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

- Revenue up by 10.7 percent, organic revenue growth of 16.6 percent
- Revenue increases primarily at RTL Group, Penguin Random House and Arvato
- Increase in operating EBITDA by €423 million to a new record level of €1,417 million
- EBITDA margin of 16.3 percent, 3.6 percentage points above same period last year
- Group profit more than doubled to €1,368 million
- Improved operating development and high earnings contribution from disposal proceeds

1) Figure adjusted for H1 2020.
Fundamental Information about the Group

Corporate Profile

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

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

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

Strategy

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

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

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

Revenues as a growth indicator of the businesses increased in the first half of 2021 by 10.7 percent to €8,691 million (H1 2020: €7,848 million). Organic revenue growth was 16.6 percent. Operating EBITDA is determined as earnings before interest, tax, depreciation, amortization, impairment losses and reversals of impairment losses, and is adjusted for special items. The adjustments for special items serve to determine a sustainable operating result that could be repeated under normal economic circumstances and is not affected by special factors or structural distortions. These special items primarily include impairment losses and reversals of impairment losses, fair value measurements, results from disposals of investments and/or restructuring expenses. This means operating EBITDA is a meaningful performance indicator. During the reporting period, operating EBITDA increased to €1,417 million (H1 2020: €994 million).

The performance indicator for assessing the profitability from operations and return on invested capital is BVA. BVA measures the profit realized above and beyond the appropriate return on invested capital. This form of value orientation is reflected in strategic investment and portfolio planning and in the management of operations and, together with qualitative criteria, provides the basis for measuring the variable portion of management remuneration. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated on the basis of operating EBITDA. Operating EBIT is the result of deducting amortization, depreciation, impairment losses and reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets totaling €415 million (H1 2020: €436 million), which were not included in special items. A flat tax rate of 30 percent was assumed in order to calculate NOPAT of €702 million (H1 2020: €391 million), which is used to calculate BVA. Cost of capital is the product of the average level of capital invested and the weighted average cost of capital (WACC). The average level of capital invested totaled €15.8 billion as of June 30, 2021 (H1 2020: €16.4 billion). The uniform WACC after taxes is 8 percent, resulting in a cost of capital of €630 million (H1 2020: €657 million) in the half-year reporting period. The average invested capital is calculated quarterly on the basis of the Group’s operating assets less non-interest-bearing operating liabilities. In the first half of 2021, BVA rose to €121 million (H1 2020: €-222 million). BVA is determined without taking into account the Bertelsmann Investments division, since business performance is represented primarily on the basis of EBIT. Accordingly, the method does not include a NOPAT contribution from this division. To maintain consistency, the invested capital will be adjusted for the Bertelsmann Investment division; hence, capital costs will be neutralized.

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

Report on Economic Position

Corporate Environment

Overall Economic Developments

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

According to Eurostat, the statistical office of the European Union, real gross domestic product (GDP) in the eurozone decreased by 0.3 percent in the first quarter of 2021 compared
to the previous quarter. According to initial estimates, growth of 2.0 percent is expected for the second quarter of 2021.

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

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

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

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

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

**Developments in Relevant Markets**

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

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

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

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

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

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

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

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

**Significant Events in the Current Financial Year**

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

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

In early May 2021, Núria Cabutí, CEO of the Spanish-speaking book publishing group Penguin Random House Grupo Editorial, was appointed to the Bertelsmann Supervisory Board effective June 1, 2021. She will be a member of this oversight board in her role as representative of the Bertelsmann executives. In this capacity, Núria Cabutí succeeds Ian Hudson, who stepped down from the Supervisory Board after leaving the Group in March 2020.
In May 2021, Groupe TF1, Groupe M6, Groupe Bouygues and RTL Group announced the signing of agreements to immediately begin exclusive negotiations for the merger of Groupe TF1 and Groupe M6. The planned combination was unanimously approved by each of the boards of directors of the four affected groups. In July 2021, after favorable opinions had been issued by the French employee representative bodies, Groupe Bouygues and RTL Group signed agreements relating to the merger. The closing of the transaction is subject to the approval of antitrust authorities and the extraordinary general meetings of Groupe TF1 and Groupe M6, respectively. The transaction is expected to close by the end of 2022.

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

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

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

Results of Operations

Revenue Development

Group revenues increased in the first half of 2021 by 10.7 percent to €8,691 million (H1 2020: €7,848 million). Adjusted for exchange rate effects of -2.8 percent (H1 2020: 0.2 percent) and portfolio and other effects of -3.1 percent (H1 2020: -1.2 percent), organic revenue growth improved to 16.6 percent after an organic revenue decline of 7.8 percent in the same period last year.

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

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

Operating EBITDA

During the reporting period, operating EBITDA improved by €423 million to €1,417 million (H1 2020: €994 million). In addition to the favorable business performance in the book publishing and service businesses, the strong increase is also attributable to the ongoing recovery of the advertising-financed businesses. The EBITDA margin increased to 16.3 percent, after 12.7 percent in the same period of the
previous year. Operating EBITDA of the RTL Group improved compared to the same period last year. The increase is attributable in particular to improved earnings at the French Groupe M6, RTL Nederland and Fremantle. Improved earnings in all territories, particularly the US businesses, contributed to higher operating EBITDA at Penguin Random House. Gruner + Jahr also reported growth in operating earnings. BMG reported stable operating EBITDA. Operating EBITDA at Arvato increased as a result of the ongoing positive performance at the customer experience company Majorel and in the Supply Chain Solutions sector. The earnings of the Bertelsmann Printing Group also improved and recovered from the additional negative effects of the coronavirus pandemic. Operating EBITDA at the Bertelsmann Education Group also increased compared to the same period in the previous year. The investments of Bertelsmann Investments are generally not consolidated, so operating earnings are not usually reported for this division.

Special Items

Special items totaled €927 million (H1 2020: €247 million). They consisted of impairment losses on other financial assets at amortized cost in the amount of €1 million (H1 2020: €1 million), adjustment of the carrying amounts of assets classified as held for sale of €4 million (H1 2020: –), results from disposals of investments of €794 million (H1 2020: €341 million), fair value measurement of investments of €197 million (H1 2020: €80 million), and restructuring expenses and other special items totaling €59 million (H1 2020: €88 million). In the first half of 2021, special items did not include any impairment losses of investments accounted for using the equity method after €65 million in the same period last year. The increase in results from disposals of investments is mainly attributable to the disposal of the ad-tech company SpotX.

EBIT

EBIT amounted to €1,929 million in the reporting period (H1 2020: €805 million) after adjusting operating EBITDA to include special items totaling €927 million (H1 2020: €247 million) as well as the amortization, depreciation, impairment losses and reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets totaling €415 million (H1 2020: €436 million), which were not included in special items.

Group Profit

The financial result was €-155 million (H1 2020: €-184 million). The tax expense was €-406 million compared to €-133 million in the same period last year. The change is mainly attributable to improved earnings before tax. Group profit thus increased to €1,368 million (H1 2020: €488 million). The share of Group profit attributable to Bertelsmann shareholders was €1,052 million (H1 2020: €386 million). The non-controlling interests in Group profit came to €316 million (H1 2020: €102 million).
Net Assets and Financial Position

Financing Guidelines

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

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

Bertelsmann utilizes a financial control system employing quantitative financial targets concerning the Group’s economic debt and, to a lesser extent, its capital structure. One of the financial targets is a dynamic leverage factor, which is calculated as the ratio of economic debt to operating EBITDA over a 12-month period and limited to the defined maximum of 2.5, which should not be exceeded permanently. As of June 30, 2021, operating EBITDA (12 months) amounted to €3,551 million. Economic debt is defined as net financial debt less 50 percent of the nominal capital of the hybrid bonds amounting to €625 million (December 31, 2020: €625 million), plus provisions for pensions amounting to €1,460 million (December 31, 2020: €2,009 million), profit participation capital amounting to €413 million (December 31, 2020: €413 million) and lease liabilities amounting to €1,317 million (December 31, 2020: €1,355 million). As of June 30, 2021, economic debt was €4,432 million (December 31, 2020: €5,207 million).

In determining the leverage factor, the economic debt and the 12-month operating EBITDA are modified to enable financial management that corresponds to the Group’s structure. For the purpose of this calculation, economic debt was therefore increased by €250 million (December 31, 2020: €250 million) and operating EBITDA decreased by €355 million (December 31, 2020: €314 million). This results in a leverage factor of 1.5 as of June 30, 2021 (December 31, 2020: 1.9). Besides the higher earnings, the decrease in the leverage factor is also attributable to the reduction in economic debt.

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

Financing Activities

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

Rating

Bertelsmann bases its financing on the requirements of a credit rating of “Baa1/BBB+.” Bertelsmann is currently rated by Moody’s as “Baa2” (outlook: stable) and by S&P as “BBB” (outlook: stable). Both credit ratings are in the investment-grade category. Bertelsmann’s short-term credit quality rating is “P-2” from Moody’s and “A-2” from S&P.

Cash Flow Statement

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

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

Balance Sheet

Total assets came to €28.7 billion as of June 30, 2021 (December 31, 2020: €29.7 billion). Pension provisions decreased to €1.5 billion (December 31, 2020: €2.0 billion). In addition to a higher discount rate, this decrease is also due to a voluntary contribution of €200 million to the plan assets managed in trust by Bertelsmann Pension Trust e.V. The increase in Group profit caused equity to rise to €12.1 billion compared to €10.7 billion as of December 31, 2020. This resulted in an equity ratio of 42.0 percent (December 31, 2020: 36.1 percent). Cash and cash equivalents decreased to €3.7 billion as of June 30, 2021, from €4.6 billion as of December 31, 2020. Among other things, this is due to the capital market transactions to repay various financing instruments ahead of schedule mentioned in the “Financing Activities” section.

Employees

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

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

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

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

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

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

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

**Penguin Random House**

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

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

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

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

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

**Gruner + Jahr**

Despite the ongoing pandemic, the Hamburg-based publishing subsidiary Gruner + Jahr (G+J) recorded a successful first half of 2021 with a significant increase in revenues and earnings. Revenues increased 4.6 percent to €548 million.
(H1 2020: €524 million), while operating EBITDA doubled to €57 million (H1 2020: €28 million).

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

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

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

**BMG**

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

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

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

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

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

**Arvato**

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

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

As expected, Arvato Financial Solutions’ revenues and earnings declined in the reporting period due to portfolio effects.
(sale of 60 percent of the risk management business to the information services provider Experian in 2020) and government regulations in the receivables management business in Germany and in Norway. By contrast, the financial services provider recorded a very positive revenue development in the pay-after-delivery business. Its receivables management business in the UK, Austria, Switzerland and the Netherlands also grew profitably in the first six months of 2021.

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

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

Bertelsmann Printing Group

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

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

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

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

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

Bertelsmann Education Group

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

In sum, Bertelsmann’s education businesses generated revenues of €136 million, down 13.9 percent year on year (H1 2020: €158 million). The Bertelsmann Education Group achieved operating EBITDA of €44 million (H1 2020: €40 million, plus 10.0 percent). The decline in revenue and increase in earnings is essentially due to the sale of the majority
of the operating business of the university service provider HotChalk in Q4 2020. Adjusted for portfolio and exchange-rate effects, first-half revenue increased organically by 5.5 percent year on year.

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

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

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

**Bertelsmann Investments**

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

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

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

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

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

Bertelsmann Investments’ business performance is mainly determined based on EBIT, which amounted to €188 million for the first half of the year (H1 2020: €23 million).
Significant Events after the Balance Sheet Date

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

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

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

Risks and Opportunities

Risk Management System

Please refer to the 2020 Combined Management Report for a description of Bertelsmann’s risk management system (RMS) and the accounting-related RMS and internal control system (ICS).

Significant Changes in Risks Compared to the 2020 Combined Management Report

Please refer to the respective disclosures in the 2020 Combined Management Report for a description of the key risks to the Bertelsmann Group. Overall, as of June 30, 2021, the same Group risks are considered material as those existing as of December 31, 2020. However, the significance of individual types of risk in terms of Bertelsmann’s future business performance has changed. Despite a cautiously optimistic assessment of pandemic-related risks, economic risks continue to represent the most significant risk in the Group due to continued uncertainty regarding the effects of the further course of the coronavirus pandemic.

Strategic and Operational Risks

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

Legal and Regulatory Risks

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

Financial Market Risks

Compared with the situation in the 2020 Combined Management Report, financial market risks have increased overall. Higher interest rate sensitivity from variable interest
rate agreement for investing liquidity and an increase in currency-sensitive positions have contributed to this increase.

**Overall Risk**

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

**Opportunities**

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

**Outlook**

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

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

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

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

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