

Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

in € millions	H1 2020	H1 2019
Revenues	7,848	8,612
Other operating income	179	194
Cost of materials	(2,357)	(2,761)
Royalty and license fees	(754)	(715)
Personnel costs	(2,660)	(2,818)
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	(453)	(461)
Other operating expenses	(1,300)	(1,365)
Results from investments accounted for using the equity method	26	62
Impairment and reversals on investments accounted for using the equity method	(65)	-
Results from disposals of investments	341	76
EBIT (earnings before interest and taxes)	805	824
Interest income	6	7
Interest expenses	(73)	(56)
Other financial income	5	3
Other financial expenses	(122)	(122)
Financial result	(184)	(168)
Earnings before taxes	621	656
Income tax expense	(133)	(154)
Group profit or loss	488	502
attributable to:		
Bertelsmann shareholders	386	325
Non-controlling interests	102	177

Consolidated Statement of Comprehensive Income

in € millions	H1 2020	H1 2019
Group profit or loss	488	502
Items that will not be reclassified subsequently to profit or loss		
Remeasurement component of defined benefit plans	20	(231)
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	(100)	27
– reclassification adjustments to profit or loss	(9)	7
Cash flow hedges		
– changes in fair value recognized in other comprehensive income	4	3
– reclassification adjustments to profit or loss	(3)	(1)
Share of other comprehensive income of investments accounted for using the equity method	1	(2)
Other comprehensive income net of tax	(88)	(197)
Group total comprehensive income	400	305
attributable to:		
Bertelsmann shareholders	306	136
Non-controlling interests	94	169

Consolidated Balance Sheet

in € millions	6/30/2020	12/31/2019
Assets		
Non-current assets		
Goodwill	8,469	8,537
Other intangible assets	2,412	2,436
Property, plant and equipment and right-of-use assets	2,856	2,935
Investments accounted for using the equity method	782	652
Minority stakes and other financial assets	1,152	1,320
Trade and other receivables	72	89
Other non-financial assets	880	922
Deferred tax assets	1,004	1,087
	17,627	17,978
Current assets		
Inventories	1,722	1,745
Trade and other receivables	3,981	4,523
Other financial assets	408	63
Other non-financial assets	1,137	1,092
Current income tax receivables	70	178
Cash and cash equivalents	4,773	1,636
	12,091	9,237
Assets held for sale	15	102
	29,733	27,317
Equity and liabilities		
Equity		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	5,378	5,509
Bertelsmann shareholders' equity	8,723	8,854
Non-controlling interests	1,447	1,591
	10,170	10,445
Non-current liabilities		
Provisions for pensions and similar obligations	1,949	1,967
Other provisions	157	178
Deferred tax liabilities	86	95
Profit participation capital	413	413
Financial debt	5,987	4,612
Lease liabilities	1,062	1,116
Trade and other payables	356	363
Other non-financial liabilities	378	379
	10,388	9,123
Current liabilities		
Other provisions	247	214
Financial debt	2,178	388
Lease liabilities	273	276
Trade and other payables	4,622	4,840
Other non-financial liabilities	1,771	1,908
Current income tax payables	76	78
	9,167	7,704
Liabilities related to assets held for sale	8	45
	29,733	27,317

Consolidated Cash Flow Statement

in € millions	H1 2020	H1 2019
Group earnings before interest and taxes	805	824
Taxes received/paid	35	(230)
Depreciation and write-ups of non-current assets	519	460
Results from disposals of investments	(341)	(76)
Gains/losses from disposals of non-current assets	(1)	(7)
Change in provisions for pensions and similar obligations	48	(44)
Change in other provisions	3	(17)
Change in net working capital	124	(296)
Fair value measurement of investments	(60)	(9)
Other effects	6	(37)
Cash flow from operating activities	1,138	568
Investments in:		
– intangible assets	(174)	(141)
– property, plant and equipment	(139)	(155)
– financial assets	(79)	(189)
– purchase prices for consolidated investments (net of acquired cash)	(10)	(93)
Disposals of subsidiaries and other business units	27	217
Disposals of other fixed assets	146	254
Cash flow from investing activities	(229)	(107)
Issues of bonds and promissory notes	1,834	–
Redemption of bonds and promissory notes	–	(210)
Proceeds from/redemption of other financial debt	1,279	133
Redemption of lease liabilities	(124)	(120)
Interest paid	(111)	(159)
Interest received	16	16
Dividends to Bertelsmann shareholders	–	(180)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18(b))	(7)	(202)
Change in equity	(677)	117
Other effects	9	4
Cash flow from financing activities	2,219	(601)
Change in cash and cash equivalents	3,128	(140)
Exchange rate effects and other changes in cash and cash equivalents	2	(5)
Cash and cash equivalents 1/1	1,643	1,405
Cash and cash equivalents 6/30	4,773	1,260
Less cash and cash equivalents included within assets held for sale	–	(29)
Cash and cash equivalents 6/30 (according to the consolidated balance sheet)	4,773	1,231

Changes in Net Liabilities Arising from Financing Activities

in € millions	H1 2020	H1 2019
Net liabilities arising from financing activities at 1/1	(4,756)	(5,262)
Cash flow from operating activities	1,138	568
Cash flow from investing activities	(229)	(107)
Interest, dividends and changes in equity, additional payments (IAS 32.18(b))	(779)	(408)
Exchange rate effects and other changes in net liabilities arising from financing activities	(101)	(73)
Net liabilities arising from financing activities at 6/30	(4,727)	(5,282)

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

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	Fair value reserve	Cash flow hedges	Share of other com- prehen- sive income of investments accounted for using the equity method			
in € millions										
Balance as of 1/1/2019	1,000	2,345	5,200	(85)	12	(3)	5	8,474	1,364	9,838
Adjustment	-	-	(38)	-	-	-	-	(38)	(12)	(50)
Balance as of 1/1/2019 ³⁾	1,000	2,345	5,162	(85)	12	(3)	5	8,436	1,352	9,788
Group profit or loss	-	-	325	-	-	-	-	325	177	502
Other comprehensive income	-	-	(219)	31	-	1	(2)	(189)	(8)	(197)
Group total comprehensive income	-	-	106	31	-	1	(2)	136	169	305
Dividend distributions	-	-	(180)	-	-	-	-	(180)	(198)	(378)
Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	(2)	8	-	-	-	6	94	100
Equity transactions with shareholders	-	-	(182)	8	-	-	-	(174)	(104)	(278)
Other changes	-	-	(4)	-	(2)	-	-	(6)	62	56
Balance as of 6/30/2019	1,000	2,345	5,082	(46)	10	(2)	3	8,392	1,479	9,871
Balance as of 1/1/2020	1,000	2,345	5,496	3	8	1	1	8,854	1,591	10,445
Group profit or loss	-	-	386	-	-	-	-	386	102	488
Other comprehensive income	-	-	20	(101)	(1)	1	1	(80)	(8)	(88)
Group total comprehensive income	-	-	406	(101)	(1)	1	1	306	94	400
Dividend distributions	-	-	-	-	-	-	-	-	(2)	(2)
Changes in ownership interests in subsidiaries that do not result in a loss of control ⁴⁾	-	-	(429)	(8)	-	-	-	(437)	(235)	(672)
Equity transactions with shareholders	-	-	(429)	(8)	-	-	-	(437)	(237)	(674)
Other changes	-	-	-	-	-	-	-	-	(1)	(1)
Balance as of 6/30/2020	1,000	2,345	5,473	(106)	7	2	2	8,723	1,447	10,170

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, 2020, no significant amounts relate to assets classified as held for sale in accordance with IFRS 5 (June 30, 2019: €2 million).

3) The adjustments result from the initial application of the financial reporting standard IFRS 16 Leases as of January 1, 2019.

4) The changes in ownership interests in subsidiaries that do not result in a loss of control mainly result from the shareholding increase in Penguin Random House. Further details are presented in the section "Change in Bertelsmann Shareholders' Equity."

Segment Information

in € millions	Penguin									
	RTL Group		Random House		Gruner + Jahr		BMG		Arvato	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Revenues from external customers	2,617	3,140	1,627	1,650	508	669	280	268	2,064	2,019
Intersegment revenues	35	33	–	–	16	8	2	1	31	30
Divisional revenues	2,652	3,173	1,627	1,650	524	677	282	269	2,095	2,049
Operating EBITDA	382	665	209	227	28	62	49	49	305	263
EBITDA margin ¹⁾	14.4%	20.9%	12.8%	13.8%	5.4%	9.1%	17.3%	18.1%	14.6%	12.8%
Impairment (-)/reversals (+) on intangible assets, property, plant and equipment and right-of-use assets	2	(5)	–	–	–	(1)	–	–	(2)	(3)
Results from investments accounted for using the equity method	13	28	(1)	–	–	4	–	–	5	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 €23 million (H1 2019: €-9 million).

Reconciliation to Operating EBITDA

in € millions	H1 2020	H1 2019
EBIT	805	824
Special items		
– adjustment to carrying amounts on assets held for sale	–	7
– Impairment (+)/reversals (-) on other financial assets at amortized cost	1	(8)
– Impairment (+)/reversals (-) on investments accounted for using the equity method	65	–
– results from disposals of investments	(341)	(76)
– fair value measurement of investments	(60)	(9)
– restructuring and other special items	88	105
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	453	461
Adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	(2)	(12)
Operating EBITDA	1,009	1,292

Bertelsmann Printing Group		Bertelsmann Education Group		Bertelsmann Investments ²⁾		Total divisions		Corporate		Consolidation		Group total	
H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
584	682	158	168	4	6	7,842	8,602	6	10	–	–	7,848	8,612
66	84	–	–	1	–	151	156	16	17	(167)	(173)	–	–
650	766	158	168	5	6	7,993	8,758	22	27	(167)	(173)	7,848	8,612
19	30	40	41	(3)	(1)	1,029	1,336	(16)	(44)	(4)	–	1,009	1,292
2.9%	3.9%	24.9%	24.2%	-71.0%	-13.4%	12.9%	15.3%	n/a	n/a	n/a	n/a	12.9%	15.0%
–	(4)	–	–	–	–	–	(13)	–	–	–	(1)	–	(14)
–	–	10	25	–	–	27	61	–	–	(1)	1	26	62

Selected Explanatory Notes

Accounting Principles

The Bertelsmann SE & Co. KGaA Interim Financial Report 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 and interpretations 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, 2019. A detailed description of

these policies is presented in the notes to the Consolidated Financial Statements in the 2019 Annual Report. The first-time application of the new financial reporting standards had no material impact on the Bertelsmann Group. The Bertelsmann Group has not opted for early adoption of any standards, interpretations or amendments that have been issued but are not yet effective. The Condensed Interim Consolidated Financial Statements and the Group Interim Management Report were neither audited in accordance with section 317 of the German Commercial Code (Handelsgesetzbuch, HGB) nor reviewed in accordance with section 115 para. 5 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) by an auditor.

Effects of Coronavirus Pandemic on the Condensed Interim Consolidated Financial Statements

The effects of the coronavirus pandemic on the Condensed Interim Consolidated Financial Statements of Bertelsmann SE & Co. KGaA, both in terms of operations and balance sheet, vary in media, services, education and investment. While revenues from advertising declined significantly, the less affected music, services and education areas partially compensated these effects. In addition to the Group-wide implementation of extended procedures to monitor cash and receivables, financing measures were taken at early stage at the beginning of

the looming coronavirus pandemic and its macroeconomic consequences. Furthermore, balance sheet effects were determined and evaluated for the particularly relevant issues. These issues were the impairment of goodwill and individual assets, leasing, royalties, program rights, inventories, trade receivables, government grants, deferred tax assets, losses from onerous contracts and revenues. No significant issues were noted except for the impairment of the investment in Atresmedia (further explanations are presented in the section “Other Information”).