

Interim Report 2016

BERTELSMANN

At a Glance

Key Figures (IFRS)

in € millions	H1 2016	H1 2015
Business Development		
Group revenues	7,966	8,040
Operating EBITDA	1,111	1,063
EBITDA margin in percent ¹⁾	13.9	13.2
Group profit	482	398
Investments ²⁾	603	514
Consolidated Balance Sheet	6/30/2016	12/31/2015
Equity	8,986	9,434
Equity ratio in percent	38.4	41.2
Total assets	23,405	22,908
Economic debt ³⁾	6,274	5,609

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

Operating EBITDA as a percentage of revenues.
 Taking into account the financial debt assumed, investments amounted to €605 million (H1 2015: €515 million).
 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 2016 can also be accessed online at ir2016.bertelsmann.com

Together with the latest Annual Report, from 2015, the online report offers lots of extra features, including several videos and extracts.

The Annual Report and Interim Report are also available as a joint free app on the Apple App Store and in Google Play.

Highlights of the First Six Months



Penguin Random House

- Home of the "Mannschaft": RTL Television secures the broadcasting rights for 28 more games of the German national soccer team.
- Allez les bleus: M6 scores record ratings with broadcasts of the European soccer championship in France.
- Digital growth: RTL Group's online video offers generate more than 20 billion views a month.

www.RTLGroup.com

- Penguin Random House publishers sell an additional 2.2 million copies of Paula Hawkins' 2015 debut novel "The Girl on the Train," and 3.8 million copies of the novels "Me Before You" and "After You" by Jojo Moyes.
- US Pulitzer Prizes are awarded for three authors: Joby Warrick, "Black Flags: The Rise of ISIS"; T. J. Stiles, "Custer's Trials: A Life on the Frontier of a New America"; and William Finnegan, "Barbarian Days: A Surfing Life."
- Verlagsgruppe Random House establishes Penguin Verlag to publish literary German-language fiction and nonfiction.

www.penquinrandomhouse.com



Bertelsmann Printing Group

- Thanks to new international clients and the commissioning of a new distribution center in Gennep, the Netherlands, Arvato is further expanding its business activities in the strategic growth sector of e-commerce services.
- A service center with space for approximately 1,400 employees opens in Gurgaon, India.
- Arvato Financial Solutions opens "IT Development and Innovation" center in Tallinn.

www.arvato.com

- Prinovis UK's efforts to acquire new customers are proving successful, contributing to long-term capacity utilization at its Liverpool site.
- Sonopress becomes the world's first replication company to offer fully automated production of 4K discs, which have a storage capacity of up to 100 gigabytes.

www.bertelsmann-printing-group.com

The New

Bertelsmann



BMG

- Expansion of the growth area Content Communication: G+J launches Territory, Europe's largest provider of contentdriven communication.
- More relevance in the ad sales market: Gruner + Jahr announces "Ad Alliance" marketing cooperation with Mediengruppe RTL Deutschland.
- "Landlust," "Essen & Trinken" and more: G+J and Landwirtschaftsverlag Münster found Deutsche Medien-Manufaktur.
- The Roger Waters signing is one of the music industry's most important deals of the first half of 2016 and marks another creative milestone in the history of BMG.
- With BMG's support, Rick Astley releases his first album in ten years and his most successful in 30 years.
- BMG songwriters contribute to more than 20 number-one albums in the United States, UK and Germany, including releases from Rihanna, Beyoncé and Volbeat.

www.quj.com

www.bmq.com

Bertelsmann **Education Group**



- On an expansionist course: the online education provider Relias Learning achieves double-digit growth in the domestic US market and expands to Europe.
- Bertelsmann holding Udacity expands its international activities and develops new Nanodegree programs.
- The online education platform HotChalk grows with new and existing partner universities.
- BAI makes significant contributions to Group net income through capital gains from disposals.
- Strategic investment vehicles strengthen Bertelsmann's activities in growth regions and successfully serve as a digital trend scout for the Group.

www.bertelsmann-education-group.com

www.bertelsmann-investments.com



Dear Readers, Dear Friends of Bertelsmann,

I am delighted to report that the new Bertelsmann – which as of the beginning of this year has a new corporate structure with eight divisions – looks back on a successful first half of the financial year.

Our company has recorded a positive performance, with record operating results in the first six months of 2016. Bertelsmann achieved organic growth and revenues of €8.0 billion. Operating EBITDA reached its highest level ever, at €1.1 billion. Even with start-up losses for digital and new business, the EBITDA margin improved from 13.2 to 13.9 percent. Group profit rose significantly, by more than 20 percent, to €482 million. The total revenue share contributed by our growth businesses increased to 29 percent in the first half of the year. And Bertelsmann now generates more than a quarter of its revenues outside Europe.

In this new corporate structure, we have kept working intensively on implementing our strategy, which continues to be comprised of four priorities:

We have strengthened our core. As one example, Mediengruppe RTL Deutschland launched two
new TV channels and secured the broadcasting rights for 28 German national soccer team matches.
Penguin Random House successfully completed its post-merger integration and placed 316 titles on the
"New York Times" bestseller lists. Gruner + Jahr launched new magazine titles and formed Germany's
largest provider of content communication services, Territory. The Bertelsmann Printing Group was successful in new customer acquisition in the UK.

- Bertelsmann also further advanced the digital transformation of its businesses. RTL Group's online video sites collectively generated 123.1 billion views in the first half of the year a 190 percent increase year on year. Mediengruppe RTL Deutschland took over the online video marketer Smartclip. Penguin Random House expanded its e-book portfolio to over 115,000 titles. Gruner + Jahr's digital business grew by more than 30 percent in Germany and France, and Arvato achieved further growth with customers in the IT, high-tech and e-commerce sectors.
- We also continued expanding our **growth platforms** in the first half of the year. Our production arm Fremantle Media consolidated its position through acquisitions in the UK and Israel. BMG strengthened its portfolio through a series of acquisitions and catalog purchases, as well as through new artist signings, including Pink Floyd founder and songwriter Roger Waters. Arvato announced plans to build a new logistics center in Dorsten, Germany, to lay the groundwork for further expanding its e-commerce services. In addition, we grew our education activities: Our e-learning subsidiary Relias Learning acquired the Canadian company Assessment & Intelligence Systems, and expanded into the UK. Likewise, the online learning provider Udacity extended its business internationally, and now offers its Nanodegrees in Brazil, China, India and Germany.
- We strengthened our presence in these growth regions with a number of other measures: Our Bertelsmann Asia Investments fund (BAI) invested in ten new companies in China, including the e-commerce business Xian Life. BAI also made a significant contribution to Group profit through gains from disposals. In India, we expanded our activities in various lines of business by investing in the social fashion network Roposo, the e-commerce service KartRocket, and the fintech company Lendingkart. Arvato opened a new service center in Gurgaon, India, with room for some 1,400 employees. With BMG, another division is now represented in Brazil; there, we also have jointly accelerated our entry into the online education business with our partner Bozano Investimentos.

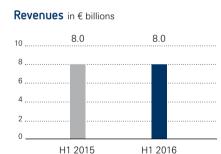
This strategic progress, our high profitability and our improved growth profile give us confidence as we look forward to the full year, and to Bertelsmann's further development. Having largely completed the portfolio adjustments of recent years, we now will concentrate on the further expansion of our businesses. In the long term, Bertelsmann aims to achieve revenues of around €20 billion and an EBITDA margin of 15 percent – with its eight creative and innovative divisions, whose business performance is presented in detail in this Interim Report.

Yours sincerely,

Thomas Rabe

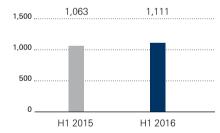
Group Interim Management Report

In the first half of 2016, Bertelsmann achieved a record operating performance. Progress in all four strategic priorities had a positive effect on business development in the reporting period. Organic revenue growth of 1.3 percent almost fully offset portfolio effects and the impact of exchange rate effects. Group revenues declined by 0.9 percent to €7,966 million (H1 2015: €8,040 million). In contrast, operating EBITDA improved by 4.5 percent to the record level of €1,111 million (H1 2015: €1,063 million). The EBITDA margin increased to 13.9 percent (H1 2015: 13.2 percent). The primary contributors to the improved earnings were the French and German businesses of RTL Group, the Arvato service businesses, and the printing businesses that were combined at the beginning of the year. This was counteracted by start-up losses for digital and new businesses, which, for Bertelsmann Education Group and RTL Group alone, amounted to €-44 million (H1 2015: €-27 million). Additional costs for the digital transformation were incurred in particular by Gruner + Jahr. As a result of the positive earnings performance, lower special items and disposal gains from Bertelsmann Investments, Group profit increased to €482 million compared to €398 million in the same period last year. For the second half of 2016, Bertelsmann expects a continuation of the positive performance.



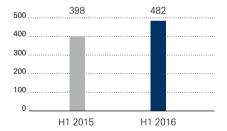
- Group revenues 0.9 percent below the previous year
- Organic revenue growth of 1.3 percent nearly offsets portfolio and exchange rate effects
- Revenue growth at RTL Group, Arvato, Bertelsmann Education Group and BMG





- Increase in operating EBITDA of 4.5 percent to record level of €1,111 million
- EBITDA margin of 13.9 percent, up 0.7 percentage points compared to same period last year
- Positive development, especially at RTL Group and Arvato

Group Profit in € millions



- Increase in Group profit by 21.1 percent to €482 million
- Improved operating result
- Lower impact from scale-back of businesses
- Gains on disposals at Bertelsmann Investments

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 UK – 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 TV broadcaster RTL Group, the book publishing group 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 the international digital fund Bertelsmann Investments.

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.

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 and more international Group portfolio. The Group strategy comprises four strategic priorities: strengthening the core businesses, driving the digital transformation, developing growth platforms, and expanding into growth regions.

Since January 1, 2016, the strategic transformation of Bertelsmann has been reflected even more strongly in the company structure. At the beginning of the current financial year, three additional independent divisions were formed from the former operating activities of Corporate Investments. These are BMG, Bertelsmann Education Group and Bertelsmann

Investments. In addition, the Group's offset and gravure printing activities and some other production-related businesses were combined into the Bertelsmann Printing Group division as of January 1, 2016. The new Bertelsmann, consisting of eight divisions, is now based on three pillars: media, services and education.

In the first half of 2016, further progress was made in the four strategic priorities of the Group and in all the Group divisions. Mediengruppe RTL Deutschland further expanded its families of channels and, with the acquisition of Smartclip, it extended its digital advertising marketing. Penguin Random House recorded a strong bestseller performance. Gruner + Jahr increased its stake in the marketing services provider Trnd and also established Territory, Germany's largest provider in the content communication market. The French G+J subsidiary Prisma Media acquired Group Cerise, one of the leading digital video providers in France. BMG acquired a majority stake in the ARC music catalog and signed amongst others a new contract with Pink Floyd founder and songwriter Roger Waters. The development of a new logistics center in the northern Ruhr area will enable Arvato to further expand its e-commerce services. The printing businesses were bundled into the newly-formed Bertelsmann Printing Group. Bertelsmann Education Group continued to expand its educational activities in the e-learning and online services sector; and with its online education provider Relias Learning, it entered the European market. The strategic investment platforms bundled in the Bertelsmann Investments division also expanded their activities. Bertelsmann Asia Investments (BAI) made acquisitions which included a stake in the Chinese e-commerce company Xian Life; Bertelsmann India Investments (BII) invested in the fashion network Roposo, the fintech company Lendingkart and the e-commerce service provider KartRocket.

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.

Group revenues as a growth indicator of the businesses decreased in the first half of 2016 by 0.9 percent to €7,966 million (H1 2015: €8,040 million) due to portfolio and exchange rate effects. The organic growth was 1.3 percent. Operating EBITDA is determined as earnings before interest, tax, depreciation and amortization and is adjusted for special items. This makes it a meaningful key performance

indicator for determining a sustainable operating result. During the reporting period, operating EBITDA increased to €1,111 million (H1 2015: €1,063 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 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. Depreciation, amortization and impairment losses are deducted from EBITDA, and adjustments are made for special items. Then, after further modifications and deduction of a flat 33 percent tax, the resulting NOPAT is used to calculate BVA. Cost of capital is the product of the weighted average cost of capital (WACC) and the average level of capital invested. The uniform WACC after taxes is 8 percent. 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 2016, BVA decreased to €-26 million (H1 2015: €-21 million) despite the overall improvement in the operating results. This development is primarily due to acquisitions made in the context of the portfolio transformation, which led to an increase in the average invested capital.

Bertelsmann's financial management system is defined by the internal financial targets outlined in the "Net Assets and Financial Position" section. The Group is managed and controlled on the basis of these financing principles; they form part of the value-oriented management system in the broader sense of the term, along with the EBITDA margin, the cash conversion rate and non-financial performance indicators.

Report on Economic Position

Corporate Environment

Overall Economic Developments

The global economy recorded limited growth in the first half of 2016. The recovery in the advanced economies was moderate, and the growth momentum in many emerging countries declined significantly.

The overall moderate economic recovery in the eurozone continued during the reporting period. According to Eurostat, the statistical office of the European Union, real gross domestic

product (GDP) in the eurozone rose by 0.6 percent in the first quarter of 2016 compared to the previous quarter and by 0.3 percent in the second quarter.

The continued recovery in Germany was primarily driven by strong domestic economic activity. According to the Federal Statistical Office, real GDP rose by 0.7 percent in the first quarter of 2016 compared to the previous quarter and by 0.4 percent in the second quarter.

Following a solid beginning to the year, the French economy stagnated over the remainder of the reporting period. According to Insee, the French National Institute for Statistics and Economic Studies, real GDP rose by 0.7 percent in the first quarter of 2016 but stagnated in the second quarter.

Since the UK's referendum result in favor of leaving the EU only occurred halfway through the year, it did not have any concrete quantifiable effects on real GDP. Real GDP rose by 0.4 percent in the first quarter of 2016 and by 0.6 percent in the second quarter.

In the first few months of the current financial year, growth in the United States was weaker than originally expected. Real GDP rose in the first quarter of 2016 at a projected annual rate of 0.8 percent. In the second quarter, real GDP increased by a projected annual rate of 1.2 percent according to initial calculations by the Bureau of Economic Analysis.

So far, the overall economic developments are slightly below the current-year trend anticipated in the 2015 Combined Management Report.

Developments in Relevant Markets

The European TV advertising markets experienced primarily positive growth in the first six months of 2016. The TV advertising markets in Germany, France, the Netherlands, Belgium and Croatia showed slight to moderate growth, while the TV advertising market in Spain once again reported strong growth. The Hungarian TV advertising market, in contrast, declined.

The physical book markets experienced mostly positive growth in the first six months of 2016. The physical book markets in the United States and the UK recorded significant to strong growth, whereas these markets in Spain and Germany reported little change.

The magazine markets in Germany and France were characterized by moderate to strongly falling print advertising business and declining circulation business during the reporting period, whereas the digital markets recorded strong growth.

The global music publishing and recorded music markets experienced moderate growth.

The service markets relevant to Arvato showed moderate to significant growth in the first half of 2016.

The relevant European print markets in Germany, France and the UK declined in the first six months of 2016, while the offset market showed much more stable development than the gravure printing market. The North American book printing market saw a moderate decline over the same period.

As expected, the education markets in the United States grew strongly in the first half of 2016 in the market segments where Bertelsmann is involved – namely, e-learning in the healthcare and technology sectors, online services and university education.

So far, the developments in the relevant markets are mainly within the current-year trend anticipated in the 2015 Combined Management Report.

Significant Events in the Current Financial Year

At its meeting on January 26, 2016, the Supervisory Board appointed Bernd Hirsch as the new Bertelsmann Chief Financial Officer. As of April 1, 2016, he took over the department from Executive Board Chairman Thomas Rabe, who was performing this function in addition to his other responsibilities on a transitional basis.

With the acquisition of Smartclip in March 2016, Mediengruppe RTL Deutschland has extended its options in the area of digital advertising marketing and has therefore enhanced its growth strategy. The acquisition simultaneously strengthens RTL Group's technological competence and, in cooperation with SpotX, opens up global innovation options.

At the end of May 2016, the French G+J subsidiary Prisma Media fully acquired Groupe Cerise, a digital media company in the video sector in France. Cerise develops its own technologies to produce and distribute content and thus reaches a wide audience with its brands.

Results of Operations

Revenue Development

Group revenues in the first half of 2016 of €7,966 million were 0.9 percent below the previous year's figure (H1 2015: €8,040 million). Adjusted for exchange rate effects of

-1.1 percent and portfolio and other effects of -1.1 percent, organic revenue growth amounted to 1.3 percent.

In the first half of 2016, RTL Group achieved revenue growth primarily due to the positive development of Groupe M6, Mediengruppe RTL Deutschland and the digital activities. Penguin Random House recorded a decline in revenues, attributable primarily to divestments, exchange rate effects and new sales terms for e-books in the United States and the UK which led to lower sales. At Gruner + Jahr, revenues decreased due to a decline in advertising and circulation revenues and also due to divestments. On the other hand, revenues from digital businesses continued to increase. BMG continued to grow, aided by its acquisition of additional music companies and rights catalogs. Arvato grew its revenues, in particular in the CRM Solutions and Financial Solutions business units. Revenue development at Bertelsmann Printing Group was affected primarily by the sale of printing activities in Southern Europe which were included for part of the same period last year. Bertelsmann Education Group pressed ahead with the expansion of the education business and increased its revenues. The fund activities combined in the Bertelsmann Investments division are not consolidated and, for this reason, no revenue is reported for this segment.

There were moderate changes in the geographical breakdown of revenues compared to the same period in the previous year. The revenue share in Germany increased to 35.2 percent, compared to 34.0 percent in the first half of 2015. The revenue share generated by France amounted to 14.2 percent (H1 2015: 14.0 percent). In the UK, revenue share was 5.7 percent (H1 2015: 5.9 percent), while other European countries achieved a revenue share of 18.5 percent (H1 2015: 17.8 percent). The share of total revenues generated in the United States was 20.4 percent (H1 2015: 21.5 percent); other countries accounted for a share of 6.0 percent (H1 2015: 6.8 percent). In total, these figures show that the total share of revenues represented by foreign business decreased slightly, from 66.0 percent in the first half of 2015 to 64.8 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 2015.

Operating EBITDA

Bertelsmann achieved operating EBITDA of €1,111 million during the reporting period (H1 2015: €1,063 million). The EBITDA margin of 13.9 percent was above the level of 13.2 percent in the same period last year. The operating earnings of RTL Group improved compared to the first half of 2015.

The increase was mainly attributable to higher earnings contributions from Groupe M6 and Mediengruppe RTL Deutschland. The decline in revenues at Penguin Random House also impacted operating EBITDA. As a result of lower revenues in the advertising business, and start-up losses for digital businesses, operating earnings at Gruner + Jahr decreased. Operating EBITDA at BMG was higher than the previous year's figure. Operating earnings at Arvato increased across all business units. Due to improved utilization of production capacity as a result of the acquisition of new customers and further cost savings, operating EBITDA for Bertelsmann Printing Group increased. As a result of start-up losses in connection with business expansion and transformation costs, operating earnings at Bertelsmann Education Group decreased in the reporting period. Since the fund activities combined in the Bertelsmann Investments division are not fully consolidated, operating results are not generally reported.

Special Items

Special items offset each other in the reporting period compared to €-101 million in the same period last year. They consisted of impairments on other financial assets totaling €-5 million (H1 2015: €-5 million), results from disposals of investments of €56 million (H1 2015: €17 million), and restructuring expenses and other special items totaling €-51 million (H1 2015: €-118 million). The result from disposals of investments was particularly affected by gains on disposals in the Bertelsmann Investments division. In the reporting period there was no fair value remeasurement of investments following €5 million in the same period last year.

EBIT

Taking into account adjusted operating EBITDA for special items totaling €0 million (H1 2015: €-101 million) and the amortization, depreciation, impairments and reversals of impairments on intangible assets and property, plant and equipment totaling €-306 million (H1 2015: €-292 million), which were not included in special items, EBIT amounted to €805 million in the reporting period (H1 2015: €670 million).

Group Profit or Loss

The financial result was €-117 million (H1 2015: €-119 million). Tax expenses amounted to €-206 million compared to €-156 million in the same period last year, in particular due to the improved earnings before taxes from continuing operations. In addition, the positive special effects included in tax expenses decreased compared to the same period

in the previous year. Earnings after taxes from continuing operations were thus €482 million (H1 2015: €395 million). Since no companies were classified as discontinued operations during the reporting period, Group profit was also €482 million (H1 2015: €398 million). The share of Group profit held by Bertelsmann shareholders was €288 million (H1 2015: €217 million). The non-controlling interests in Group profit came to €194 million (H1 2015: €181 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 twelvemonth period and limited to a maximum of 2.5. Economic debt is defined as net financial debt less 50 percent of the nominal capital of the hybrid bonds plus provisions for pensions, profit participation capital and the net present value of operating leases. Like operating EBITDA, economic debt is modified for calculation purposes. As of June 30, 2016, economic debt was €6,274 million (December 31, 2015: €5,609 million). The increase is primarily attributable to the significantly higher pension provisions and similar obligations as a result of the significant reduction in the interest rate. As of June 30, 2016, the leverage factor was 2.7 (December 31, 2015: 2.4).

Due to seasonal influences, net financial debt increased to €2,954 million compared to €2,765 million as of December 31, 2015. The increase is partly attributable to dividend payments to shareholders and non-controlling interests, most of which were made during the first half of the year.

Financing Activities

With a view to the pending maturities in the second half of 2016, Bertelsmann placed a ten-year benchmark bond in April 2016 with an issue volume of €500 million. The bond is listed in Luxembourg and has a fixed coupon of 1.125 percent. Furthermore, in June 2016, as part of a private placement, Bertelsmann also issued a promissory note in the amount of €200 million with a two-year term.

Rating

Bertelsmann has issuer ratings from Moody's and S&P. 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.

Cash Flow Statement

In the reporting period, Bertelsmann generated cash flow from operating activities of €751 million (H1 2015: €343 million). The Group's long-term operating free cash flow, adjusted for special items, was €718 million (H1 2015: €434 million). The cash flow from investing activities was €-502 million compared to €-817 million in the same period last year. The deviation results primarily from the funding in the same period last year of the plan assets held under the trusteeship of Bertelsmann Pension Trust e.V. which amounted to €400 million. At €276 million, cash flow from financing activities was below the high level of the previous year (H1 2015: €595 million). Cash and cash equivalents increased to €1,811 million as of June 30, 2016 (December 31, 2015: €1,310 million), primarily as a result of the issuing of bonds.

Investments

In the first half of 2016, according to the cash flow statement, investments totaled €603 million (H1 2015: €514 million). Investments in intangible assets came to €212 million (H1 2015: €126 million) and were attributable primarily to RTL Group for investments in film rights and to BMG for the acquisition of music catalogs. As in the same period last year, a large portion of the investments in property, plant and equipment, totaling €129 million (H1 2015: €150 million), stemmed from Arvato. The sum of €134 million was invested in financial assets (H1 2015: €165 million). Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €128 million in the reporting period (H1 2015: €73 million) and were primarily attributable to investments in Smartclip and Groupe Cerise.

Balance Sheet

Total assets came to €23.4 billion as of June 30, 2016 (December 31, 2015: €22.9 billion). The increase is primarily attributable to the increase in financial liabilities. Due to reduced interest rates, pension provisions increased significantly to €2.3 billion (December 31, 2015: €1.7 billion). Equity was €9.0 billion compared to €9.4 billion as of December 31, 2015. This resulted in an equity ratio of 38.4 percent (December 31, 2015: 41.2 percent). Due to the interest rate related revaluation of the provisions for defined benefit pension plans, equity declined to €9.0 billion compared to €9.4 billion as of December 31, 2015. This resulted in an equity ratio of 38.4 percent (December 31, 2015. This resulted in an equity ratio of 38.4 percent (December 31, 2015: 41.2 percent). Cash and cash equivalents increased to €1,811 million as of June 30, 2016, compared to €1,310 million as of December 31, 2015.

Employees

As of June 30, 2016, Bertelsmann had 114,710 employees worldwide

Group Cash Flow Statement (Summary)

in € millions	H1 2016	H1 2015
Cash flow from operating activities	751	343
Cash flow from investing activities	(502)	(817)
Cash flow from financing activities	276	595
Change in cash and cash equivalents	525	121
Exchange rate effects and other changes in cash and cash equivalents	(24)	55
Cash and cash equivalents on 1/1	1,310	1,331
Cash and cash equivalents on 6/30	1,811	1,507
Less cash and cash equivalents included within assets held for sale	_	_
Cash and cash equivalents on 6/30 (as per consolidated balance sheet)	1,811	1,507

Performance of the Group Divisions

RTL Group

RTL Group saw positive business development in the first half of the year, growing both its revenues and earnings. First-half revenues increased 3.2 percent year on year to €2.9 billion (H1 2015: €2.8 billion). Key contributors to this were Mediengruppe RTL Deutschland, the further expansion of the international digital businesses, and the TV activities in France. Operating EBITDA grew by 8.2 percent to €676 million (H1 2015: €625 million). This significant earnings improvement was primarily fueled by Groupe M6 and Mediengruppe RTL Deutschland. The increase at Groupe M6 was mainly driven by a positive effect associated with the gradual phase-out of the M6 Mobile contract. Mediengruppe RTL Deutschland once again generated record earnings.

Overall, RTL Group's families of channels developed positively in a favorable market environment, with all relevant European TV advertising markets except Hungary showing growth. As the live matches of the European soccer championships were aired by the public broadcasters, Mediengruppe RTL Deutschland's combined audience share in the main target group decreased slightly. However, its lead over the largest commercial competitor grew to three percentage points. In addition, Mediengruppe RTL Deutschland launched two new TV channels and secured the broadcasting rights for 28 more matches of Germany's national soccer team. In France, Groupe M6 achieved significant audience share gains in the commercial target group; its flagship channel M6 benefited from the broadcast of eight European soccer championship matches in June.

Fremantle Media generated lower first-half revenues year on year, mainly due to declines in North America. However, the revenue decrease was more than offset on the earnings side. At the same time, the production company strengthened its position with further acquisitions, including in the UK and Israel.

RTL Group's digital businesses continued their dynamic growth, increasing their first-half revenue by 20.5 percent from €219 million in the first half of 2015 to €264 million in the first half of 2016. The online video sites generated a total of 123.1 billion views, up 190 percent year on year. Mediengruppe RTL Deutschland strengthened its digital portfolio by acquiring a majority stake in the online video advertising sales house SmartClip.

Penguin Random House

The world's leading trade book publisher Penguin Random House delivered a strong bestseller-sales performance that was impacted by an expected decline in e-book sales in the United States and UK due in part to new retail sales terms, leading to a decrease in revenues and operating EBITDA during the reporting period. The publishing group's first-half revenues, inclusive of Verlagsgruppe Random House, which is wholly owned by Bertelsmann, declined 10.7 percent year on year to €1.5 billion (H1 2015: €1.7 billion). The financial impact on revenues from portfolio changes and negative currency effects were partly offset by steady physical book sales, and growth in the audio format. Savings from the now-completed integration contributed significantly to operating EBITDA, which was down by 10.6 percent to €185 million (H1 2015: €207 million).

In the United States, Penguin Random House had 316 "New York Times" bestsellers in the first six months of the year, 59 at number one. Its top-selling titles were the novels "Me Before You" and "After You" by Jojo Moyes, with 2.4 million copies sold. "The Girl on the Train" by Paula Hawkins remained a number-one bestseller for much of the period, selling over 800,000 print, audio and e-books. Multi-title Dr. Seuss classics sold more than three million books.

In the UK, Penguin Random House published more than half of the "Sunday Times" weekly top-ten bestseller list titles, 113 books. Together with the novels by Hawkins and Moyes, top sellers included Bill Bryson's "The Road to Little Dribbling" and Roald Dahl's children's book "The BFG."

In Spain and Latin America, Penguin Random House Grupo Editorial expanded its Spanish- and Portuguese-language publishing activities, with higher sales and increased market share in Spain, offset by worsening economic conditions in Latin America.

Verlagsgruppe Random House in Germany had a stable first six months, placing 236 titles on the "Spiegel" bestseller lists.

Many of the publishing group's authors won prestigious awards during the reporting period, including US Pulitzer Prizes for General Nonfiction, History, and Autobiography.

Bertelsmann owns 53 percent of shares in Penguin Random House, Pearson 47 percent.

Gruner + Jahr

Gruner + Jahr continued its strategic transformation. The first half of the year saw acquisitions and cooperation agreements in all key markets. Revenues remained near-stable at €777 million (H1 2015: €785 million), reflecting a year-on-year decline of 1.0 percent. The main revenue-reducing effects were overall developments in the print advertising market and changes to the portfolio – e.g., the sale of Motor Presse Stuttgart in France. These declines were nearly entirely compensated by steep growth in digital revenues in Germany and France. Revenues from G+J's digital businesses in the core markets grew by 31 percent. Operating EBITDA decreased by 7.1 percent to €52 million (H1 2015: €56 million). This was due in particular to high expenses for digital businesses, especially at G+J Germany. G+J France's businesses and Deutsche Presse Vertrieb (DPV) contributed higher results than in the first half of 2015

G+J Germany increased its first-half revenues year on year. This was driven largely by organic and acquisitive expansion of the digital businesses both in the growth areas of Content, Community and Commerce, and in the digital marketing business. The acquired companies Trnd, Danato, Delinero and Employour contributed additional revenues. Thanks to the successful launch of new magazine titles, G+J Germany was also able to keep its circulation revenues nearly stable. During the reporting period, G+J formed Germany's largest content communication service provider: Territory. Dresdner Druckund Verlagshaus and DPV both generated higher revenues than in the same period last year.

In France, Prisma Media increased its revenues and earnings. The continued strong growth of the digital businesses more than compensated for market-related declines in the print advertising business. Prisma Media also acquired Groupe Cerise, one of the country's leading digital video providers.

BMG

The Bertelsmann music subsidiary BMG, which has operated as an independent division since January 1, 2016, further consolidated its market position in publishing and recorded music rights while continuing to grow its business. Revenues increased 4.6 percent to €182 million (H1 2015: €174 million), driven by growth in the publishing business in the UK and continental Europe as well as the recorded music business in the United States and continental Europe. Operating EBITDA

amounted to €32 million, up by 6.7 percent year on year (H1 2015: €30 million).

BMG strengthened its portfolio through a series of acquisitions and catalog purchases in the first half of the year. The acquisition of a majority stake in the ARC music publishing catalog secured the company the rights to songs by artists including Chuck Berry, the Beach Boys and John Lee Hooker. BMG has also made progress implementing key strategic initiatives such as consolidating its worldwide recorded music distribution, and entering the markets in Australia and Brazil. Just a few months after entering the market in Australia, BMG announced it would take over Alberts, one of the country's most historic independent music companies.

Among the most important clients newly signed to BMG during the first half of the year was Pink Floyd founder and songwriter Roger Waters. BMG now represents Roger Waters' publishing interests in the Pink Floyd catalog, which include the titles "Money," "Another Brick in the Wall" and "Comfortably Numb." Numerous BMG clients achieved success in the period, among them Rick Astley, whose new album went to number one in the UK charts. In total, BMG-signed musicians and songwriters were involved in 19 Grammy awards in the United States, 19 Echo awards in Germany, and twelve Bumas in the Netherlands.

Arvato

Arvato recorded a positive first-half business performance, growing both its revenues and earnings. Revenues increased by 3.6 percent to €1.9 billion (H1 2015: €1.8 billion). The three biggest Solution Groups CRM, SCM and Financial Solutions all achieved organic growth. Operating EBITDA grew by 26.8 percent to €180 million (H1 2015: €142 million); all Solution Groups contributed to this increase.

The services businesses grouped in Arvato CRM posted a powerful performance in the first half of 2016 and contributed significantly to Arvato's revenue and earnings growth. Besides traditional customer service by phone, the focus was on developing alternative customer communication channels, such as social media and (video) chat. In addition, new international customers were won in the IT/Internet and tourism sectors. A new service center with space for around 1,400 employees was opened in Gurgaon, India.

Arvato SCM Solutions further expanded its existing national and international customer relationships during the reporting period, and implemented projects with new clients. It also expanded its network of European logistics sites, including by commissioning a new distribution center in Gennep, the Netherlands.

The financial services businesses also developed positively in the first half of 2016. Beyond stable growth in business in Germany, this development was fueled in particular by an excellent performance in the business with BPO services for major international clients. To further strengthen innovation, an IT development and innovation center was opened in Tallinn, and a robotics lab established in Dublin.

The IT services provider Arvato Systems recorded a constantly high demand for solutions related to application development and digital transformation. All of the digital marketing business units developed positively; the DeutschlandCard multi-partner program in particular showed profitable growth.

Bertelsmann Printing Group

Since January 1, 2016, all of Bertelsmann's global offset and gravure printing operations, and several other service and production businesses, have been grouped in a new division: the Bertelsmann Printing Group. The group was able to make important progress on its integration during the first half of the year and successfully stood its ground in a challenging market environment. Its revenues declined by 5.3 percent to €774 million (H1 2015: €817 million), mainly due to the sale of the Spanish operations completed in 2015. Adjusted for portfolio changes and exchange rate effects, revenues were roughly on par with the previous year. The group's operating EBITDA increased significantly by 17.5 percent to €47 million (H1 2015: €40 million), thanks to improved utilization of production capacity as a result of the acquisition of new customers and to successful cost-cutting measures.

The Bertelsmann Printing Group's offset printing businesses remained stable at a good earnings level in the first six months. Europe's leading offset printing company, Mohn Media, upheld the good revenues and profitability of the previous year.

The gravure printing operations pooled in the Prinovis group developed positively and contributed higher revenue and earnings than in the first half of 2015. In the UK, efforts to acquire new customers were successful. This will contribute to long-term capacity utilization at the Liverpool site and will also benefit the Prinovis printing plants in Germany.

Despite continued intense competition in the field of letterpress printing, the Bertelsmann Printing Group's US printers were able to increase both their revenues and earnings. Declines in paperback production were compensated by expanding the business with innovative print products to new industries.

As expected, revenues in storage media replication declined due to the closure of the US site in Weaverville at the beginning of 2016. The businesses at the group's primary location in Gütersloh bucked the general market trend, increasing their production volumes, revenues and earnings. This development was due among other things to the UHD production business launched in spring.

Bertelsmann Education Group

During the reporting period, Bertelsmann continued the expansion of its education-related activities in the e-learning (health and technology) and online services sectors. In September 2015, these businesses were merged into the Bertelsmann Education Group, which has operated as an independent division since January 1, 2016.

In the first six months of the year, those businesses, which Bertelsmann has fully consolidated, saw a 28 percent increase in revenues to €64 million (H1 2015: €50 million). The division's operating EBITDA, meanwhile, declined to €-13 million (H1 2015: €-3 million), primarily due to scheduled start-up losses for further business expansion, transformation costs at Alliant International University and equity pickup of HotChalk losses.

In particular, the e-learning provider Relias Learning recorded a positive performance, growing both organically and through acquisitions. The Bertelsmann subsidiary added new customers, whose employees completed approximately 15 million online courses in the first six months of the current year. During the reporting period, the company also took over Assessment & Intelligence Systems, a Canadian company specializing in training for homecare, and started up operations in the UK.

The online learning provider Udacity, in which Bertelsmann owns a stake, also expanded its business internationally and recently began offering its Nanodegree range in China, India and Germany.

The online education platform HotChalk grew with existing and new partner universities. There are some 6,600 students currently enrolled at seven universities in programs supported by HotChalk.

Alliant International University, which specializes in psychology, continued its transformation; around 3,500 students are currently studying at the university's eleven campuses.

Bertelsmann Investments

Bertelsmann's four digital funds, grouped into the new division Bertelsmann Investments since the beginning of this year, have further expanded their portfolios of startups around the world. Through Bertelsmann Asia Investments (BAI), Bertelsmann Brazil Investments (BBI), Bertelsmann India Investments (BII), and Bertelsmann Digital Media Investments (BDMI), Bertelsmann is invested in 125 companies as of June 30, 2016. The business development of Bertelsmann Investments is determined mainly on the basis of EBIT, which increased to €42 million (H1 2015: €-7 million). Capital gains from exits of Bertelsmann Investments shareholdings – primarily at BAI – thus contributed significantly to the Group's earnings.

In China, BAI invested in ten new companies during the reporting period, and also participated in follow-on financing rounds for companies including the fitness app Keep and the dating platform Tantan.

In India, Bertelsmann strengthened its activities in strategically relevant business segments by acquiring stakes in the e-commerce enabler KartRocket, the social fashion network Roposo, and the fintech company Lendingkart. BII also made follow-on investments in existing companies such as Pepperfry, WizIQ and iNurture.

In Brazil, BBI together with its strategic partner Bozano Investimentos advanced the Group's expansion in higher education through its investment in the online education business Medcel, which provides preparation courses for medical students.

During the reporting period, BDMI's investments included the acquisition of stakes in the video platform Vemba, the next-generation publisher Inverse, the VR startup Visionary VR in the United States, and the VR startup Splash in Germany, amongst others.

All platforms contributed to identifying digital trends and supporting innovative portfolio companies in their development.

Significant Events After the Balance Sheet Date

No reportable events occurred.

Risks and Opportunities

Risk Management System

Please refer to the 2015 Combined Management Report for a description of Bertelsmann's risk management system (RMS)

and the accounting-related RMS and internal control system (ICS). $\label{eq:control}$

Significant Changes in Risks Since the 2015 Combined Management Report

Please refer to the 2015 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, 2016. Overall, after the first half-year 2016, the same Group risks are considered material as those existing as of December 31, 2015. 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 moderate as of December 31, 2015, have increased in significance. This is primarily attributable to the increase in individual risk positions at Arvato and Penguin Random House. The most significant risk in the Group remains the pricing and discounting risk.

Strategic and Operational Risks

The strategic and operational risk position for the Group remains essentially unchanged from that depicted in the 2015 Combined Management Report.

Expectations of a moderate economic recovery in the eurozone remain unchanged. However, the risks for the world economy are now greater, especially following the Brexit referendum. The long-term effects on economic development, in particular in the UK and in the eurozone, will depend greatly on the framework conditions for the UK's exit from the EU. For Bertelsmann, this could result primarily in risks to businesses that depend on the advertising markets.

Legal and Regulatory Risks

Please refer to the 2015 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 2015 Combined Management Report, the financial market risks remain at a moderate level.

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, 2016. There are also no substantial going concern risks discernible from the current perspective that could threaten the continued existence of the Group.

Opportunities

The assessment of opportunities has not changed substantially compared to the information presented in the 2015 Combined Management Report.

Outlook

With a view to the whole of 2016, the global economy is expected to continue to grow at a moderate pace. The prospects for the advanced economies will be boosted by the favorable financing conditions and the continuing growth in employment. In contrast, the outlook for the emerging economies remains subject to greater uncertainty. The economic estimates by the Kiel Institute for the World Economy (IfW) concerning global development are 3.1 percent for 2016, which is slightly below previous expectations. In addition, the risks for the world economy have increased following the Brexit referendum.

Expectations of a moderate economic recovery in the eurozone remain unchanged. The IfW expects real GDP growth of 1.7 percent in 2016. In Germany, moderate economic growth is expected to continue; the IfW's estimates for growth in real GDP for 2016 are slightly below previous expectations at 1.9 percent. Economic expansion in France is expected to accelerate slightly in 2016 with real growth of 1.6 percent. On the other hand, expectations for economic recovery in the UK have been lowered; this year, the IfW expects real GDP to grow by only 1.8 percent. For the United States, the IfW also expects real GDP to grow by 2.0 percent in 2016, which is lower than previous expectations.

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. On a comparable basis with the forecast details from the Annual Report 2015, Bertelsmann 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 2016 remain unchanged.

These forecasts are based on Bertelsmann's current business strategy, as outlined in the "Company 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 suppositions 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 2016	H1 2015
Revenues	7,966	8,040
Other operating income	299	251
Changes in inventories	267	183
Own costs capitalized	15	15
Cost of materials	(2,782)	(2,723)
Royalty and license fees	(647)	(666)
Personnel costs	(2,669)	(2,663)
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	(309)	(293)
Other operating expenses	(1,410)	(1,501)
Results from investments accounted for using the equity method	16	4
Results from financial assets	3	6
Results from disposals of investments	56	17
EBIT (earnings before interest and taxes)	805	670
Interest income	6	9
Interest expenses	(78)	(66)
Other financial income	16	6
Other financial expenses	(61)	(68)
Financial result	(117)	(119)
Earnings before taxes from continuing operations	688	551
Income tax expense	(206)	(156)
Earnings after taxes from continuing operations	482	395
Earnings after taxes from discontinued operations		3
Group profit or loss	482	398
attributable to: Bertelsmann shareholders		
Earnings from continuing operations	288	214
Earnings from discontinued operations	_	3
Earnings attributable to Bertelsmann shareholders	288	217
Non-controlling interests		
Earnings from continuing operations	194	181
Earnings from discontinued operations	-	-
Earnings attributable to non-controlling interests	194	181

Consolidated Statement of Comprehensive Income

in € millions	H1 2016	H1 2015
Group profit or loss	482	398
Items that will not be reclassified subsequently to profit or loss		
Remeasurement component of defined benefit plans	(415)	176
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	(124)	281
- reclassification adjustments for gains (losses) included in profit or loss	-	(2)
Available-for-sale financial assets		
- changes in fair value recognized in equity	3	1
- reclassification adjustments for gains (losses) included in profit or loss	-	-
Cash flow hedges		
- changes in fair value recognized in equity	(10)	16
- reclassification adjustments for gains (losses) included in profit or loss	-	(9)
Share of other comprehensive income of investments accounted for using the equity method	6	3
Other comprehensive income net of tax	(540)	466
Group total comprehensive income	(58)	864
attributable to:		
Bertelsmann shareholders	(214)	627
Non-controlling interests	156	237

Reconciliation to Operating EBITDA (Continuing Operations)

in € millions	H1 2016	H1 2015
EBIT from continuing operations	805	670
Special items		
Impairment on other financial assets	5	5
Results from disposals of investments	(56)	(17)
Fair value remeasurement of investments	-	(5)
Restructuring and other special items	51	118
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	309	293
Adjustments on amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment included in special items	(3)	(1)
Operating EBITDA from continuing operations	1,111	1,063

Consolidated Balance Sheet

in € millions	6/30/2016	12/31/2015
Assets		
Non-current assets		
Goodwill	7,946	7,895
Other intangible assets	2,444	2,522
Property, plant and equipment	1,584	1,605
Investments accounted for using the equity method	1,002	945
Other financial assets	415	405
Trade and other receivables	89	146
Other non-financial assets	631	640
Deferred tax assets	1,090	961
	15,201	15,119
Current assets		
Inventories	1,807	1,661
Trade and other receivables	3,408	3,707
Other financial assets	123	113
Other non-financial assets	955	858
Current income tax receivables	100	140
Cash and cash equivalents	1,811	1,310
	8,204	7,789
Assets held for sale	_	_
	23,405	22,908
Equity and liabilities		
Equity		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	3,752	4,146
Bertelsmann shareholders' equity	7,097	7,491
Non-controlling interests	1,889	1,943
	8,986	9,434
Non-current liabilities		0,101
Provisions for pensions and similar obligations	2,254	1,709
Other provisions	117	122
Deferred tax liabilities	135	160
•••••		413
Profit participation capital Financial debt	3,774	3,075
Trade and other payables	349	375
Other non-financial liabilities	337	375
O4 U. L. U.G.	7,379	6,229
Current liabilities		0.40
Other provisions	314	346
Financial debt	991	1,000
Trade and other payables	3,980	4,276
Other non-financial liabilities	1,644	1,529
Current income tax payables	111	94
	7,040	7,245
Liabilities related to assets held for sale	_	_
	23,405	22,908

Consolidated Cash Flow Statement

in € millions	H1 2016	H1 2015
Group earnings before interest and taxes	805	673
Taxes paid	(134)	(163)
Depreciation and write-ups of non-current assets	314	298
Results from disposals of investments	(56)	(20)
Change in provisions for pensions and similar obligations	(40)	(42)
Change in other provisions	(41)	(108)
Change in net working capital	(108)	(327)
Fair value remeasurement of investments	-	(5)
Other effects	11	37
Cash flow from operating activities	751	343
- thereof discontinued operations	-	-
Investments in:		
- intangible assets	(212)	(126)
– property, plant and equipment	(129)	(150)
- financial assets	(134)	(165)
- purchase prices for consolidated investments (net of acquired cash)	(128)	(73)
Cash receipts for disposal of subsidiaries and other business units	(4)	(5)
Cash receipts from disposal of other fixed assets	105	102
Contribution to/withdrawals from defined benefit plans	-	(400)
Cash flow from investing activities	(502)	(817)
- thereof discontinued operations	-	-
Proceeds from bonds and promissory notes	694	1,241
Proceeds from/redemption of other financial debt	71	(178)
Interest paid	(106)	(62)
Interest received	5	8
Dividends to Bertelsmann shareholders	(180)	(180)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18b)	(205)	(239)
Change in equity	(3)	5
Cash flow from financing activities	276	595
- thereof discontinued operations	-	-
Change in cash and cash equivalents	525	121
Exchange rate effects and other changes in cash and cash equivalents	(24)	55
Cash and cash equivalents 1/1	1,310	1,331
Cash and cash equivalents 6/30	1,811	1,507
Less cash and cash equivalents included within assets held for sale	-	-
Cash and cash equivalents 6/30 (according to the Group balance sheet)	1,811	1,507

Change in Net Financial Debt

in € millions	H1 2016	H1 2015
Net financial debt at 1/1	(2,765)	(1,689)
Cash flow from operating activities	751	343
Cash flow from investing activities	(502)	(817)
Interest, dividends and changes in equity, additional payments (IAS 32.18b)	(489)	(468)
Exchange rate effects and other changes in net financial debt	51	(52)
Net financial debt at 6/30	(2,954)	(2,683)

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-	Capital Retained earnings							Bertels- Non-		
	scribed	reserve	Other	Cumulat	ed other co	income ¹⁾	mann	controlling			
in € millions	capital		retained earnings	Currency transla- tion dif- ferences	Available- for-sale financial assets	Cash flow hedges	Share of other compre- hensive income of invest- ments accounted for using the equity method	share- holders' equity	interests		
Balance as of 1/1/2015	1,000	2,345	3,256	(117)	16	21	13	6,534	1,846	8,380	
Group profit or loss	-	-	217	-	-	-	_	217	181	398	
Other comprehensive income			174	224	1	8	3	410	56	466	
Group total comprehensive income	-	-	391	224	1	8	3	627	237	864	
Dividend distributions	_	_	(180)	_	_	_	_	(180)	(250)	(430)	
Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	(18)	-	-	-	-	(18)	23	5	
Equity transactions with shareholders	-	-	(198)	-	-	-	-	(198)	(227)	(425)	
Other changes	_	_	7	_	_	_	_	7	14	21	
Balance as of 6/30/2015	1,000	2,345	3,456	107	17	29	16	6,970	1,870	8,840	
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	

¹⁾ As of June 30, 2016, and as of June 30, 2015, no assets classified as held for sale in accordance with IFRS 5 were affected.

Segment Information (Continuing Operations)

	RTL Group		Penguin Random House		Gruner + Jahr		BMG		Arvato		
in € millions	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015 (adjusted)	
Revenues from external customers	2,874	2,786	1,515	1,697	765	774	181	172	1,865	1,794	
Intersegment revenues	4	2	1	-	12	11	1	2	30	36	
Divisional revenues	2,878	2,788	1,516	1,697	777	785	182	174	1,895	1,830	
Operating EBITDA	676	625	185	207	52	56	32	30	180	142	
EBITDA margin ¹⁾	23.5%	22.4%	12.2%	12.2%	6.8%	7.2%	17.4%	17.4%	9.5%	7.8%	
Impairment (-)/reversals (+) on intangible assets and property, plant and equipment	(5)	8	-	_	-	_	-		(1)	_	
Results from investments accounted for using the equity method	32	29		(1)	_				4	5	

Figures for H1 2015 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.

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, 2015. A detailed description of these policies and the new or revised financial reporting standards and interpretations to be applied from 2016 are presented in the notes to the Consolidated Financial Statements in the 2015 Annual Report.

As of June 30, 2016, the following financial reporting standards have been applied for the first time:

- Annual Improvements to IFRSs 2010–2012 Cycle (issued in December 2013)
- Annual Improvements to IFRSs 2012–2014 Cycle (issued in September 2014)
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 19: Defined Benefit Plans Employee Contributions
- Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements

The first-time application does not have a material impact on the Bertelsmann Group. The Bertelsmann Group has not opted for further early adoption of any additional standards, interpretations or amendments that have been issued but are not yet mandatory.

²⁾ The business development of Bertelsmann Investments is determined primarily based on EBIT. EBIT totaled €42 million (H1 2015: €-7 million).

Bertelsmann Printing Group		Bertels Educatio		Bertels Investr		Total di	visions	Corp	orate	Consol	idation	Conti opera	-
H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015
677	705	64	50	_		7,941	7,978	25	62	_	_	7,966	8,040
97	112	-	-	-	-	145	163	16	15	(161)	(178)	-	-
774	817	64	50	_		8,086	8,141	41	77	(161)	(178)	7,966	8,040
47	40	(13)	(3)	1	2	1,160	1,099	(43)	(35)	(6)	(1)	1,111	1,063
 6.0%	4.8%	-20.9%	-6.9%	_		14.3%	13.5%	_		_		13.9%	13.2%
 -		-	_	_	_	(6)	8	_	_	-	_	(6)	8
		(1.4)		(7)		15				1		10	
_		(14)	(22)	(7)	(8)	15	3	_		1		16	4

Scope of Consolidation

The Condensed Interim Consolidated Financial Statements as of June 30, 2016, 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, 2016, the scope of consolidation including Bertelsmann SE & Co. KGaA consists of 956 companies (December 31, 2015: 954) with 49 entries and 47 exits in the first half of 2016. This includes 876 (December 31, 2015: 883) fully consolidated companies, of

which 763 (December 31, 2015: 758) are wholly owned subsidiaries. In addition, investments in 29 (December 31, 2015: 29) joint ventures and 51 (December 31, 2015: 42) associates are accounted for using the equity method in the Consolidated Financial Statements. A total of 230 (December 31, 2015: 224) 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 2016, the cash flow from acquisition activities totaled $\[\le \]$ 128 million, of which $\[\le \]$ 108 million relates to new acquisitions during the first half of the year less cash and cash equivalents acquired. The consideration transferred in accordance with IFRS 3 amounted to $\[\le \]$ 144 million taking account of contingent consideration of $\[\le \]$ 6 million. In addition, put options totaling $\[\le \]$ 3 million related to the business combinations were accounted for.

In March 2016, RTL Group acquired an interest of 93.75 percent in Smartclip Holding AG including its five subsidiaries. Smartclip

bundles the online video advertising inventory of 700 publishers worldwide, and manages the integration and serving of video advertising to all Internet-connected screens. The company complements RTL Group's investments in digital advertising sales. The German Federal Cartel Office approved the transaction in April 2016. The consideration transferred amounted to €48 million and was fully paid in cash. The preliminary purchase price allocation resulted in non-tax-deductible goodwill in the amount of €38 million resulting from the skills and market competence of Smartclip's workforce and the synergies expected. RTL Group holds a put and call option for the

remaining non-controlling interests of 6.25 percent exercisable in 2017. The exercise price of the put option is based on a variable component and capped at €200 million on a 100 percent basis. The corresponding amount has been initially recognized as a financial liability at the present value of the redemption amount totaling €3 million with a corresponding reduction in equity. The financial liability subsequently measured at amortized cost remained unchanged as of June 30, 2016. Any further remeasurement of the liability will be recognized in the income statement. Transaction-related costs amounted to less than €1 million and have been recognized in profit or loss.

In May 2016, Gruner + Jahr's French subsidiary Prisma Media acquired an interest of 100 percent in Groupe Cerise. The company is one of France's leading digital media groups, primarily due to its video offers. With the acquisition, Gruner + Jahr reinforces the position of Prisma Media in the areas that are strategically important for digital development: video, mobile, technology and social networks. The preliminary consideration transferred amounts to €42 million and was paid completely in cash. The preliminary purchase price allocation resulted in non-tax-deductible goodwill amounting to €32 million, mainly representing synergy potential to be

realized by combining existing brands and businesses and strengthening the position in digital advertising markets. 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 allocations for Smartclip and Groupe Cerise have 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 2016, 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 €41 million, which reflects synergy potential. The costs of these transactions amounted to €2 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	Smartclip	Cerise	Other	Total
Non-current assets				
Goodwill	38	32	41	111
Other intangible assets	9	13	13	35
Property, plant and equipment	-	-	1	1
Other non-current assets	3	-	1	4
Current assets				
Inventories	-	-	8	8
Trade and other receivables	9	2	6	17
Other current assets	_	_	1	1
Cash and cash equivalents	11	1	2	14
Liabilities		<u>.</u>		
Financial debt	_	(1)	(2)	(3)
Other financial and non-financial liabilities	(21)	(5)	(17)	(43)
Non-controlling interests	(1)			(1)

Since initial consolidation, all new acquisitions in accordance with IFRS 3 in the first half of 2016 have contributed €22 million to revenue and €0 million to Group profit or loss.

If consolidated as of January 1, 2016, they would have contributed €45 million to revenue and €-2 million to Group profit or loss.

After considering the cash and cash equivalents disposed of, the Bertelsmann Group generated cash flows totaling €-4 million from disposals in the first half of 2016. The

disposals led to income from deconsolidation of €6 million, which is recognized in "Results from disposals of investments."

Effects of Disposals

in € millions	Total
Non-current assets	
Goodwill	2
Other intangible assets	2
Property, plant and equipment	2
Other non-current assets	1
Current assets	
Inventories	6
Other current assets	14
Cash and cash equivalents	9
Liabilities	
Provisions for pensions and similar obligations	6
Financial debt	1
Other financial and non-financial liabilities	31

Currency Translation

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

		Average rate		Closing rate		
Foreign currency unit per €1		H1 2016	H1 2015	6/30/2016	12/31/2015	6/30/2015
Australian dollar	AUD	1.5221	1.4258	1.4929	1.4897	1.4550
Canadian dollar	CAD	1.4840	1.3768	1.4384	1.5116	1.3839
Chinese renminbi	CNY	7.2956	6.9378	7.3755	7.0608	6.9366
British pound	GBP	0.7788	0.7324	0.8265	0.7340	0.7114
US dollar	USD	1.1161	1.1152	1.1102	1.0887	1.1189

Additional Disclosures on Financial Instruments

The principles and methods used for the fair value measurement remain unchanged compared to the previous year. Further information about the additional information and disclosures on financial instruments are presented in the notes to the Consolidated Financial Statements in the Annual Report 2015. Only disclosures on financial instruments that are significant to an understanding of the changes in financial position and 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 interest rate structure 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 interest rate structure curves at the end of the reporting period. The fair value of forward commodity transactions is derived from the stock exchange listings published on the balance sheet date. 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.

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. In the first half of 2016, 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.

Investments in affiliates and other investments that are classified as available-for-sale within financial assets 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. As of June 30, 2016, these financial assets amounted to €293 million (December 31, 2015: €288 million). No plan has been made to sell significant holdings of the other

available-for-sale investments in the near future. Of the financial assets measured at cost, most notably the investment in Spring Rain Mobile Health Holdings Inc. and shares in Morningside China TMT Fund I were sold in the first half of 2016. 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 314.00 percent on the last day of trading in the first half of 2016 on the Frankfurt Stock Exchange was €893 million (December 31, 2015: €903 million with a rate of 317.50 percent) and, correspondingly, €30 million for the 1992 profit participation certificates with a rate of 178.62 percent (December 31, 2015: €29 million with a rate of 172.00 percent). The fair values are based on level 1 of the fair value hierarchy.

In April 2016, Bertelsmann issued a publicly listed bond of €500 million with a term of ten years. In addition, Bertelsmann issued a promissory note in the amount of €200 million with a term of two years in a private placement in June 2016.

On June 30, 2016, the cumulative fair value of the listed bonds totaled €3,902 million (December 31, 2015: €3,272 million) with a nominal volume of €3,786 million (December 31, 2015: €3,286 million) and a carrying amount of €3,761 million (December 31, 2015: €3,266 million). The stock market prices are based on level 1 of the fair value hierarchy. On June 30, 2016, the total carrying amount of the private placements and promissory notes totaled €707 million (December 31, 2015: €507 million) and the total fair value amounted to €762 million (December 31, 2015: €540 million). The fair values of private placements and promissory notes are determined using actuarial methods based on yield curves adjusted for the Group's credit margin. This credit margin results from the market price for credit default swaps at the end of the respective reporting periods. Fair value is measured on the basis of discount rates ranging from -0.24 percent to 1.57 percent. The fair values of the private placements and promissory notes are based on level 2 of the fair value hierarchy.

Fair Values of Financial Assets 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 6/30/2016
Financial assets initially recognized at fair value through profit or loss		11		11
Available-for-sale financial assets	10	1	30	41
Primary and derivative financial assets held for trading	-	88	5	93
Derivatives with hedge relation	-	50	_	50
	10	150	35	195

Financial Assets Measured at Fair Value Based on Level 3

in € millions	Financial assets initially recognized at fair value through profit or loss	Available-for- sale financial assets	Primary and derivative financial assets held for trading	Derivatives with hedge relation	Total
Balance as of 1/1/2016	_	30	6	-	36
Total gain (+) or loss (-)	-	-	(1)	-	(1)
– in profit or loss	-	-	(1)	-	(1)
– in other comprehensive income	-	-	-	_	-
Transfers from "Investments accounted for using the equity method"	-	-	-	-	-
Purchases	_	-	_	_	_
Issues	-	_	-	_	-
Sales/settlements	-	_	_	_	-
Transfers out of/into level 3	-	_	_	_	_
Balance as of 6/30/2016	_	30	5	-	35
Gain (+) or loss (-) for assets still held at the end of the reporting period	_	_	(1)		(1)

Fair Values of Financial Liabilities 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 6/30/2016
Financial liabilities initially recognized at fair value through profit or loss	-	_	46	46
Primary and derivative financial liabilities held for trading	-	60	_	60
Derivatives with hedge relation	_	6	_	6
	_	66	46	112

Financial Liabilities Measured at Fair Value Based on Level 3

in € millions	Financial liabilities initially recog- nized at fair value through profit or loss	Primary and derivative financial li- abilities held for trading	Derivatives with hedge relation	Total
Balance as of 1/1/2016	45	_	-	45
Total gain (-) or loss (+)	-	-	-	_
- in profit or loss	-	-	-	_
– in other comprehensive income	_	_	_	_
Purchases	4	-	_	4
Issues	-	-	_	_
Settlements	(3)	_	-	(3)
Transfers out of/into level 3	_	_	_	_
Balance as of 6/30/2016	46	-	_	46
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	-	_		-

Income Taxes

Tax expenses for the first half of 2016 were calculated in accordance with IAS 34 using the average annual tax rate expected for the whole of 2016, which is calculated at 34.6 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 attributable to several transactions conducted in the Bertelsmann Investments division, mainly from the sale of the investment in Spring Rain Mobile Health Holdings Inc. and shares in Morningside China TMT Fund I.

As a result of the decrease in the discount rate for measuring provisions for pensions, actuarial losses amounting to

€569 million before related tax effects were recognized in the item "Remeasurement component of defined benefit plans."

Earnings after taxes from discontinued operations of €3 million in the previous year comprised follow-on effects related to the disposal of the former Direct Group division.

As of June 30, 2016, the cash-generating units Fremantle Media and StyleHaul have been tested for impairment in accordance with IAS 36. Taking into account the development of Fremantle Media over the first six months in the financial year 2016, its business plan has been revised moderately upward. This takes into account the strengthening of the production business through a number of talent deals and recent acquisitions and the continuing strength of Fremantle Media's main franchises. Accordingly, despite the continued pricing pressure within the overall content business, Fremantle Media expects to increase its EBITA margin slightly over the life of the business plan. The recoverable amount was determined using the value in use with a long-term growth rate of 2.5 percent (December 31, 2015: 2.5 percent) and a discount rate of 7.1 percent (December 31, 2015: 7.4 percent).

As of June 30, 2016, the recoverable amount exceeds the carrying amount on the level of Fremantle Media by €374 million (December 31, 2015: €189 million). In the event of an increase in the discount rate by 1.3 percentage points, a reduction in the annual revenue of 1.9 percent or a reduction in the EBITDA margin by 1.7 percentage points, the recoverable amount is lower than the carrying amount.

The significant increase of video views was not fully reflected in the revenue growth of StyleHaul due to the delayed launch of certain diversification revenue streams, mostly on content revenue, and the lower revenue per thousand impressions ("RPM"). The recoverable amount was determined using the value in use with a long-term growth rate of 2.0 percent (December 31, 2015: 2.0 percent) and a discount rate of 13.0 percent (December 31, 2015: 13.0 percent). As of June 30, 2016, the recoverable amount exceeds the carrying amount on the level of StyleHaul by €10 million (December 31, 2015: €11 million). In the event of an increase in the discount rate by 0.7 percentage points, a reduction in the annual revenue of 1.3 percent, or a reduction in the EBITDA margin by 1.6 percentage points, the recoverable amount is lower than the carrying amount.

Notes on Segment Reporting

At the beginning of the financial year 2016, the strategic growth segments BMG and Education as well as the fund activities of Corporate Investments were split into three independent divisions: BMG, Bertelsmann Education Group and Bertelsmann Investments. BMG is an international music company. The Bertelsmann Education Group division comprises the growth businesses and high-quality education offerings. Bertelsmann Investments comprises the funds Bertelsmann Digital Media Investments (BDMI), Bertelsmann Asia Investments (BAI), Bertelsmann Brazil Investments (BBI) and Bertelsmann India Investments (BII), investing in promising businesses. In addition, since January 1, 2016, the Bertelsmann Printing Group division has bundled the Group's offset and gravure printing activities. It includes Mohn Media, GGP Media and Vogel Druck, which were previously considered part of the Arvato division, the gravure activities of Prinovis in Germany and the United Kingdom previously operating under Be Printers, and the offset and digital printers of Be Printers in the United States. The new division also includes additional businesses that were previously allocated to the Arvato division, including RTV Media Group, the lettershop business Campaign and the storage media replication business Sonopress. Furthermore, Medienfabrik, a company that was previously allocated to the Arvato division until December 31, 2015, has been part of the Gruner + Jahr division since January 1, 2016.

As of January 1, 2016, the Bertelsmann Executive Board manages and monitors the three new divisions separately so that, since 2016, internal reporting and external segment reporting reflect eight operating reportable segments: RTL Group, Penguin Random House, Gruner + Jahr, BMG, Arvato, Bertelsmann Printing Group, Bertelsmann Education Group and Bertelsmann Investments. The figures from the previous year were adjusted accordingly in this report.

Reconciliation of Segments' EBIT to Group Profit or Loss

in € millions	H1 2016	H1 2015
Operating EBITDA of divisions	1,160	1,099
Corporate	(43)	(35)
Consolidation	(6)	(1)
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	309	293
Adjustments on amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment included in special items	(3)	(1)
Special items	-	101
EBIT from continuing operations	805	670
Financial result	(117)	(119)
Earnings before taxes from continuing operations	688	551
Income tax expense	(206)	(156)
Earnings after taxes from continuing operations	482	395
Earnings after taxes from discontinued operations	-	3
Group profit or loss	482	398

Events After the Reporting Period

No events of special importance occurred after the reporting period that could have a material impact on the financial position and results of operations of the Bertelsmann Group.

Responsibility Statement

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

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

Gütersloh, August 25, 2016

Bertelsmann SE & Co. KGaA represented by:
Bertelsmann Management SE, the personally liable partner The Executive Board

Dr. Thomas Rabe Fernando Carro de Prada 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, 2016, 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

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.

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 con-

solidated 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

Bielefeld, August 26, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

www.bertelsmann.com











The Interim Report is also available in German.

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