

Consolidated Financial Statements

Consolidated Income Statement

in € millions	Notes	2018	2017
Revenues	1	17,673	17,190
– thereof revenues from contracts with customers		17,455	n/a
– thereof revenues from financial services		218	n/a
Other operating income	2	473	568
Cost of materials	13	(5,535)	(5,487)
Royalty and license fees		(1,593)	(1,547)
Personnel costs	3	(5,658)	(5,541)
Amortization/depreciation, impairment and reversals on intangible assets and property, plant and equipment	4	(847)	(691)
Other operating expenses	5	(2,954)	(2,781)
Results from investments accounted for using the equity method	11	57	63
Impairment and reversals on investments accounted for using the equity method	11	(2)	(50)
Results from financial assets		n/a	(10)
Results from disposals of investments	12	6	182
EBIT (earnings before interest and taxes)		1,620	1,896
Interest income	6	15	14
Interest expenses	6	(115)	(134)
Other financial income	7	49	26
Other financial expenses	7	(165)	(125)
Financial result		(216)	(219)
Earnings before taxes from continuing operations		1,404	1,677
Income tax expense	8	(301)	(472)
Earnings after taxes from continuing operations		1,103	1,205
Earnings after taxes from discontinued operations		1	(7)
Group profit or loss		1,104	1,198
attributable to:			
Bertelsmann shareholders			
Earnings from continuing operations		752	783
Earnings from discontinued operations		1	(7)
Earnings attributable to Bertelsmann shareholders		753	776
Non-controlling interests			
Earnings from continuing operations		351	422
Earnings from discontinued operations		–	–
Earnings attributable to non-controlling interests		351	422

As of January 1, 2018, the new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers were applied for the first time. In accordance with the transitional provisions of IFRS 9 and IFRS 15, prior year comparatives have not been adjusted. Further details are presented in the section “Impact of New Financial Reporting Standards.”

Consolidated Statement of Comprehensive Income

in € millions	Notes	2018	2017
Group profit or loss		1,104	1,198
Items that will not be reclassified subsequently to profit or loss			
Remeasurement component of defined benefit plans		(60)	176
Changes in fair value of equity instruments		3	n/a
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		94	(445)
– reclassification adjustments to profit or loss		20	13
Available-for-sale financial assets			
– changes in fair value recognized in other comprehensive income		n/a	17
– reclassification adjustments to profit or loss		n/a	(35)
Cash flow hedges			
– changes in fair value recognized in other comprehensive income		23	(45)
– reclassification adjustments to profit or loss		2	(27)
Share of other comprehensive income of investments accounted for using the equity method		(2)	(8)
Other comprehensive income net of tax	17	80	(354)
Group total comprehensive income		1,184	844
attributable to:			
Bertelsmann shareholders		816	508
Non-controlling interests		368	336

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Consolidated Balance Sheet

in € millions	Notes	12/31/2018	12/31/2017
Assets			
Non-current assets			
Goodwill	9	8,410	8,084
Other intangible assets	9	2,591	2,478
Property, plant and equipment	10	1,670	1,658
Investments accounted for using the equity method	11	658	952
Minority stakes and other financial assets	12	1,143	644
Trade and other receivables	14	59	87
Other non-financial assets	15	851	710
Deferred tax assets	8	1,051	928
		16,433	15,541
Current assets			
Inventories	13	1,735	1,664
Trade and other receivables	14	4,459	4,010
Other financial assets	12	71	67
Other non-financial assets	15	1,002	868
Current income tax receivables		156	120
Cash and cash equivalents	16	1,405	1,440
		8,828	8,169
Assets held for sale		82	3
		25,343	23,713
Equity and liabilities			
Equity	17		
Subscribed capital		1,000	1,000
Capital reserve		2,345	2,345
Retained earnings		5,129	4,497
Bertelsmann shareholders' equity		8,474	7,842
Non-controlling interests		1,364	1,285
		9,838	9,127
Non-current liabilities			
Provisions for pensions and similar obligations	18	1,738	1,685
Other provisions	19	135	126
Deferred tax liabilities	8	127	124
Profit participation capital	20	413	413
Financial debt	21	4,670	4,251
Trade and other payables	22	353	366
Other non-financial liabilities	22	395	391
		7,831	7,356
Current liabilities			
Other provisions	19	299	323
Financial debt	21	667	668
Trade and other payables	22	4,718	4,313
Other non-financial liabilities	22	1,839	1,709
Current income tax payables		88	214
		7,611	7,227
Liabilities related to assets held for sale		63	3
		25,343	23,713

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Consolidated Cash Flow Statement

in € millions	2018	2017 (adjusted)
Group earnings before interest and taxes	1,621	1,889
Taxes paid	(534)	(434)
Depreciation and write-ups of non-current assets	855	766
Results from disposals of investments	(7)	(176)
Gains/losses from disposals of non-current assets	(62)	(119)
Change in provisions for pensions and similar obligations	(113)	(121)
Change in other provisions	(20)	7
Change in net working capital	(178)	(225)
Fair value measurement of investments	(157)	(15)
Other effects	32	33
Cash flow from operating activities	1,437	1,605
– thereof discontinued operations	–	–
Investments in:		
– intangible assets	(295)	(319)
– property, plant and equipment	(325)	(360)
– financial assets	(258)	(211)
– purchase prices for consolidated investments (net of acquired cash)	(556)	(213)
Disposals of subsidiaries and other business units	113	4
Disposals of other fixed assets	191	339
Cash flow from investing activities	(1,130)	(760)
– thereof discontinued operations	1	–
Issues of bonds and promissory notes	942	697
Redemption of bonds and promissory notes	(400)	–
Proceeds from/redemption of other financial debt	(150)	282
Interest paid	(196)	(166)
Interest received	27	12
Dividends to Bertelsmann shareholders	(180)	(180)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18(b))	(356)	(743)
Change in equity	(59)	(657)
Cash flow from financing activities	(372)	(755)
– thereof discontinued operations	–	–
Change in cash and cash equivalents	(65)	90
Exchange rate effects and other changes in cash and cash equivalents	28	(24)
Cash and cash equivalents 1/1	1,442	1,376
Cash and cash equivalents 12/31	1,405	1,442
Less cash and cash equivalents included within assets held for sale	–	(2)
Cash and cash equivalents 12/31 (according to the consolidated balance sheet)	1,405	1,440

As of January 1, 2018, the new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers were applied for the first time. In accordance with the transitional provisions of IFRS 9 and IFRS 15, prior year comparatives have not been adjusted. Further details are presented in the section "Impact of New Financial Reporting Standards." Details on the cash flow statement and the adjustment made are presented in note 25 "Cash Flow Statement."

Change in Net Financial Debt

in € millions	2018	2017 (adjusted)
Net financial debt at 1/1	(3,479)	(2,625)
Cash flow from operating activities	1,437	1,605
Cash flow from investing activities	(1,130)	(760)
Interest, dividends and changes in equity, additional payments (IAS 32.18(b))	(764)	(1,734)
Exchange rate effects and other changes in net financial debt	4	35
Net financial debt at 12/31	(3,932)	(3,479)

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-scribed capital	Capital reserve ¹⁾	Retained earnings						Bertelsmann shareholders' equity	Non-controlling interests	Total
			Other retained earnings	Accumulated other comprehensive income ²⁾							
				Exchange differences	Available-for-sale financial assets	Fair value reserve	Cash flow hedges	Share of other comprehensive income of investments accounted for using the equity method			
in € millions											
Balance as of 1/1/2017	1,000	2,345	4,276	113	85	n/a	32	21	7,872	2,023	9,895
Group profit or loss	–	–	776	–	–	n/a	–	–	776	422	1,198
Other comprehensive income	–	–	170	(361)	(16)	n/a	(54)	(7)	(268)	(86)	(354)
Group total comprehensive income	–	–	946	(361)	(16)	n/a	(54)	(7)	508	336	844
Dividend distributions ³⁾	–	–	(180)	–	–	n/a	–	–	(180)	(789)	(969)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	(400)	52	–	n/a	–	1	(347)	(282)	(629)
Equity transactions with shareholders	–	–	(580)	52	–	n/a	–	1	(527)	(1,071)	(1,598)
Other changes	–	–	(11)	–	–	n/a	–	–	(11)	(3)	(14)
Balance as of 12/31/2017	1,000	2,345	4,631	(196)	69	n/a	(22)	15	7,842	1,285	9,127
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 ⁴⁾	1,000	2,345	4,690	(196)	n/a	10	(22)	7	7,834	1,282	9,116
Group profit or loss	–	–	753	–	n/a	–	–	–	753	351	1,104
Other comprehensive income	–	–	(67)	110	n/a	3	19	(2)	63	17	80
Group total comprehensive income	–	–	686	110	n/a	3	19	(2)	816	368	1,184
Dividend distributions	–	–	(180)	–	n/a	–	–	–	(180)	(293)	(473)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	6	1	n/a	–	–	–	7	(8)	(1)
Equity transactions with shareholders	–	–	(174)	1	n/a	–	–	–	(173)	(301)	(474)
Other changes	–	–	(2)	–	n/a	(1)	–	–	(3)	15	12
Balance as of 12/31/2018	1,000	2,345	5,200	(85)	n/a	12	(3)	5	8,474	1,364	9,838

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

2) As in the previous year, as of December 31, 2018, no significant amounts relate to assets classified as held for sale in accordance with IFRS 5.

3) The dividend distributions to non-controlling interests recognized in the previous year included a special dividend distribution to the co-shareholder in Penguin Random House in the amount of €430 million.

4) The adjustments result from the first-time application of the financial reporting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers as of January 1, 2018. In accordance with the transitional provisions of IFRS 9 and IFRS 15, prior year comparatives have not been adjusted. Further details are presented in the section "Impact of New Financial Reporting Standards."