



**Thomas Rabe**  
Chairman and CEO of Bertelsmann

## 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.

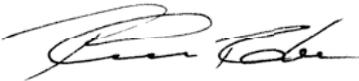
In this new corporate structure, we have kept working intensively on implementing our strategy, which continues to be comprised of four priorities:

- 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