

Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

in € millions	H1 2019	H1 2018
Revenues	8,612	8,237
Other operating income	194	190
Cost of materials	(2,761)	(2,568)
Royalty and license fees	(715)	(661)
Personnel costs	(2,818)	(2,761)
Amortization/depreciation, impairment losses and reversals on intangible assets, property, plant and equipment and right-of-use assets	(461)	(311)
Other operating expenses	(1,365)	(1,401)
Results from investments accounted for using the equity method	62	27
Impairment losses and reversals on investments accounted for using the equity method	–	(2)
Results from disposals of investments	76	19
EBIT (earnings before interest and taxes)	824	769
Interest income	7	9
Interest expenses	(56)	(55)
Other financial income	29	4
Other financial expenses	(148)	(64)
Financial result	(168)	(106)
Earnings before taxes from continuing operations	656	663
Income tax expense	(154)	(162)
Earnings after taxes from continuing operations	502	501
Earnings after taxes from discontinued operations	–	–
Group profit or loss	502	501
attributable to:		
Bertelsmann shareholders		
Earnings from continuing operations	325	349
Earnings from discontinued operations	–	–
Earnings attributable to Bertelsmann shareholders	325	349
Non-controlling interests		
Earnings from continuing operations	177	152
Earnings from discontinued operations	–	–
Earnings attributable to non-controlling interests	177	152

Consolidated Statement of Comprehensive Income

in € millions	H1 2019	H1 2018
Group profit or loss	502	501
Items that will not be reclassified subsequently to profit or loss		
Remeasurement component of defined benefit plans	(231)	7
Changes in fair value of equity instruments	–	1
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		
Exchange differences		
– changes recognized in other comprehensive income	27	54
– reclassification adjustments to profit or loss	7	20
Cash flow hedges		
– changes in fair value recognized in other comprehensive income	3	20
– reclassification adjustments to profit or loss	(1)	2
Share of other comprehensive income of investments accounted for using the equity method	(2)	(11)
Other comprehensive income net of tax	(197)	93
Group total comprehensive income	305	594
attributable to:		
Bertelsmann shareholders	136	430
Non-controlling interests	169	164

Consolidated Balance Sheet

in € millions	6/30/2019	12/31/2018 (adjusted)
Assets		
Non-current assets		
Goodwill	8,351	8,427
Other intangible assets	2,484	2,590
Property, plant and equipment and right-of-use assets	2,818	1,670
Investments accounted for using the equity method	676	658
Minority stakes and other financial assets	1,105	1,143
Trade and other receivables	90	59
Other non-financial assets	832	851
Deferred tax assets	1,142	1,051
	17,498	16,449
Current assets		
Inventories	1,764	1,735
Trade and other receivables	4,151	4,443
Other financial assets	104	71
Other non-financial assets	1,104	1,002
Current income tax receivables	189	156
Cash and cash equivalents	1,231	1,405
	8,543	8,812
Assets held for sale	185	82
	26,226	25,343
Equity and liabilities		
Equity		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	5,047	5,129
Bertelsmann shareholders' equity	8,392	8,474
Non-controlling interests	1,479	1,364
	9,871	9,838
Non-current liabilities		
Provisions for pensions and similar obligations	1,995	1,738
Other provisions	137	135
Deferred tax liabilities	87	127
Profit participation capital	413	413
Financial debt	4,643	4,638
Lease liabilities	1,060	32
Trade and other payables	349	353
Other non-financial liabilities	358	395
	9,042	7,831
Current liabilities		
Other provisions	240	299
Financial debt	571	660
Lease liabilities	239	7
Trade and other payables	4,326	4,718
Other non-financial liabilities	1,780	1,839
Current income tax payables	58	88
	7,214	7,611
Liabilities related to assets held for sale	99	63
	26,226	25,343

The figures from the previous year have been adjusted. Further details are presented in the section "Acquisitions and Disposals."

Upon initial application of IFRS 16, lease liabilities are reported separately. As of December 31, 2018, only the amounts recognized on the balance sheet under finance leases in accordance with IAS 17 are reported.

Consolidated Cash Flow Statement

in € millions	H1 2019	H1 2018
Group earnings before interest and taxes	824	769
Taxes paid	(230)	(283)
Depreciation and write-ups of non-current assets	460	317
Results from disposals of investments	(76)	(19)
Gains/losses from disposals of non-current assets	(7)	(23)
Change in provisions for pensions and similar obligations	(44)	(46)
Change in other provisions	(17)	(36)
Change in net working capital	(296)	(334)
Fair value measurement of investments	(9)	(44)
Other effects	(37)	8
Cash flow from operating activities	568	309
– thereof discontinued operations	–	–
Investments in:		
– intangible assets	(141)	(145)
– property, plant and equipment	(155)	(143)
– financial assets	(189)	(120)
– purchase prices for consolidated investments (net of acquired cash)	(93)	(68)
Disposals of subsidiaries and other business units	217	11
Disposals of other fixed assets	254	111
Cash flow from investing activities	(107)	(354)
– thereof discontinued operations	–	–
Issues of bonds and promissory notes	–	–
Redemption of bonds and promissory notes	(210)	(200)
Proceeds from/redemption of other financial debt	137	298
Redemption of lease liabilities ¹⁾	(120)	(4)
Interest paid	(159)	(116)
Interest received	16	8
Dividends to Bertelsmann shareholders	(180)	(180)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18(b))	(202)	(262)
Change in equity	117	(3)
Cash flow from financing activities	(601)	(459)
– thereof discontinued operations	–	–
Change in cash and cash equivalents	(140)	(504)
Exchange rate effects and other changes in cash and cash equivalents	(5)	9
Cash and cash equivalents 1/1	1,405	1,442
Cash and cash equivalents 6/30	1,260	947
Less cash and cash equivalents included within assets held for sale	(29)	–
Cash and cash equivalents 6/30 (according to the consolidated balance sheet)	1,231	947

1) The figure for the comparative period includes exclusively principal payments for leases previously accounted for as finance leases in accordance with IAS 17.

Changes in Liabilities Arising from Financing Activities

in € millions	H1 2019	H1 2018
Liabilities arising from financing activities at 1/1 ¹⁾	(5,261)	(3,479)
Cash flow from operating activities	568	309
Cash flow from investing activities	(107)	(354)
Interest, dividends and changes in equity, additional payments (IAS 32.18(b))	(408)	(553)
Exchange rate effects and other changes in liabilities arising from financing activities	(74)	(22)
Liabilities arising from financing activities at 6/30	(5,282)	(4,099)

Liabilities arising from financing activities are the balance of the balance sheet positions “Cash and cash equivalents,” “Financial debt” and “Lease liabilities.”

1) As a result of the initial application of IFRS 16, liabilities arising from financing activities include lease liabilities amounting to €1,330 million as of January 1, 2019. As of January 1, 2018, the amounts recognized on the balance sheet under finance leases in accordance with IAS 17 are included in this item.

Consolidated Statement of Changes in Equity

	Sub- scribed capital	Capital reserve ¹⁾	Retained earnings					Bertels- mann share- holders' equity	Non- con- trolling interests	Total	
			Other retained earnings	Accumulated other comprehensive income ²⁾							
			Exchange differ- ences	Available- for-sale financial assets	Fair value reserve	Cash flow hedges	Share of other com- pre- hensive income of investments accounted for using the equity method				
in € millions											
Balance as of 1/1/2018	1,000	2,345	4,631	(196)	69	n/a	(22)	15	7,842	1,285	9,127
Adjustment	–	–	59	–	(69)	10	–	(8)	(8)	(3)	(11)
Balance as of 1/1/2018 ³⁾	1,000	2,345	4,690	(196)	n/a	10	(22)	7	7,834	1,282	9,116
Group profit or loss	–	–	349	–	n/a	–	–	–	349	152	501
Other compre- hensive income	–	–	1	73	n/a	1	17	(11)	81	12	93
Group total compre- hensive income	–	–	350	73	n/a	1	17	(11)	430	164	594
Dividend distributions	–	–	(180)	–	n/a	–	–	–	(180)	(198)	(378)
Changes in own- ership interests in subsidiaries that do not result in a loss of control	–	–	7	–	n/a	–	–	–	7	(3)	4
Equity transactions with shareholders	–	–	(173)	–	n/a	–	–	–	(173)	(201)	(374)
Other changes	–	–	–	–	n/a	(1)	–	–	(1)	20	19
Balance as of 6/30/2018	1,000	2,345	4,867	(123)	n/a	10	(5)	(4)	8,090	1,265	9,355
Balance as of 1/1/2019	1,000	2,345	5,200	(85)	n/a	12	(3)	5	8,474	1,364	9,838
Adjustment	–	–	(38)	–	n/a	–	–	–	(38)	(12)	(50)
Balance as of 1/1/2019 ⁴⁾	1,000	2,345	5,162	(85)	n/a	12	(3)	5	8,436	1,352	9,788
Group profit or loss	–	–	325	–	n/a	–	–	–	325	177	502
Other compre- hensive income	–	–	(219)	31	n/a	–	1	(2)	(189)	(8)	(197)
Group total compre- hensive income	–	–	106	31	n/a	–	1	(2)	136	169	305
Dividend distributions	–	–	(180)	–	n/a	–	–	–	(180)	(198)	(378)
Changes in own- ership interests in subsidiaries that do not result in a loss of control	–	–	(2)	8	n/a	–	–	–	6	94	100
Equity transactions with shareholders	–	–	(182)	8	n/a	–	–	–	(174)	(104)	(278)
Other changes	–	–	(4)	–	n/a	(2)	–	–	(6)	62	56
Balance as of 6/30/2019	1,000	2,345	5,082	(46)	n/a	10	(2)	3	8,392	1,479	9,871

1) The capital reserve mainly includes share premiums received from the issue of ordinary shares in excess of their par values.

2) Thereof, as of June 30, 2019, €2 million relate to assets classified as held for sale in accordance with IFRS 5. As of June 30, 2018, no amounts related to assets classified as held for sale in accordance with IFRS 5.

3) The adjustments resulted from the initial application of the financial reporting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers as of January 1, 2018.

4) The adjustments result from the initial application of the financial reporting standard IFRS 16 Leases as of January 1, 2019. In accordance with the transitional provisions of IFRS 16, prior-year comparatives have not been adjusted.

Segment Information (Continuing Operations)

in € millions	Penguin									
	RTL Group		Random House		Gruner + Jahr		BMG		Arvato	
	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
Revenues from external customers	3,140	3,040	1,650	1,482	669	690	268	240	2,019	1,968
Intersegment revenues	33	6	–	–	8	11	1	1	30	34
Divisional revenues	3,173	3,046	1,650	1,482	677	701	269	241	2,049	2,002
Operating EBITDA	665	643	227	171	62	51	49	42	263	175
EBITDA margin ¹⁾	20.9%	21.1%	13.8%	11.5%	9.1%	7.3%	18.1%	17.3%	12.8%	8.8%
Impairment (-)/reversals (+) on intangible assets, property, plant and equipment and right-of-use assets	(5)	1	–	–	(1)	–	–	–	(3)	–
Results from investments accounted for using the equity method	28	26	–	(1)	4	5	–	–	4	4

1) Operating EBITDA as a percentage of revenues.

2) The business development of Bertelsmann Investments is determined primarily on the basis of EBIT. EBIT amounted to €-9 million (H1 2018: €45 million).

Reconciliation to Operating EBITDA (Continuing Operations)

in € millions	H1 2019	H1 2018
EBIT from continuing operations	824	769
Special items		
– adjustment to carrying amounts on assets held for sale	7	3
– Impairment (+)/reversals (-) on other financial assets at amortized cost	(8)	1
– Impairment (+)/reversals (-) on investments accounted for using the equity method	–	2
– results from disposals of investments	(76)	(19)
– fair value measurement of investments	(9)	(44)
– restructuring and other special items	105	49
Amortization/depreciation, impairment losses and reversals on intangible assets, property, plant and equipment and right-of-use assets	461	311
Adjustments on amortization/depreciation, impairment losses and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	(12)	(1)
Operating EBITDA from continuing operations	1,292	1,071

Bertelsmann Printing Group		Bertelsmann Education Group		Bertelsmann Investments ²⁾		Total divisions		Corporate		Consolidation		Continuing operations	
H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
682	689	168	111	6	5	8,602	8,225	10	12	-	-	8,612	8,237
84	79	-	-	-	-	156	131	17	16	(173)	(147)	-	-
766	768	168	111	6	5	8,758	8,356	27	28	(173)	(147)	8,612	8,237
30	28	41	10	(1)	-	1,336	1,120	(44)	(44)	-	(5)	1,292	1,071
3.9%	3.7%	24.2%	8.9%	-13.4%	-2.1%	15.3%	13.4%	n/a	n/a	n/a	n/a	15.0%	13.0%
(4)	-	-	-	-	-	(13)	1	-	-	(1)	-	(14)	1
-	-	25	3	-	(10)	61	27	-	-	1	-	62	27

Selected Explanatory Notes

Accounting Principles

The Interim Financial Report for Bertelsmann SE & Co. KGaA has been prepared according to Section 115 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 standard IFRS 16 Leases 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, 2018. A detailed description of these policies is presented in the notes to the Consolidated Financial Statements in the 2018 Annual Report.

Impact of New Financial Reporting Standards

In terms of the merits and the amount, the effects from the initial application of the new financial reporting standard IFRS 16 Leases essentially meet the expectations presented in the 2018 Consolidated Financial Statements. The following sections provide explanations of the new accounting and measurement policies applied since January 1, 2019, with regard to leases where they differ from those applied as of December 31, 2018.

The changes mainly affect lessee accounting and generally require lessees to recognize all leases and the related contractual rights and obligations as a right-of-use asset and lease liability on the lessee’s balance sheet. Short-term

leases with a lease term of up to one year, and leases covering low-value assets for which the Bertelsmann Group does not recognize right-of-use assets or lease liabilities, constitute an exception. The new standard replaces the previous straight-line recognition of operating lease expense in accordance with IAS 17 with the recognition of depreciation expenses for the right-of-use asset and interest expenses on the lease liability.

At the date of initial accounting, lease liabilities are recognized at the present value of the outstanding lease payments. The present value is determined using maturity, currency and risk-specific incremental borrowing rates.