin of 12.9 percent, compared to 15.0 percent during the same period last year

Group Profit in € millions



- Group profit remains at a high level
- Lower tax expense

Fundamental Information about the Group

Corporate Profile

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

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

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

Strategy

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

Thanks to the diversification of its Group portfolio and the large share of digital businesses, Bertelsmann was able to partially offset the negative effects of the coronavirus pandemic in the first half of 2020. Further significant progress was also achieved in terms of the Group's strategic priorities. Thanks

to the comprehensive news reporting and entertainment offerings of the broadcasters and platforms, RTL Group garnered record-setting ratings and large audiences, and in some cases even added market share in recent months. Acquiring full ownership of Penguin Random House also marked a key milestone in strengthening the core businesses. The world's largest trade book publisher is now a wholly owned group subsidiary of Bertelsmann. Numerous Gruner + Jahr brands launched new products and initiatives, including the "#stayathomeandcook" joint campaign by "Essen & Trinken" and "Chefkoch." At the same time, Bertelsmann also further promoted the digital transformation. This is visible, among other things, in the rapidly growing number of paying subscribers for the TV Now and Videoland streaming services. A joint venture between RTL Group and Groupe M6 was established in France for building up and expanding a shared technology platform for streaming services. The Bertelsmann Content Alliance, already successfully launched in Germany, will be expanded to the United Kingdom through a joint podcast production company involving Fremantle, Penguin Random House, BMG and Dorling Kindersley. Many of Bertelsmann's growth platforms recorded positive business performances and stronger demand for digital products and solutions. BMG entered into global record deals with international artists like Aloe Blacc and Jason Mraz and global publishing contracts with Erika Ender and Patricia Kelly. In addition, BMG artists and songwriters such as Lewis Capaldi and Tame Impala reported significant chartbusters. Arvato Financial Services reinforced its market position in the risk management business by entering into a joint venture with Experian and benefited from the continued growth of the purchase-on-account solution for a major customer and the acquisition of the remaining shares in the purchase-on-account provider MF Group. The Bertelsmann Education Group reported stronger demand for online learning services at Relias and Udacity. In addition, Bertelsmann reinforced its presence in the growth regions through Bertelsmann Investments, which now holds some 240 investments in companies and funds, mainly through its four international funds. In February, Bertelsmann Brazil Investments benefited from a successful partial exit from an indirect investment in Brazil-based education provider Afya.

Value-Oriented Management System

Bertelsmann's primary objective is continuous growth of the company's value through a sustained increase in profitability with efficient capital investment at the same time. Strictly defined operational performance indicators, including revenues, operating EBITDA and Bertelsmann Value Added (BVA), are used to directly assess current business performance and are correspondingly used in the outlook. These are distinguished from performance indicators used in the broader sense. These include the EBITDA margin and the cash conversion rate. Some of the key performance indicators are determined on the basis of so-called Alternative Performance Measures, which are not defined under International Financial Reporting Standards (IFRS). These should not be considered in isolation but as complementary information for evaluating Bertelsmann's business performance. For detailed information on this, please refer to the "Alternative Performance Measures" section in the 2019 Combined Management Report.

Revenues as a growth indicator of the businesses decreased in the first half of 2020 by 8.9 percent to €7,848 million (H1 2019: €8,612 million). Organic revenue declined by 7.9 percent. Operating EBITDA is determined as earnings before interest, tax, depreciation, amortization, impairment losses and reversals of impairment losses, and is adjusted for special items. The adjustments for special items serve to determine a sustainable operating result that could be repeated under normal economic circumstances and is not affected by special factors or structural distortions. These special items primarily include impairment losses and reversals of impairment losses, fair value measurements, results from disposals of investments and/or restructuring expenses. This means that operating EBITDA is a meaningful performance indicator. During the reporting period, operating EBITDA decreased by 21.9 percent to €1,009 million (H1 2019: €1,292 million).

The performance indicator for assessing the profitability from operations and return on invested capital is BVA. BVA measures the profit realized above and beyond the appropriate

return on invested capital. This form of value orientation is reflected in strategic investment and portfolio planning and the management of operations and, together with qualitative criteria, provides the basis for measuring the variable portion of management remuneration. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated on the basis of operating EBITDA. Operating EBIT is the result of deducting amortization, depreciation, impairment losses and reversals of impairment losses on intangible assets; property, plant and equipment; and right-of-use assets totaling €451 million (H1 2019: €449 million), which were not included in special items. A flat tax rate of 30 percent (H1 2019: 33 percent) was assumed in order to calculate NOPAT of €391 million (H1 2019: €565 million), which is used to calculate BVA. Cost of capital is the product of the average level of capital invested on a pro rata basis and the weighted average cost of capital (WACC). The average level of capital invested on a pro rata basis totaled €16.4 billion as of June 30, 2020 (H1 2019: €16.2 billion). The uniform WACC after taxes is 8 percent, resulting in a cost of capital of €657 million (H1 2019: €646 million) in the half-year reporting period. The average invested capital is calculated quarterly on the basis of the Group's operating assets less non-interest-bearing operating liabilities. In the first half of 2020, BVA amounted to €-222 million (H1 2019: €-46 million). BVA is determined without taking into account the Bertelsmann Investments division, since business performance is represented primarily on the basis of EBIT. Accordingly, the method does not include a NOPAT contribution from this division. To maintain consistency, the invested capital will be adjusted for the Bertelsmann Investments division; hence, capital costs will be neutralized.

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

Report on Economic Position

Corporate Environment

Overall Economic Developments

The global spread of the coronavirus (SARS-CoV-2) and the illness it causes, COVID-19, severely impacted the global economy in the spring of 2020. In light of heightened measures put in place to prevent infections and contain the coronavirus pandemic, economic activities plummeted around the world, especially in the second quarter.

According to Eurostat, the statistical office of the European Union, real gross domestic product (GDP) in the eurozone decreased by 3.6 percent in the first quarter of 2020 compared to the previous quarter. According to initial estimates, a drop of 12.1 percent is expected for the second quarter of 2020.

The German economy has also been severely affected. Weak global investment, in particular, along with temporary interruptions in the supply chain have had a considerable negative effect on the German export business. Real GDP fell by 2.0 percent in the first quarter of 2020 compared to the previous quarter. According to the initial calculations of the German Federal Statistical Office, real GDP sank by 10.1 percent in the second quarter of 2020.

The pandemic also put a significant strain on the economy in France. According to INSEE, the French National Institute of Statistics and Economic Studies, real GDP fell by 5.9 percent in the first quarter of 2020 and by 13.8 percent in the second quarter of 2020.

The economy in the United Kingdom saw a sharp downturn. Real GDP fell by 2.2 percent in the first quarter of 2020 and by 20.4 percent in the second quarter of 2020.

The growth trend in the United States slowed drastically. Real GDP fell in the first quarter of 2020 at an annualized rate of 5.0 percent. In the second quarter of 2020, real GDP decreased by an annualized rate of 32.9 percent, according to initial calculations by the Bureau of Economic Analysis.

Across the board, overall economic development to date remains below the trend anticipated for the current year.

Developments in Relevant Markets

Driven by the global outbreak of the coronavirus pandemic over the first six months of 2020, developments in the relevant markets deviated, in some cases significantly, from the current-year trend anticipated in the 2019 Combined Management Report. This primarily impacted the TV advertising, magazine and print markets. To date, there has been little to no effect on the book publishing and music markets and on the service and education markets relevant for Bertelsmann.

The European TV advertising markets dropped sharply in Germany, France, the Netherlands, Belgium, Hungary and Spain. In contrast, the relevant video-on-demand markets registered strong growth.

The market for printed books in the United States showed stable growth, while the United Kingdom recorded a considerable decrease and Germany and the Spanish-speaking market reported sharp drops. The markets for e-books and audiobooks grew significantly in both the United States and the United Kingdom.

During the first six months of 2020, the magazine markets in Germany and France were characterized by strongly declining print advertising and circulation revenues, and the digital markets also showed strongly declining revenues.

Global music publishing markets grew moderately. The global recorded-music markets registered slight growth as the rapid growth in the streaming market more than offset the drop in recorded music.

The service markets relevant to Arvato showed overall slight growth in the first half of 2020.

The relevant gravure print markets in Germany, France and the United Kingdom declined sharply in the first six months of 2020, along with the corresponding offset markets. The North American book printing market showed a moderate decline.

During the reporting period, the digital continuing education and training markets in the United States exhibited moderate to strong growth in the market segments where Bertelsmann is involved – namely, education and training in healthcare, e-learning in the technology area, and university education in the university and services areas. The coronavirus pandemic bolstered demand for digital learning platforms, although customers were reluctant to enter into new contracts due to the overall economic situation.

Significant Events in the Current Financial Year

In view of the global outbreak of the coronavirus pandemic, Bertelsmann convened a meeting of the Group's crisis committee for the first time in late January 2020. The committee prepares advisory services and specific recommended actions for Bertelsmann's divisions and companies. At an early stage, the Bertelsmann Executive Board implemented a package of measures to safeguard and increase the company's liquidity. The focus of these measures was on counteracting liquidity outflow with cost-cutting measures and investment restraint. In addition, the Executive Board issued a Group-wide travel ban on business trips in early March and ordered most employees to begin working from their home offices in mid-March. At the same time, the individual Bertelsmann companies were assisted with protective masks and guidelines on distancing regulations and hygiene measures in order to optimally protect employees (see details on the "Effects of the Coronavirus Pandemic on the Condensed Interim Consolidated Financial Statements" in the Condensed Interim Consolidated Financial Statements).

Groupe M6, which belongs to RTL Group, sold the French cashback company iGraal to the German Global Savings Group (GSG) in March 2020. The transaction was conducted in part through an exchange of shares. In the course of the acquisition, Groupe M6 became the largest shareholder in GSG.

As of April 1, 2020, Bertelsmann completed its acquisition of the remaining 25 percent of shares in Penguin Random House from co-shareholder Pearson after receiving all of the required regulatory approvals. A €675 million loan with a term of up to 18 months was agreed upon in March 2020 in order to cover the short-term funding required for the acquisition.

Upon implementation of various capital measures, the loan was repaid in the first six months of 2020 (see the section "Financing Activities").

Henrik Poulsen, CEO of the Danish energy company Ørsted, was newly appointed to the Bertelsmann Supervisory Board in June 2020.

In late June 2020, the international information services provider Experian acquired a majority shareholding in Arvato Financial Solutions' risk management division. This is intended to strengthen the joint market position and to create an innovative platform to the benefit of the customers of the formerly separate companies.

Results of Operations

Revenue Development

The negative impact of the coronavirus pandemic on the results of operations in the first half of 2020 was profound, yet the effects on the individual divisions varied in degree. The declines from the advertising-financed businesses could only be partially offset by the less severely affected music, service and education businesses. The negative effects to revenue were offset by Bertelsmann's diversified portfolio of business models and the large share of digital businesses. Group revenues fell in the first half of 2020 by 8.9 percent to €7,848 million (H1 2019: €8,612 million). Adjusted for exchange rate effects of 0.2 percent (H1 2019: 1.5 percent) and portfolio and other effects of -1.2 percent (H1 2019: -0.1 percent), organic reduction in revenue amounted to 7.9 percent after organic revenue growth of 3.2 percent in the same period last year.

RTL Group recorded a steep decline in revenues in the reporting period, mainly due to a collapse of advertising bookings. Revenues at Penguin Random House declined slightly, despite stronger demand for digitally available titles due to the temporary closure of bookshops. At Gruner + Jahr, the revenue level dropped sharply compared to the same period in the previous year, due to the coronavirus-related decline in advertising and circulation and also the continuing portfolio measures. BMG managed to increase revenue, mainly thanks to the rapid growth in music streaming. Arvato also recorded slight revenue growth and benefited from

heightened demand for financial services and IT solutions. The coronavirus pandemic accelerated the market-driven decline in revenue of the Bertelsmann Printing Group. Despite stronger demand for online education services, the Bertelsmann Education Group recorded a decline in revenue. The investments of Bertelsmann Investments are generally not consolidated, so revenue is not usually reported for this division.

Viewed over a rolling 12-month period, the revenue share generated by the growth businesses amounted to 37 percent overall (H1 2019: 35 percent), while the revenue share of structurally declining businesses fell to 3 percent (H1 2019: 4 percent). The growth businesses comprise those activities that are expected to post continuous revenue increases due to sustained positive market factors and that have been identified as growth priorities as part of the Group's strategy.

The following changes occurred in the geographical breakdown of revenues compared to the same period last year. The revenue share in Germany amounted to 32.0 percent compared to 33.0 percent in the first half of 2019. The revenue share generated by France amounted to 11.3 percent (H1 2019: 12.4 percent). In the United Kingdom, the revenue share was 6.2 percent (H1 2019: 6.4 percent),

while the other European countries achieved a revenue share of 18.8 percent (H1 2019: 18.4 percent). The share of total revenues generated in the United States increased to 25.5 percent (H1 2019: 23.5 percent); other countries accounted for a share of 6.2 percent (H1 2019: 6.3 percent). Overall, the total share of revenues represented by foreign business amounted to 68.0 percent (H1 2019: 67.0 percent). Compared to the first half of 2019, there was a slight shift in the ratio of the four revenue streams (own products and merchandise, advertising, services, and rights and licenses) to one another. The advertising share fell in light of the decline in demand attributable to the coronavirus pandemic in the advertising-financed businesses.

Operating EBITDA

During the reporting period, operating EBITDA decreased by 21.9 percent to €1,009 million (H1 2019: €1,292 million). Despite the cost-cutting measures introduced, the sharp decline is attributable to the negative impacts of the coronavirus pandemic. The EBITDA margin fell to 12.9 percent from 15.0 percent in the same period last year. The operating EBITDA of RTL Group decreased noticeably compared to the same period last year. Given the coronavirus pandemic, RTL Group recorded cancellations of advertising bookings

Operating EBITDA

in € millions	H1 2020	H1 2019
EBIT (earnings before interest and taxes)	805	824
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment, and right-of-use assets	453	461
Adjustments on amortization/depreciation, impairment losses and reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets included in special items	(2)	(12)
Special items	(247)	19
attributable to: RTL Group	–	(69)
attributable to: Penguin Random House	6	9
attributable to: Gruner + Jahr	12	19
attributable to: BMG	1	5
attributable to: Arvato	(262)	3
attributable to: Bertelsmann Printing Group	26	77
attributable to: Bertelsmann Education Group	(7)	(31)
attributable to: Bertelsmann Investments	(27)	7
attributable to: Corporate	4	(1)
Operating EBITDA	1,009	1,292

and production delays. In contrast, the number of paying subscribers to the streaming services TV Now in Germany and Videoland in the Netherlands showed a positive trend. Despite the growing US business overall, Penguin Random House registered a decline in earnings. At Gruner + Jahr, earnings decreased noticeably. Although an increase in demand for information during the coronavirus pandemic drove higher numbers of readers, advertising revenues declined sharply at the same time. BMG generated a stable operating EBITDA and benefited from rapid growth in music streaming in a difficult market environment. Improved earnings in all four divisions contributed to higher operating EBITDA at Arvato. In addition to even lower volumes and persistent pricing pressure, the effects of the coronavirus pandemic had an additional negative impact on earnings at the Bertelsmann Printing Group. Despite earnings growth particularly at e-learning provider Relias, earnings at the Bertelsmann Education Group were lower. The investments of Bertelsmann Investments are generally not consolidated, so operating earnings are not usually reported for this division.

Special Items

Special items totaled €247 million (H1 2019: €-19 million). They consisted of impairment losses on other financial assets at an amortized cost of €-1 million (H1 2019 reversals of impairment losses: €8 million), impairment losses on investments accounted for using the equity method of €-65 million (H1 2019: -), results from disposals of investments of €341 million (H1 2019: €76 million), fair value measurement of investments of €60 million (H1 2019: €9 million), and restructuring expenses and other special items totaling €-88 million (H1 2019: €-105 million). The increase in results from disposals of investments is mainly attributable to the disposal of a majority shareholding in Arvato Financial Solutions' risk management division. Special items included no adjustments of carrying amounts of assets held for sale in the first half of 2020 after €-7 million in the same period of the previous year.

EBIT

EBIT amounted to €805 million in the reporting period (H1 2019: €824 million) after adjusting operating EBITDA to include special items totaling €247 million (H1 2019: €-19 million) and the amortization, depreciation, impairment losses and reversals of impairment losses on intangible

assets, property, plant and equipment, and right-of-use assets totaling €-451 million (H1 2019: €-449 million), which were not included in special items.

Group Profit

The financial result was €-184 million (H1 2019: €-168 million). The deviation is attributable to measures taken to secure liquidity. The tax expense was €-133 million compared to €-154 million in the same period last year. This deviation is driven mainly by lower operating earnings in the reporting period. Group profit thus amounted to €488 million (H1 2019: €502 million). The share of Group profit attributable to Bertelsmann shareholders was €386 million (H1 2019: €325 million). The non-controlling interests in Group profit came to €102 million (H1 2019: €177 million).

Net Assets and Financial Position

Financing Guidelines

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

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

Bertelsmann utilizes a financial control system employing quantitative financial targets concerning the Group's economic debt and, to a lesser extent, its capital structure. One of the financial targets is a dynamic leverage factor, which is calculated as the ratio of economic debt to operating EBITDA over a 12-month period and limited to the defined maximum of 2.5. As of June 30, 2020, operating EBITDA (12 months) amounted to €2,366 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, 2019: €625 million), plus provisions for pensions amounting to €1,949 million (December 31, 2019: €1,967 million), profit participation capital amounting to €413 million (December 31, 2019: €413 million) and lease liabilities amounting to €1,335 million (December 31, 2019: €1,392 million). As of June 30, 2020, economic debt was €6,464 million (December 31, 2019: €6,511 million). In determining the leverage factor, the economic debt and the 12-month operating EBITDA are modified to enable financial management that corresponds to the Group's structure. For the purpose of this calculation, economic debt was therefore increased by €250 million (December 31, 2019: €250 million) and operating EBITDA decreased by €-263 million (December 31, 2019: €-291 million). This results in a leverage factor of 2.8 as of June 30, 2020 (December 31, 2019: 2.6). The increase in the leverage factor is attributable to lower earnings. Net financial debt amounted to €3,392 million compared to €3,364 million as of December 31, 2019.

Financing Activities

Bertelsmann launched another debt issuance program in March 2020. The framework documentation allows Bertelsmann SE & Co. KGaA to place bonds worth a total of up to €5 billion on the capital market. Two bonds worth a total of €1.5 billion were issued under this program to strengthen the capital resources within the Group and to refinance pending capital market maturities ahead of schedule. The bond worth €750 million issued in April 2020 has a coupon of 2.0 percent and a term of eight years, and the bond worth €750 million issued in May 2020 has

a coupon of 1.5 percent and a term of 10 years. Two private placements totaling €100 million were also issued under this program. In addition, Bertelsmann issued a promissory note with a total volume of €250 million in the reporting period.

Bertelsmann also carried out various financing measures in the first half of 2020 to ensure Group liquidity. In March 2020, an existing revolving syndicated credit facility was drawn down in the full amount of €1.2 billion. Of this amount, €500 million was repaid in June 2020. In addition, a bilateral, dual currency credit facility of €200 million was agreed upon in March 2020 and utilized in the amount of US\$215 million as of June 30, 2020. Furthermore, Bertelsmann entered into a loan of US\$300 million in April 2020 with a term of up to one year. In June 2020, the revolving syndicated credit facility was extended for a further year, until 2025.

Rating

Bertelsmann bases its financing on the requirements of a credit rating of "Baa1/BBB+". Bertelsmann is currently rated by Moody's as "Baa2" (outlook: stable) and by S&P as "BBB+" (outlook: negative). Bertelsmann's short-term credit quality rating is "P-2" from Moody's and "A-2" from S&P.

Cash Flow Statement

In the reporting period, Bertelsmann generated cash flow from operating activities of €1,138 million (H1 2019: €568 million). The cash flow from investing activities was €-229 million compared to €-107 million in the same period last year. The cash flow from financing activities was €2,219 million (H1 2019: €-601 million).

Consolidated Cash Flow Statement (Summary)

in € millions	H1 2020	H1 2019
Cash flow from operating activities	1,138	568
Cash flow from investing activities	(229)	(107)
Cash flow from financing activities	2,219	(601)
Change in cash and cash equivalents	3,128	(140)
Exchange rate effects and other changes in cash and cash equivalents	2	(5)
Cash and cash equivalents on 1/1	1,643	1,405
Cash and cash equivalents 6/30	4,773	1,260
Less cash and cash equivalents included within assets held for sale	-	(29)
Cash and cash equivalents 6/30 (according to the consolidated balance sheet)	4,773	1,231

This difference is attributable to the proceeds from issuing bonds and promissory notes and to the reduction or suspension of dividend payments to Bertelsmann shareholders and non-controlling interests. Cash and cash equivalents rose to €4.8 billion as of June 30, 2020 (December 31, 2019: €1.6 billion). This significant increase is attributable to capital market measures aimed at, among other things, securing and increasing Bertelsmann's liquidity.

Investments

Investments according to the cash flow statement amounted to €402 million (H1 2019: €578 million) in the first half of 2020. Investments in intangible assets came to €174 million (H1 2019: €141 million) and were primarily attributable to RTL Group for investments in film rights and to BMG for the acquisition of music catalogs. As in the same period last year, the majority of investments in property, plant and equipment, totaling €139 million (H1 2019: €155 million), was attributable to Arvato. The sum of €79 million was invested in financial assets (H1 2019: €189 million). Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €10 million in the reporting period (H1 2019: €93 million).

After consideration of the financial debt assumed and purchase price payments for increasing shareholdings in subsidiaries, particularly for the acquisition of full ownership

in Penguin Random House, economic investments increased to a total of €1,139 million (H1 2019: €612 million) in the first half of 2020. In accordance with IFRS, these payments for increases in shareholdings are classified as a change in equity and allocated to cash flow from financing activities. The company considers these payments comparable to purchase price payments for consolidated investments and thus to have the characteristics of an investment.

Balance Sheet

Total assets amounted to €29.7 billion as of June 30, 2020 (December 31, 2019: €27.3 billion). Pension provisions decreased somewhat to €1.9 billion (December 31, 2019: €2.0 billion). Equity amounted to €10.2 billion compared to €10.4 billion as of December 31, 2019. This resulted in an equity ratio of 34.2 percent (December 31, 2019: 38.2 percent). Cash and cash equivalents increased significantly to €4.8 billion as of June 30, 2020, from €1.6 billion as of December 31, 2019. This is due to the capital market transactions aimed at securing liquidity mentioned in the "Financing Activities" section and the increase in cash flow from operating activities.

Employees

As of June 30, 2020, Bertelsmann had 126,398 employees worldwide.

Performance of the Group Divisions

RTL Group

RTL Group experienced a significant reduction in advertising bookings due to the coronavirus pandemic, leading to substantial declines in revenues and earnings, especially in the second quarter. However, the group increased its net reach, viewing time, and digital usage across its channels and platforms. RTL Group's revenues for the first half of the year came to €2.7 billion (H1 2019: €3.2 billion, -16.4 percent); operating EBITDA declined 42.5 percent to €382 million (H1 2019: €665 million). Management took measures to safeguard liquidity, such as cost and cash flow management, without cutting into the substance or reducing investments in the expansion of its streaming services.

The streaming services TV Now in Germany and Videoland in the Netherlands further increased their subscriber numbers significantly. Together, they registered 1.8 million paying subscribers at the end of the first half, 45 percent more than a year earlier. At Groupe M6 in France, the number of active users of the advertising-financed streaming service 6play rose by one million to over 17 million. The commercial launch of Salto, the joint subscription streaming service of Groupe TF1, France Télévisions and Groupe M6, is scheduled for autumn 2020.

Mediengruppe RTL Deutschland, Groupe M6 and RTL Nederland each recorded significant declines in advertising sales during the reporting period. However, the companies' information and entertainment offerings met with significantly increased viewer interest during the coronavirus pandemic. RTL Group achieved market share gains in the net TV advertising markets in Germany, France and the Netherlands and outperformed its commercial competitors in the viewer market.

The group's production business, Fremantle, faced restrictions in film and television production given the strict regulations to prevent the spread of infection; this has resulted in fewer deliveries of shows and postponements of several productions. Toward the end of the second quarter, production restarted in most territories with appropriate protective measures in place. Fremantle is well prepared for the high demand for new content from broadcasters and streaming platforms, with numerous high-end productions in its pipeline.

Penguin Random House

In the first half of the year, Bertelsmann acquired the remaining 25 percent of shares in Penguin Random House from co-shareholder Pearson, making it the sole owner of the international trade publishing group, effective April 1, 2020. With the completion of this acquisition, the German-language Verlagsgruppe Random House was integrated and renamed Penguin Random House Verlagsgruppe.

The coronavirus pandemic had a negative impact on the company's businesses due to the extensive closures of local bookstores. In contrast, the US business demonstrated particular resilience, partially offsetting reductions in other countries. Overall, Penguin Random House's sales and earnings were only slightly below the previous year's level. Revenues reached €1.6 billion (H1 2019: €1.7 billion, -1.4 percent), and operating EBITDA dipped 8.0 percent to €209 million (H1 2019: €227 million).

The top-selling fiction of the first half was "Where the Crawdads Sing" by Delia Owens, which sold more than 1.6 million copies, bringing its sales in North America alone to over 6.5 million copies across all formats since 2018. In nonfiction, "Untamed" by Glennon Doyle and Michelle Obama's memoir, "Becoming," each sold over one million copies. "How to Be an Antiracist" by Ibram X. Kendi was also a major bestseller.

In the United States, Penguin Random House placed 164 titles on the "New York Times" bestseller lists, 29 of them at number one (H1 2019: 191/21). In the United Kingdom, 34 percent of all titles on the "Sunday Times" bestseller lists were published by Penguin Random House UK imprints (H1 2019: 46 percent), and in Germany, the Penguin Random House Verlagsgruppe (formerly Verlagsgruppe Random House) placed 253 titles on the "Spiegel" bestseller lists, including 11 at number one (H1 2019: 261/13).

During the coronavirus pandemic, Penguin Random House benefited from its large number of titles available in digital form (e-books, audiobooks) and from its state-of-the-art distribution logistics. This made it possible to meet the ongoing high demand for its new and backlist books in multi-formats, despite massive restrictions placed on stationary retail. In all of its markets, the publishing group developed innovative ways of connecting with its authors and retailers to reach reading audiences online in the best possible ways.

Gruener + Jahr

During the first half of 2020, the publishing subsidiary Gruener + Jahr recorded sharp declines in its revenues and earnings, almost entirely due to the effects of the coronavirus pandemic and of portfolio decisions made in 2019. Revenues fell to €524 million (H1 2019: €677 million), partly due to the sale of Motor Presse Stuttgart last year. This decline in revenues was largely offset on the costs side. Operating EBITDA was €28 million (H1 2019: €62 million). The digital business's share of total revenues increased once again, reaching 44 percent in the core markets of Germany and France.

As a consequence of the pandemic, revenues and earnings fell sharply in Germany. The main reasons for this are the declining ad sales market and businesses such as the Eat the World culinary and cultural city tours, which could not be operated for several months. Meanwhile, the news magazine "Stern" reported higher earnings, as the growth in digital business and circulation revenues outpaced the declines in print advertising revenues in particular. Media usage at the publishing subsidiary increased overall with the onset of the coronavirus pandemic. This had a positive effect on the retail sales figures of magazines such as "Stern," "Gala" and "Brigitte," especially in the retail food sector. Print and digital subscriptions also showed a positive trend. "Chefkoch" saw a strong increase in its digital offerings reach, garnering five million registered users in May. The content communication provider Territory achieved stable earnings despite the coronavirus pandemic.

G+J France recorded a sharp drop in revenues and earnings. Here, too, the coronavirus pandemic had a negative impact on the advertising and newsstand sales business. The insolvency of a national press distribution service provider also impacted the newsstand sales business. Likewise, DDV Mediengruppe's revenues and earnings were down from the previous year due to the pandemic.

As part of the Bertelsmann Content Alliance, G+J continued to play a leading role in steering the collaboration of all Bertelsmann content businesses. Additional cross-divisional formats were developed. "Gemeinsam gegen Corona", with around 80 formats, programs, and activities, was the largest cross-divisional campaign in Germany in the context of the coronavirus pandemic.

BMG

Bertelsmann's music subsidiary, BMG, increased revenues and maintained its operating results. Revenues were up by 4.8 percent to €282 million (H1 2019: €269 million), while operating EBITDA reached €49 million (H1 2019: €49 million, -0.1 percent). Thanks to dynamic growth in music streaming, further facilitated by the company's broad and highly digital setup, any lost revenues due to postponed releases or disruptions of physical distribution were more than compensated for. Digital revenues as a share of BMG's total revenue grew to 59 percent in the reporting period (H1 2019: 56 percent).

In the recordings business, BMG released successful new work by rapper KSI, hip-hop duo Run The Jewels, reggae singer Conkarah, and newcomer Curtis Waters. New signings included Aloe Blacc, Jason Mraz, Run The Jewels and CHAI.

The publishing business saw strong performances from Lewis Capaldi, the rock band Blossoms, the rappers Ufo361 and NAV, as well as Tame Impala from Australia. With "Living in a Ghost Town," the Rolling Stones presented their first new composition in eight years. New publishing contracts were signed with Erika Ender, Diane Warren, Runaway June and Patricia Kelly, among others.

Other transactions during the first half included global partnerships with Britain's ITV Studios and with ex-Beatle George Harrison's Dark Horse Records label. BMG increased its range of artist services with a move into the neighboring rights business; expanded into Canada in the production music sector; and launched the Renew Records label in the United States. BMG Production Music signed a cooperation agreement with the AI-based music-to-video platform MatchTune.

In response to the coronavirus pandemic, BMG launched a new feature on its myBMG service portal that enables artists to work together with songwriters on creative projects.

Arvato

Arvato's businesses developed positively overall in the first half of 2020 despite the coronavirus pandemic. The internationally operating services group slightly improved both its revenues and operating profit. Revenues grew by 2.3 percent to €2.1 billion (H1 2019: €2.0 billion), while operating EBITDA rose 16.0 percent to €305 million

(H1 2019: €263 million). All solutions groups contributed to this positive development.

The logistics services businesses within Arvato Supply Chain Solutions showed remarkably good development, due in particular to the good performance delivered by the e-commerce, high-tech and healthcare segments. The global network of sites was further strengthened by the commissioning of new distribution hubs and the expansion of existing ones in the United States, Russia and Turkey, among other locations. In addition, targeted investments were made in the digital transformation of the group's business models.

Arvato Financial Solutions' businesses continued to grow. Revenues and earnings were up year on year. This development was mainly supported by a good performance in the risk management and pay-after-delivery business. In June, the process of selling 60 percent of the shares in the risk management business to the information service provider Experian was successfully completed. In the same month, Arvato Financial Solutions acquired the remaining shares in MF Group, a Swiss-based provider of e-commerce B2C factoring solutions.

The IT services provider Arvato Systems successfully continued developing its own offerings and business models, particularly in the key emerging fields of cloud computing and artificial intelligence (AI). In the second quarter, Arvato Systems also helped numerous customers implement home office solutions on short notice with comprehensive IT solutions and services, thereby making an important contribution to mitigating the negative consequences of the coronavirus pandemic for customers.

The customer relationship management company Majorel, a business fully consolidated at Bertelsmann, did well in the first half of the year, increasing both revenues and earnings. Internationally, Majorel expanded its business with a major social media provider from Asia, among others. In Germany, a major communications project for the customer Volkswagen was successfully implemented together with Arvato Financial Solutions.

Bertelsmann Printing Group

The Bertelsmann Printing Group (BPG) reported declines in revenues and operating results in the first half of 2020. The situation in the printing market has been challenging

for several years, becoming even more acute over the course of the coronavirus pandemic. Orders were canceled on short notice, and publishing objects were reduced in volume or even discontinued, particularly among customers in France and in the travel industry. Group revenues fell by 15.1 percent year on year to €650 million (H1 2019: €766 million). Operating EBITDA was €19 million (H1 2019: €30 million).

The group's printing businesses in Germany, Switzerland and Austria, which are bundled in BPG GSA, recorded a significant decline in revenues and operating profit in the first six months of 2020, primarily due to the pandemic. Mohn Media's performance was significantly down year on year due to lower capacity utilization in the book, catalog and magazine segments. Meanwhile, the brochure business grew, thanks to the acquisition of a large new customer, among other things. Prinovis Germany declined again in the reporting period, mainly due to the planned capacity reduction at the Nuremberg site, which is to be closed, but also due to volume reductions in the magazine segment.

GGP Media, which specializes in print solutions for book publishers, was able to compensate for the decline in retail book sales with additional orders from existing and new customers. The BPG subsidiary Vogel Druck, which specializes in small- to medium-print-run periodicals and catalogs, suffered significant losses year on year due to order cancellations.

The direct-marketing businesses bundled in BPG also recorded a decline in revenues and earnings due to the pandemic. The DeutschlandCard multi-partner rewards program succeeded in renewing the long-term contract with its founding partner Edeka.

The group's printing activities in Britain were also hit hard by the pandemic. Revenues and earnings declined sharply due to volume reductions, especially in periodic supplements; extensive countermeasures to adjust capacity were initiated. The picture is similar for the printing business in the United States.

Revenues in storage media replication declined but were above plan given the declining market. The sustainable packaging solutions business for the food industry was further expanded.

Bertelsmann Education Group

The Bertelsmann Education Group saw a decline in revenues and earnings in the first half of the year; adjusted for portfolio effects, revenues increased. In particular, the e-learning provider Relias, a specialist in continuing education and training for the healthcare sector, benefited from increased demand.

In sum, Bertelsmann's education businesses generated revenues of €158 million, down 5.9 percent year on year (H1 2019: €168 million). The Bertelsmann Education Group achieved operating EBITDA of €40 million (H1 2019: €41 million, -3.1 percent). The declines are essentially due to the resale of a division of the continuing education specialist OnCourse, acquired in 2018, and the loss of an important customer at the US university service provider HotChalk.

Relias recorded significant growth, although the coronavirus pandemic meant that many educational offerings requiring physical presence had to be canceled. The company invested in new products and technology, including the introduction of new mobile applications and a virtual classroom that allows the company's more than 11,000 institutional clients to conduct their healthcare training online. In March, Relias started providing prevention and hygiene courses free of charge in the United States, Europe and Asia to help combat the coronavirus.

The online continuing education platform Udacity, in which Bertelsmann has a major stake, also grew in the first half of the year and launched new course offerings. For example, the company introduced nanodegree programs for Artificial Intelligence in Healthcare and AWS Cloud Architect training. The platform enjoyed strong demand from corporate customers seeking to offer online training to their workforces. In response to the coronavirus pandemic, Udacity initiated an extensive scholarship program and offered free courses in March to open up new opportunities for job seekers.

Alliant International University, which specializes in psychology and education, recorded revenue increases, mainly due to an expansion of its online curriculum.

Bertelsmann Investments

Bertelsmann Investments made 29 new and follow-on investments in the reporting period, most of them through its Bertelsmann Asia Investments (BAI), Bertelsmann India Investments (BII) and Bertelsmann Digital Media Investments (BDMI) funds. At the same time, it achieved four exits, so that Bertelsmann Investments held a total of 241 investments on June 30, 2020.

Bertelsmann Investments' business performance is essentially measured based on EBIT, which was €23 million in the first half of 2020 (H1 2019: €-9 million).

BAI made eight new and follow-on investments in the reporting period, including in the cloud software and services provider CloudChef, the tutoring app Feibai, and the digital service provider Deepexi. BAI also generated profits from partial sales of shares.

In Brazil, Bertelsmann Brazil Investments (BBI) benefited from a partial exit from the Brazilian education company Afya, in which Bertelsmann owns a stake via a fund participation with its partner Crescera Investimentos.

BII supported its Indian portfolio companies and made four follow-on investments in fintech companies including Lendingkart and Rupeek. BII made a full exit from the music streaming platform Saavn, with the second partial sale to Reliance Jio.

BDMI made 12 new and follow-on investments, including new investments in the market research platform Suzy and the translation software company Papercup. In addition to two new investments in funds (Bitkraft Esports Ventures I and Betaworks 2.0), BDMI participated in follow-on investment rounds in the fundraising start-up Omaze and the text-to-video start-up Wibbitz. BDMI completed a successful exit by selling its shares in Skimlinks, a platform for affiliate marketing.

Bertelsmann Investments also invested in the Southeast Asia and India funds of Vertex Ventures, an investment company owned by Singapore's sovereign wealth fund Temasek. Four other fund investments were made in Europe, including in Alpha Intelligence Capital, through which Bertelsmann Investments is strengthening its network in the fields of artificial intelligence and machine learning.

Significant Events after the Balance Sheet Date

In July 2020, Bertelsmann issued a fixed interest bond in a private placement in the amount of €250 million with a term of two years, and a bilateral credit facility of US\$215 million was repaid.

Risks and Opportunities

Risk Management System

Please refer to the 2019 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 2019 Combined Management Report

Please refer to the respective disclosures in the 2019 Combined Management Report for a description of the key risks to the Bertelsmann Group. Overall, as of June 30, 2020, the same Group risks are considered material as those existing as of December 31, 2019. However, the significance of individual types of risk in terms of Bertelsmann's future business performance has changed. This is primarily due to an increase in risk around economic trends stemming from the coronavirus pandemic, which has become the most significant risk to the Group.

Strategic and Operational Risks

The risk position for the Group has changed significantly from that depicted in the 2019 Combined Management Report. The overall economic downturn following the coronavirus pandemic is also affecting Bertelsmann's businesses, especially the advertising-funded businesses of RTL Group and Gruner + Jahr. Besides, the structural decline in the printing businesses is accelerated by the economic developments. In addition to the impacts on revenue and earnings, which are already apparent, there is a high degree of uncertainty regarding the further course of the coronavirus pandemic and a potential general economic recovery in connection with it. Assessing risk beyond the financial year 2020 is therefore difficult.

Many economies are reporting historic economic downturns, particularly in the second quarter of 2020. Although it seems as though the crisis has bottomed out, uncertainty

surrounding the further development of the coronavirus pandemic still remains. Additionally, the risks that already existed before the pandemic, such as the potential expansion of protectionist measures and the uncertain long-term impact should the United Kingdom leave the European Union, remain. For Bertelsmann, this could result in additional risks to the advertising-financed businesses in particular.

Legal and Regulatory Risks

Please refer to the 2019 Combined Management Report for details of the legal and regulatory risks. No significant changes have been identified.

Financial Market Risks

Compared with the situation in the 2019 Combined Management Report, the financial market risks have grown to a moderate level. The setup of a strategic and anticipatory liquidity reserve in the wake of the coronavirus pandemic creates an increased risk related to investing the liquidity.

Overall Risk

In total, the overall risk position has increased significantly. Despite the impacts of the coronavirus pandemic, no risks were identified for Bertelsmann as a going concern as of June 30, 2020.

Opportunities

The assessment of opportunities has not changed substantially compared to the information presented in the 2019 Combined Management Report. However, the growing digitalization of individual areas of life, which has accelerated even further due to the global coronavirus pandemic, has created additional opportunities. Accordingly, the use of digital media formats and online education solutions could increase for the long term and the service business surrounding digital customers and e-commerce solutions could grow.

Outlook

Since infection control measures have been relaxed at home and abroad, along with massive support through monetary and fiscal policies, there are initial signs that the global

economy is recovering. However, this economic recovery is still quite fragile, particularly concerning the further development of the coronavirus pandemic and a potential resumption of restrictions. A gradual recovery of the global economy is expected for the second half of 2020, as long as the course of the pandemic permits long-term and widespread relaxation of the containment policies. However, at -3.8 percent for 2020 as a whole, the economic estimates by the Kiel Institute for the World Economy (IfW) concerning global development are significantly lower than the previous expectations.

Although the coronavirus pandemic affects the entire eurozone, there will be differences among the EU countries in the severity of the recession. Overall, the IfW expects real GDP in the eurozone to fall 8.6 percent in 2020. The GDP in Germany will drop by 6.8 percent, as expected. In France, hit particularly hard by the pandemic, a decrease of 11.0 percent is expected. A severe slump is also expected in the United Kingdom; according to the IfW estimates, the real GDP could shrink by 9.1 percent in 2020. The economic outlook for the United States has also taken a significant turn for the worse. The IfW expects real GDP to fall by 5.8 percent in 2020.

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

Deviating from the forecast in the 2019 Annual Report, the global outbreak of the coronavirus pandemic is expected to

have a significantly negative impact on the macroeconomic trend and consumer confidence in the economies relevant to Bertelsmann. This affects several of Bertelsmann's divisions, particularly the advertising-financed businesses of RTL Group and Gruner + Jahr. Furthermore, the structural decline in the print businesses has accelerated further since the pandemic began. There has been little to no effect on the service and education businesses or on the book publishing business and music business. Because of the extreme uncertainty surrounding the further course of the coronavirus pandemic, this forecast is based on a significantly higher degree of uncertainty than usual. Assuming that infection rates do not begin to climb again in the second half of 2020, Bertelsmann anticipates that, for the financial year 2020, revenues will decrease moderately to significantly and operating EBITDA will fall strongly. In light of the declining earnings as invested capital remains stable, BVA for the Group can be expected to fall strongly. Essential operational measures to increase free cash flow and to secure and increase the liquidity of the Group have been successfully implemented. All financial liabilities due in the financial years 2020 and 2021 were refinanced for the long term at an early date, and numerous measures implemented with the aim of cutting costs and investment restraint will be continued until further notice.

These forecasts are based on Bertelsmann's current business strategy, as outlined in the "Corporate Profile" section. In general, the forecasts reflect careful consideration of risks and opportunities and are based on operational planning and the medium-term outlook for the corporate divisions. All statements concerning potential future economic and business developments represent opinions advanced on the basis of the information that is currently available. Should underlying assumptions fail to apply and/or further risks arise, actual results may differ from those expected. Accordingly, no assurances can be provided concerning the accuracy of such statements.