Consolidated Financial Statements

Consolidated Income Statement

in € millions	Notes	2014	2013 (adjusted)
Revenues	1	16,675	16,179
Other operating income	2	551	632
Changes in inventories		277	204
Own costs capitalized		20	21
Cost of materials		(5,937)	(5,786)
Royalty and license fees		(1,257)	(1,149)
Personnel costs	3	(5,099)	(4,965)
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	4	(792)	(629)
Other operating expenses	5	(3,176)	(3,020)
Results from investments accounted for using the equity method	6	45	54
Impairment and reversals of impairment on investments accounted for using the equity method		4	62
Results from financial assets	6	(6)	3
Results from disposals of investments		(155)	111
EBIT (earnings before interest and taxes)		1,150	1,717
Interest income	8	23	19
Interest expenses	8	(109)	(194)
Other financial income	9	55	30
Other financial expenses	9	(264)	(216)
Financial result		(295)	(361)
Earnings before taxes from continuing operations		855	1,356
Income taxes	10	(286)	(413)
Earnings after taxes from continuing operations		569	943
Earnings after taxes from discontinued operations		4	(58)
Group profit or loss		573	885
attributable to:			
Bertelsmann shareholders			
Earnings from continuing operations		159	571
Earnings from discontinued operations		4	(58)
Earnings attributable to Bertelsmann shareholders		163	513
Non-controlling interests			
Earnings from continuing operations		410	372
Earnings from discontinued operations		–	–
Earnings attributable to non-controlling interests		410	372

The figures from the previous year have been adjusted. Further details are presented in the "Prior Year Information" section.

Consolidated Statement of Comprehensive Income

in € millions	Notes	2014	2013 (adjusted)
Group profit or loss		573	885
Items that will not be reclassified subsequently to profit or loss			
Remeasurement component of defined benefit plans		(565)	86
Share of other comprehensive income of investments accounted for using the equity method		(1)	–
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Currency translation differences			
– changes recognized in equity		272	(151)
– reclassification adjustments for gains (losses) included in profit or loss		(28)	(4)
Available-for-sale financial assets			
– changes in fair value recognized in equity		(8)	(17)
– reclassification adjustments for gains (losses) included in profit or loss		–	–
Cash flow hedges			
– changes in fair value recognized in equity		34	(19)
– reclassification adjustments for gains (losses) included in profit or loss		4	(7)
Share of other comprehensive income of investments accounted for using the equity method		7	(7)
Other comprehensive income net of tax	18	(285)	(119)
Group total comprehensive income		288	766
attributable to:			
Bertelsmann shareholders		(174)	434
Non-controlling interests		462	332

The figures from the previous year have been adjusted. Further details are presented in the "Prior Year Information" section.

Reconciliation to Operating EBITDA (Continuing Operations)

in € millions	Notes	2014	2013 (adjusted)
EBIT from continuing operations		1,150	1,717
Special items	7		
Impairment on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations		87	4
Adjustment to carrying amounts on assets held for sale		47	14
Impairment on other financial assets		18	14
Impairment and reversals of impairment on investments accounted for using the equity method		(4)	(62)
Results from disposals of investments		155	(111)
Fair value remeasurement of investments		(24)	(110)
Restructuring and other special items		340	297
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment		792	629
Adjustments on amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment included in special items		(187)	(81)
Operating EBITDA from continuing operations		2,374	2,311

The figures from the previous year have been adjusted. Further details are presented in the "Prior Year Information" section.

Consolidated Balance Sheet

in € millions	Notes	12/31/2014	12/31/2013 (adjusted)	1/1/2013 (adjusted)
Assets				
Non-current assets				
Goodwill	11	7,618	6,953	6,039
Other intangible assets	11	2,287	2,053	565
Property, plant and equipment	12	1,584	1,700	1,751
Investments accounted for using the equity method	13	592	504	519
Other financial assets	14	331	286	428
Trade and other receivables	16	145	79	111
Other non-financial assets	16	544	405	220
Deferred tax assets	10	1,076	904	1,201
		14,177	12,884	10,834
Current assets				
Inventories	15	1,590	1,509	1,394
Trade and other receivables	16	3,470	3,473	3,239
Other financial assets	14	108	45	118
Other non-financial assets	16	704	628	495
Current income tax receivable		126	109	114
Cash and cash equivalents	17	1,329	2,705	2,623
		7,327	8,469	7,983
Assets held for sale		42	65	9
		21,546	21,418	18,826
Equity and Liabilities				
Equity	18			
Subscribed capital		1,000	1,000	1,000
Capital reserve		2,345	2,345	2,345
Retained earnings		3,190	3,567	1,932
Bertelsmann shareholders' equity		6,535	6,912	5,277
Non-controlling interests		1,846	1,849	816
		8,381	8,761	6,093
Non-current liabilities				
Provisions for pensions and similar obligations	19	2,698	1,941	2,143
Other provisions	20	143	104	122
Deferred tax liabilities	10	152	178	94
Profit participation capital	21	413	413	413
Financial debt	22	2,364	2,218	3,611
Trade and other payables	23	377	364	399
Other non-financial liabilities	23	331	280	253
		6,478	5,498	7,035
Current liabilities				
Other provisions	20	411	437	418
Financial debt	22	654	1,168	276
Trade and other payables	23	4,120	3,946	3,609
Other non-financial liabilities	23	1,377	1,436	1,284
Current income tax payable		84	129	110
		6,646	7,116	5,697
Liabilities related to assets held for sale		41	43	1
		21,546	21,418	18,826

The figures from the previous year have been adjusted. Further details are presented in the "Prior Year Information" section.

Consolidated Cash Flow Statement

in € millions	2014	2013 (adjusted)
Group earnings before interest and taxes	1,157	1,656
Taxes paid	(387)	(305)
Depreciation and write-ups of non-current assets	851	595
Results from disposals of investments	148	(50)
Change in provisions for pensions and similar obligations	(69)	(70)
Change in other provisions	(12)	21
Change in net working capital	(116)	57
Fair value remeasurement of investments	(24)	(110)
Other effects	(25)	(15)
Cash flow from operating activities	1,523	1,779
– thereof discontinued operations	–	–
Investments in:		
– intangible assets	(248)	(404)
– property, plant and equipment	(334)	(289)
– financial assets	(176)	(118)
– purchase prices for consolidated investments (net of acquired cash)	(820)	(501)
Cash receipts for disposal of subsidiaries and other business units	30	12
Cash receipts from disposal of other fixed assets	60	367
Contribution to/withdrawals from defined benefit plans	(35)	(71)
Cash flow from investing activities	(1,523)	(1,004)
– thereof discontinued operations	(5)	–
Proceeds from bonds and promissory notes	595	–
Redemption of bonds and promissory notes	(967)	(584)
Proceeds from/redemption of other financial debt	(81)	(610)
Interest paid	(221)	(280)
Interest received	20	34
Dividends to Bertelsmann shareholders	(180)	(180)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18b)	(585)	(445)
Change in equity	–	1,410
Payments for release of interest swaps	(15)	(8)
Cash flow from financing activities	(1,434)	(663)
– thereof discontinued operations	–	–
Change in cash and cash equivalents	(1,434)	112
Currency effects and other changes in cash and cash equivalents	50	(22)
Cash and cash equivalents 1/1	2,715	2,625
Cash and cash equivalents 12/31	1,331	2,715
Less cash and cash equivalents included within assets held for sale	(2)	(10)
Cash and cash equivalents 12/31 (according to the Group balance sheet)	1,329	2,705

The figures from the previous year have been adjusted. Further details are presented in the "Prior Year Information" section.
Details on the cash flow statement are presented in note 26 "Cash Flow Statement."

Change in Net Financial Debt

in € millions	2014	2013 (adjusted)
Net financial debt at 1/1	(681)	(1,264)
Cash flow from operating activities	1,523	1,779
Cash flow from investing activities	(1,523)	(1,004)
Interest, dividends and changes in equity, additional payments (IAS 32.18b)	(966)	539
Currency effects and other changes in net financial debt	(42)	(731)
Net financial debt at 12/31	(1,689)	(681)

Net financial debt is the balance of the balance sheet positions "Cash and cash equivalents" and "Financial debt."

Consolidated Statement of Changes in Equity

in € millions	Subscribed capital	Capital reserve	Retained earnings: Other retained earnings	Retained earnings: Cumulated other comprehensive income[1]: Currency translation differences	Retained earnings: Cumulated other comprehensive income[1]: Available-for-sale financial assets	Retained earnings: Cumulated other comprehensive income[1]: Cash flow hedges	Retained earnings: Cumulated other comprehensive income[1]: Share of other comprehensive income of investments accounted for using the equity method	Bertelsmann shareholders' equity	Non-controlling interests	Total
Balance as of 1/1/2013	1,000	2,345	2,050	(197)	42	17	10	5,267	816	6,083
Adjustment	–	–	7	–	–	–	3	10	–	10
Balance as of 1/1/2013[2]	1,000	2,345	2,057	(197)	42	17	13	5,277	816	6,093
Group profit or loss	–	–	513	–	–	–	–	513	372	885
Other comprehensive income	–	–	89	(128)	(13)	(20)	(7)	(79)	(40)	(119)
Group total comprehensive income	–	–	602	(128)	(13)	(20)	(7)	434	332	766
Dividend distribution	–	–	(180)	–	–	–	–	(180)	(412)	(592)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	1,375	24	(7)	(4)	–	1,388	792	2,180
Equity transactions with shareholders	–	–	1,195	24	(7)	(4)	–	1,208	380	1,588
Other changes	–	–	(7)	–	–	–	–	(7)	321	314
Balance as of 12/31/2013	1,000	2,345	3,847	(301)	22	(7)	6	6,912	1,849	8,761
Balance as of 1/1/2014	1,000	2,345	3,825	(301)	22	(7)	5	6,889	1,849	8,738
Adjustment	–	–	22	–	–	–	1	23	–	23
Balance as of 1/1/2014[2]	1,000	2,345	3,847	(301)	22	(7)	6	6,912	1,849	8,761
Group profit or loss	–	–	163	–	–	–	–	163	410	573
Other comprehensive income	–	–	(544)	179	(6)	28	6	(337)	52	(285)
Group total comprehensive income	–	–	(381)	179	(6)	28	6	(174)	462	288
Dividend distribution	–	–	(180)	–	–	–	–	(180)	(440)	(620)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	2	–	–	–	–	2	9	11
Equity transactions with shareholders	–	–	(178)	–	–	–	–	(178)	(431)	(609)
Other changes[3]	–	–	(31)	5	–	–	1	(25)	(34)	(59)
Balance as of 12/31/2014	1,000	2,345	3,257	(117)	16	21	13	6,535	1,846	8,381

1) Thereof, on December 31, 2014, a total of €1 million (previous year: €3 million) is due to assets that are classified as held for sale according to IFRS 5.
2) The balance on January 1, 2013, and January 1, 2014, has been adjusted. Further details are presented in the "Prior Year Information" section.
3) The other changes in equity of Bertelsmann shareholders mainly result from the acquisition of Relias Learning. Further details are presented in the "Acquisitions and Disposals" section.

Segment Information (Continuing Operations)

in € millions	RTL Group 2014	RTL Group 2013 (adjusted)	Penguin Random House 2014	Penguin Random House 2013 (adjusted)	Gruner + Jahr 2014	Gruner + Jahr 2013 (adjusted)	Arvato 2014	Arvato 2013 (adjusted)
Revenues from external customers	5,800	5,816	3,322	2,652	1,739	2,007	4,507	4,221
Intersegment revenues	8	8	2	2	8	7	155	167
Divisional revenues	5,808	5,824	3,324	2,654	1,747	2,014	4,662	4,388
Operating EBITDA	1,334	1,324	452	363	166	193	384	397
EBITDA margin[1]	23.0%	22.7%	13.6%	13.7%	9.5%	9.6%	8.2%	9.0%
Depreciation and amortization	205	189	78	54	34	44	171	156
Impairment on intangible assets and property, plant and equipment[2]	100	2	1	–	2	2	14	3
Operating EBIT	1,128	1,133	374	309	130	147	208	242
Results from investments accounted for using the equity method	43	49	–	–	6	9	9	8
Segment assets[3]	8,752	8,528	3,597	3,066	1,066	1,267	2,884	2,637
Segment liabilities	2,592	2,573	1,411	1,069	486	554	1,398	1,272
Invested capital	6,160	5,955	2,186	1,997	580	713	1,486	1,365
Investments accounted for using the equity method	381	359	26	25	56	29	14	13
Additions to non-current assets[4]	471	229	106	993	46	54	268	408
Number of employees (closing date)	11,768	11,491	12,812	11,838	8,168	10,556	70,653	66,303
Number of employees (average)	11,810	11,522	12,414	8,790	8,968	10,978	69,153	64,794

The figures from the previous year have been adjusted. Further details on the adjustment to previously published information are presented in the "Prior Year Information" section and in note 27 "Segment Reporting."
1) Operating EBITDA as a percentage of revenues.
2) Including write-ups.
3) Including 66 percent of the net present value of the operating leases.
4) Additions to property, plant and equipment and intangible assets (including goodwill).

Information about Geographical Areas (Continuing Operations)

in € millions	Germany 2014	Germany 2013 (adjusted)	France 2014	France 2013 (adjusted)	United Kingdom 2014	United Kingdom 2013 (adjusted)	Other European countries 2014	Other European countries 2013 (adjusted)	United States 2014	United States 2013 (adjusted)	Other countries 2014	Other countries 2013 (adjusted)	Continuing operations 2014	Continuing operations 2013 (adjusted)
Revenues from external customers	5,863	5,623	2,368	2,517	1,073	976	3,070	3,119	3,102	2,825	1,199	1,119	16,675	16,179
Non-current assets[1]	2,991	2,959	1,118	1,123	1,328	1,228	3,128	3,221	2,714	1,894	210	281	11,489	10,706

1) Non-current assets comprise property, plant and equipment and intangible assets (including goodwill).
Details on segment reporting are presented in note 27 "Segment Reporting."

Be Printers 2014	Be Printers 2013 (adjusted)	Other operating activities (Corporate Investments) 2014	Other operating activities (Corporate Investments) 2013 (adjusted)	Total divisions 2014	Total divisions 2013 (adjusted)	Corporate Center 2014	Corporate Center 2013 (adjusted)	Consolidation 2014	Consolidation 2013 (adjusted)	Continuing operations 2014	Continuing operations 2013 (adjusted)
828	959	479	524	16,675	16,179	–	–	–	–	16,675	16,179
168	163	31	22	372	369	8	–	(380)	(369)	–	–
996	1,122	510	546	17,047	16,548	8	–	(380)	(369)	16,675	16,179
64	92	44	20	2,444	2,389	(71)	(77)	1	(1)	2,374	2,311
6.4%	8.2%	8.6%	3.7%	14.3%	14.4%	–	–	–	–	14.2%	14.3%
35	51	72	54	595	548	4	4	–	–	599	552
70	62	6	8	193	77	–	–	–	–	193	77
29	41	(27)	(27)	1,842	1,845	(75)	(81)	2	(1)	1,769	1,763
–	–	(13)	(12)	45	54	–	–	–	–	45	54
292	589	2,754	1,997	19,345	18,084	133	107	(84)	(80)	19,394	18,111
159	302	413	398	6,459	6,168	89	72	(52)	(38)	6,496	6,202
133	287	2,341	1,599	12,886	11,916	44	35	(32)	(42)	12,898	11,909
–	1	114	77	591	504	–	–	1	–	592	504
29	24	655	1,430	1,575	3,138	19	36	(1)	–	1,593	3,174
4,108	6,201	3,908	4,146	111,417	110,535	620	564	–	–	112,037	111,099
5,130	6,352	3,904	4,250	111,379	106,686	603	564	–	–	111,982	107,250

Information on Revenue Sources (Continuing Operations)

in € millions	Own products and merchandise 2014	Own products and merchandise 2013 (adjusted)	Advertising 2014	Advertising 2013 (adjusted)	Services 2014	Services 2013 (adjusted)	Rights and licenses 2014	Rights and licenses 2013 (adjusted)	Continuing operations 2014	Continuing operations 2013 (adjusted)
Revenues from external customers	6,485	6,444	4,129	4,091	4,132	3,773	1,929	1,871	16,675	16,179

Details on segment reporting are presented in note 27 "Segment Reporting."

General Principles

The Bertelsmann SE & Co. KGaA consolidated financial statements as of December 31, 2014, were prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the related interpretations (IFRIC) of the IFRS Interpretations Committee (IFRS IC) that are applicable in the European Union (EU-IFRS). The supplementary requirements set out in section 315a of the German Commercial Code (HGB) were met as well. The consolidated financial statements are prepared in euros. Unless otherwise stated, all amounts are given in millions of euros (€ million). For the sake of clarity, certain items in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated balance sheet are combined. These items are disclosed and explained in greater detail in the notes.

Bertelsmann SE & Co. KGaA is a partnership limited by shares with its registered office in Gütersloh, Germany. The address of the company's registered headquarters is: Carl-Bertelsmann-Strasse 270, 33311 Gütersloh.

As an international media company, Bertelsmann operates in the core business fields of media and services in around 50 countries worldwide. Over the next few years, the education business is to be expanded as a third pillar. The geographic core markets are Western Europe – in particular, Germany, France and the UK – and the United States. In addition, Bertelsmann is strengthening its involvement in growth markets such as China, India and Brazil. The Bertelsmann divisions are RTL Group (television), Penguin Random House (books), Gruner + Jahr (magazines), Arvato (services) and Be Printers (printing). Further information on the main activities of Bertelsmann SE & Co. KGaA and its subsidiaries are presented in detail in the Combined Management Report.

Impact of New Financial Reporting Standards

In financial year 2014 the following financial reporting standards have been applied for the first time:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Revised version of IAS 27 Separate Financial Statements (revised 2011)
- Revised version of IAS 28 Investments in Associates and Joint Ventures (revised 2011)
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition guidance
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities

IFRS 10, IFRS 11, IFRS 12 and IAS 27 (revised 2011), as well as IAS 28 (revised 2011), which are to be applied for the first time in the reporting period, are the result of the IASB consolidation project and include new consolidation guidelines and disclosure requirements for the notes for Group companies. IFRS 10 contains a new, comprehensive definition of control including resulting assessment criteria. In addition, the new standard establishes principles for the presentation and preparation of consolidated financial statements and replaces the previously applicable requirements of IAS 27 and SIC-12; however, the regulations on consolidation steps, the presentation of non-controlling interests and accounting for changes in ownership interests without a loss of control remain mostly unchanged. The renamed IAS 27 (revised 2011) includes exclusively unchanged regulations to be applied to separate financial statements. IFRS 11 replaces the previously applicable IAS 31, incorporates the regulations of SIC-13 in the standard text and removes proportionate consolidation for joint ventures. The equity method is now used to account for investments in joint ventures in accordance with the requirements of the renamed IAS 28 (revised 2011). IFRS 12 summarizes all of the disclosure requirements for all interests in subsidiaries, joint ventures, joint operations and associates as well as structured entities in a single standard. Compared to the previously existing regulations, the disclosure requirements for consolidated and unconsolidated entities have been expanded significantly. With the amendments to IFRS 10, IFRS 12 and IAS 27, so called investment entities, i.e., especially funds or similar companies that meet the investment entity definition are exempt from the requirement to fully consolidate subsidiaries, that are controlled, in the consolidated financial statements; those subsidiaries are measured at fair value through profit or loss instead. The first-time application of IFRS 10 did not result in any changes for the Bertelsmann Group with respect to the requirement to consolidate subsidiaries. As a result of the first-time application of IFRS 11, previously proportionally consolidated joint ventures are now accounted for using the equity method. The impact of the new financial reporting standard IFRS 11 which was applied for the first time in the current financial year with regard to the comparable period and the comparable balance sheet dates is presented in the section on "Prior Year Information."

In addition, application of the following revised standards and interpretations was mandatory for the consolidated financial statements:

- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting

The first-time application of these financial reporting standards does not have a material impact on the Bertelsmann Group.

Impact of Issued Financial Reporting Standards that Are Not Yet Effective

The IASB and the IFRS IC have issued the following new or amended financial reporting standards and interpretations, of which the application is not yet mandatory for the Bertelsmann Group for the financial year 2014.

- Improvements to IFRS 2010–2012 (issued in December 2013)
- Improvements to IFRS 2011–2013 (issued in December 2013)
- Improvements to IFRS 2012–2014 (issued in September 2014)
- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 19: Defined Benefit Plans – Employee Contributions
- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements
- IFRIC 21 Levies

The improvements to IFRS 2010–2012 and 2011–2013 (both issued in December 2013) as well as the improvements to IFRS 2012–2014 (issued in September 2014) include clarifications or corrections of existing IFRSs or changes as a result of changes previously made to IFRSs. The improvements to IFRS 2010–2012 relate to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38 as well as IAS 24. The improvements to IFRS 2011–2013 relate to IFRS 1, IFRS 3 and IFRS 13 as well as IAS 40. The improvements to IFRS 2012–2014 relate to amendments to IFRS 5, two amendments to IFRS 7 as well as amendments to IAS 19 and IAS 34. Application of the improvements to IFRS 2011–2013 is mandatory for the first time in financial year 2015, and application of the improvements to IFRS 2010–2012 and 2012–2014 will be mandatory for the first time in financial year 2016 for the Bertelsmann Group. IFRS 9, published in July 2014, contains regulations on recognition, measurement, impairment and hedge accounting for financial instruments. The version that has now been published replaces all previous versions and is to be applied for the first time from 2018. IFRS 15 is applicable from 2017 and includes new comprehensive regulations for the recognition of income that are independent of a specific industry or transaction and replaces the current regulations in IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenues – Barter Transactions Involving Advertising Services. The new standard provides a single, principles-based five-step model to be applied to all contracts with customers. In addition to substantially more extensive guidance for the identification and recognition of revenues, there are more detailed disclosure requirements. First-time application of IFRS 15 must be generally retrospective. The Bertelsmann Group is currently reviewing the impact of IFRS 9 and IFRS 15 as well as possible simplifications as part of the first-time application of IFRS 15. The impact of the amendments to IAS 16 and IAS 38 regarding the acceptance of revenue-based amortisation for intangible assets are also currently reviewed by the Bertelsmann Group.

Furthermore, IFRS 14, which is not yet effective, and the amendments to IFRS 10 and IAS 28, IFRS 11, IAS 16 and IAS 41, IAS 19 as well as IAS 27 and IFRIC 21, to be applied in the future, relate to transactions in the Group to a minor extent – similar to the improvements to IFRS 2010–2012, 2011–2013 and 2012–2014 – and are not expected to have any material impact.

The Bertelsmann Group has not opted for early adoption of any additional standards, interpretations or amendments that have been issued but are not yet mandatory.

Consolidation

Principles of Consolidation

The Bertelsmann consolidated financial statements include the financial statements of the parent company and its subsidiaries, joint ventures and associates.

Subsidiaries are companies controlled by Bertelsmann SE & Co. KGaA within the meaning of IFRS 10. Control exists if Bertelsmann has the power over the investee as well as the exposure, or rights, to variable returns from its involvement with the investee and is able to exercise its power over the investee such that it can affect the amount of these returns. Consolidation begins on the date on which the possibility to exercise control exists and ends when Bertelsmann loses the possibility to exercise control. Profit or loss and each component of total comprehensive income are attributed to the shareholders of the parent company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In accordance with IFRS 3, business combinations are accounted for using the acquisition method. Accordingly, the acquisition-date fair value of the consideration transferred is offset against the fair value of equity on the acquisition date. Acquisition-related costs are generally recognized in profit or loss. If applicable, contingent consideration is measured at the fair value that applies on the acquisition date. If the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of a previously held equity interest in the acquiree exceeds the fair value of the identifiable net assets, the excess is carried as goodwill. Negative differences are reflected in profit or loss in the period in which the acquisition is made. Deferred taxes from assets acquired and liabilities assumed in a business combination are carried and measured according to IAS 12. Subsequent measurement of the acquired assets and the liabilities assumed or entered into is performed in line with the applicable IFRSs. Non-controlling interests are also measured at the proportionate fair value of the assets and liabilities. If the consideration transferred for the business combination or the fair values attributable to the identifiable assets and liabilities of the company acquired can only be provisionally identified on the date of initial accounting, the business combination is carried using these provisional values. Initial accounting is completed in line with IFRS 3.45, taking into account the one-year measurement period. Comparative information for reporting periods prior to the completion of initial accounting is presented as if it had already been completed on the acquisition date.

Changes in the parent's ownership interest in a subsidiary that do not lead to a loss of control are accounted for as equity transactions. After the loss of control of a subsidiary, it is deconsolidated according to the requirements of IFRS 10. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for in accordance with the applicable IFRSs from the date when control is lost.

According to IFRS 11, joint ventures are joint arrangements in which the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint ventures are accounted for using the equity method according to IAS 28. In addition, associates are included in the consolidated financial statements using the equity method. Associates are companies over which Bertelsmann exercises a significant influence. This is generally the case for voting rights between 20 and 50 percent. Smaller shareholdings are accounted for using the equity method if there is a significant influence in accordance with IAS 28.6.

According to the equity method, interests in a joint venture or an associate are initially recognized at cost. These acquisition costs are then adjusted for changes to the Bertelsmann Group's interest in the net assets of the joint venture or the associate after the acquisition date. The same method used for fully consolidated subsidiaries is applied when accounting for the difference between the acquisition cost at the acquisition date and the share of net assets acquired. Losses from interests in a joint venture or an associate that exceed their carrying amounts are not recognized unless there is an obligation to make additional contributions. When applying the equity method to an associate or a joint venture that is an investment entity, Bertelsmann, which is a non-investment entity, generally retains as investor the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

The Bertelsmann Group recognizes immaterial investments according to IAS 39.

Accounting and measurement policies are applied consistently for all financial statements of companies consolidated within the consolidated financial statements. Intercompany assets, liabilities, equity, income and expenses as well as cash flows relating to transactions between Group companies are eliminated. Deferred taxes on consolidation transactions recognized in profit of loss are accounted for in accordance with IAS 12. The Group's share of unrealized gains or losses on intercompany transactions between fully consolidated Group companies and investments accounted for using the equity method is eliminated.

Scope of Consolidation

Bertelsmann is a majority shareholder of RTL Group with an interest of 75.1 percent and Penguin Random House with an interest of 53 percent. Arvato and Gruner + Jahr are wholly owned by Bertelsmann. Be Printers includes a 74.9 percent interest in the Prinovis Group and further minor investments in Southern Europe and in the United States. Corporate Investments bundles the Group's other operating activities.

The scope of consolidation including Bertelsmann SE & Co. KGaA consists of 955 (previous year: 968) companies. This includes 896 (previous year: 891) fully consolidated companies, of which 771 (previous year: 756) are wholly-owned subsidiaries. In addition, investments in 29 (previous year: 34) joint ventures and 30 (previous year: 43) associates are accounted for using the equity method in the consolidated financial statements. A total of 240 (previous year: 241) affiliated companies without significant business operations were excluded from consolidation due to their negligible importance for the financial position and financial performance of the Bertelsmann Group.

Composition of Scope of Consolidation

	RTL Group		Penguin Random House		Gruner + Jahr		Arvato		Be Printers		Corporate Investments/ Corporate Center[1]		Total	
	12/31/ 2014	12/31/ 2013	12/31/ 2014	12/31/ 2013	12/31/ 2014	12/31/ 2013	12/31/ 2014	12/31/ 2013	12/31/ 2014	12/31/ 2013	12/31/ 2014	12/31/ 2013	12/31/ 2014	12/31/ 2013
Subsidiaries	262	254	117	116	129	135	231	225	16	29	141	132	896	891
Joint ventures	12	12	1	1	9	12	5	5	–	–	2	4	29	34
Associates	15	15	1	3	3	3	1	1	–	1	10	20	30	43
Total	289	281	119	120	141	150	237	231	16	30	153	156	955	968

1) Including Bertelsmann SE & Co. KGaA.

The change made during the past reporting period to the companies included in the consolidated financial statements is presented in the table below.

Change in Scope of Consolidation

	Germany	France	United Kingdom	Other European countries	United States	Other countries	Total
Consolidated as of December 31, 2013	304	110	130	220	87	117	968
Additions	19	3	15	13	14	15	79
Disposals	26	4	9	24	16	13	92
Consolidated as of December 31, 2014	297	109	136	209	85	119	955

The complete list of the Bertelsmann Group's shareholdings will be published in the "Bundesanzeiger" (Federal Gazette) as an annex to these consolidated financial statements in accordance with section 313 (2) of the German Commercial Code and will be presented at the General Meeting. The interests held by associates are not included in the list of shareholdings. The subsidiaries disclosed in note 30 "Exemption for Subsidiaries from Preparation, Audit and Publication of Financial Statements" have elected to be exempted from the preparation, audit and publication of financial statements in the financial year as set out in sections 264 (3) and 264b of the German Commercial Code and according to foreign regulations.

Acquisitions and Disposals

The consideration paid for acquisitions in financial year 2014, less cash and cash equivalents acquired, amounted to €820 million (previous year: €501 million). The consideration transferred for these acquisitions in the sense of IFRS 3 while considering the fair value of the interests already held totaled €885 million in the reporting period (previous year: €1,694 million).

On July 1, 2014, Penguin Random House fully acquired the publishing group Santillana Ediciones Generales from the Spanish media company Prisa. The publishing group acquired is merged with Penguin Random House's activities in Spain, Portugal and Latin America, which means that growth potential is significantly reinforced, in particular in Latin America. The consideration transferred amounted to €53 million and was fully paid in cash. The purchase price allocation amounted to non-tax-deductible goodwill of €38 million, which resulted from the further internationalization of the product portfolio and expected cost synergies with Penguin Random House. The transaction-related costs amounted to €2 million and have been recognized in profit or loss.

On September 1, 2014, RTL Group acquired 70.79 percent of SpotXchange, one of the leading technology platforms for automated sale of online video advertising. With the acquisition of SpotXchange, RTL Group enters a significantly growing but still evolving market and further enhances its global position in online video, especially with regard to monetization skills and technological competencies. The consideration transferred for the acquisition amounted to €108 million. The preliminary purchase price allocation resulted in non-tax-deductible goodwill in the amount of €96 million representing synergy potential to be realized from utilizing the acquired skills of SpotXchange employees. The purchase agreement includes an earn-out mechanism which is based on a variable performance component and can result in a maximum undiscounted amount of

€21 million. The contingent consideration has been estimated at nil as of December 31, 2014. RTL Group holds a call option for the remaining non-controlling interests exercisable in 2017. The exercise price is based on two variable components, and its value is not capped. The undiscounted amount of the expected exercise price for the call option is US$164 million. The call option was not recognized as of December 31, 2014. Further, the deal terms include a capped put option against RTL Group. The exercise of the put option is, however, in the full control of RTL Group. The transaction-related costs amounted to €4 million and have been recognized in profit or loss.

On November 3, 2014, Bertelsmann Learning LLC acquired an interest of 100 percent in the online education provider Relias Learning following governmental merger control approval. By entering the US e-learning market, Bertelsmann is further expanding its growth platform education and its international presence, in particular in the United States. Relias offers e-learning solutions for employee training in various industries, especially in the healthcare sector. Relias's activities are allocated to Corporate Investments. The consideration transferred totaled €398 million and included, in addition to the purchase price paid in cash, the issue of 1.5 percent of the shares in Bertelsmann Learning LLC. As of the acquisition date, Bertelsmann granted the management as former shareholder of Relias Learning a put option on these shares exercisable after four years for the first time. The put option was recognized as a financial liability at the present value of the redemption amount totaling €25 million with a corresponding reduction in equity. The purchase price allocation partly amounted to tax-deductible goodwill in the amount of €232 million and non-tax-deductible goodwill in the amount of €144 million, which resulted from future growth with new customers in existing segments and the planned expansion of the business model to related segments and new geographical markets. The transaction-related costs amounted to €2 million and have been recognized in profit or loss.

On December 1, 2014, RTL Group gained control of StyleHaul and since then holds a 97 percent interest in that company. StyleHaul is the leading multichannel network on YouTube for fashion, beauty and lifestyle. With this acquisition, RTL Group further accelerates its growing presence in the online video market in North America, the largest and most innovative media market worldwide. Prior to the acquisition, RTL Group held a 26 percent interest in the company, while BDMI, Bertelsmann's venture capital fund in the United States and Europe, has held a 9.5 percent interest since 2013. In the context of the transaction, BDMI sold its interest to RTL Group. The effects of the intercompany disposal of the 9.5 percent interest held by BDMI to RTL Group were eliminated. The consideration transferred of €116 million is due to the purchase price for the newly acquired shares (€78 million) and the fair value of the total of 36 percent interest already held and accounted for using the equity method (€30 million). The parties have agreed on an earn-out mechanism which could increase the initial consideration by a maximum of US$45 million subject to future performance of business. The financial liability for the component amounted unchanged €8 million as of December 31, 2014. The remeasurement of the investment already held resulted in other operating income of €21 million. The preliminary purchase price allocation amounted to non-tax-deductible goodwill of €104 million, which results from synergy potential to be realized from utilizing the acquired skills of StyleHaul employees. The employees of StyleHaul benefited from share-based arrangements prior to the business combination. Of the unvested options, some were early accelerated and others replaced by new stock options. The fair value of the financial liability of all early accelerated options was measured based on the purchase price and recognized at €6 million in personnel expenses outside of the business combination. In addition, RTL Group granted the non-controlling shareholders put options for the disposal of the remaining shares exercisable in the first half of 2017 based on the fair value of StyleHaul on the date the options are exercised. For these put options a corresponding financial liability of €5 million was recognized with a corresponding reduction in equity. The liability equals to the present value of the redemption amount. If the put options are not exercised during the exercise period, RTL Group is entitled to acquire the remaining shares. The transaction-related costs amounted to €1 million and have been recognized in profit or loss.

In addition, the Group made several acquisitions in 2014, none of which was material on a stand-alone basis. Payments net of acquired cash and cash equivalents amounted to €189 million, the consideration transferred in accordance with IFRS 3 for these acquisitions amounted to €210 million taking account of contingent consideration of €19 million. In additions, put options in the amount of €26 million related to the acquisitions were accounted for. The impact on the Group's financial position and financial performance is generally minor. The other acquisitions resulted in goodwill totaling €97 million, which reflects synergy potential and which is partly tax-deductible. The other intangible assets in the amount of €130 million are attributable primarily to customer relationships and music publishing rights. The transaction-related costs amounted to €3 million and have been recognized in profit or loss.

The following table shows the fair values of the assets and liabilities of the acquisitions on their dates of initial consolidation:

Effects of Acquisitions

in € millions	Santillana	SpotXchange	StyleHaul	Relias Learning	Other	Total
Non-current assets						
Goodwill	38	96	104	376	97	711
Other intangible assets	7	–	3	101	130	241
Property, plant and equipment	–	3	–	1	34	38
Trade and other receivables	–	–	–	–	–	–
Other non-current assets	4	9	12	–	10	35
Current assets						
Inventories	12	–	–	–	16	28
Trade and other receivables	10	32	5	14	32	93
Other current assets	6	–	–	1	3	10
Cash and cash equivalents	2	4	1	8	17	32
Liabilities						
Provisions for pensions and similar obligations	–	–	–	–	8	8
Financial debt	–	2	4	39	17	62
Sundry financial and non-financial liabilities	26	29	5	64	97	221
Gains from business combinations	–	–	–	–	2	2
Non-controlling interests	–	(5)	–	–	(5)	(10)

Since initial consolidation, all acquisitions under IFRS 3 in the financial year 2014 have contributed €362 million to revenues and €12 million to Group profit or loss. If consolidated as of January 1, 2014, they would have contributed €543 million to revenues and €6 million to Group profit or loss. The fair value of the acquired receivables amounts to €93 million at the acquisition date. Thereof, €85 million is attributable to trade receivables and €8 million is attributable to other receivables. Trade receivables are impaired in the amount of €-6 million resulting in a gross amount of trade receivables of €91 million. The fair value of other receivables equals the gross amount.

The fair values of the identifiable assets, liabilities and contingent liabilities acquired are measured according to IFRS 3, and primarily using the market-price-oriented method. According to this method, assets and liabilities are measured at prices observed in active markets. If measurement using the market-price-oriented method is not feasible, the capital-value-oriented method is to be applied. Accordingly, the fair value of an asset or a liability is the present value of the future cash inflows or outflows (cash flows).

In addition, with effect from November 1, 2014, Bertelsmann acquired the 25.1 percent interests held by the minority shareholder Jahr Holding in various Gruner + Jahr companies. The interests held by the minority shareholder Jahr Holding are not non-controlling interests in the sense of IFRS 10 and have been previously recognized as financial liabilities in the Bertelsmann consolidated financial statements in accordance with IAS 32. Accordingly, the regulations in IFRS 10.23 on transactions between holders of equity do not apply; in the context of the acquisition, the adjustment of the carrying amount of the financial liability was recognized in profit or loss in the financial result instead.

As part of the implementation of its transformation strategy, Gruner + Jahr sold its printing business in the United States, Brown Printing Company, to Quad/Graphics, Inc. on May 30, 2014. The sale resulted in a gain of €2 million recognized in the item "Results from disposals of investments."

On September 30, 2014, Be Printers completed the sale of its Italian printing business and the calendar business to Bavaria Industries Group, Munich. The sale resulted in a loss of €-103 million recognized in the item "Results from disposals of investments."

After considering the cash and cash equivalents disposed of, the Group received payments totaling €30 million from disposals that were carried out (previous year: €12 million).

The disposals led to expenses from deconsolidation of €-139 million (previous year: income of €3 million). The following table shows their impact on the Bertelsmann Group's assets and liabilities at the time of their deconsolidation:

Effects of Disposals

in € millions	Brown Printing	Be Printers Italy	Other	2014
Non-current assets				
Goodwill	–	–	32	32
Other intangible assets	–	–	14	14
Property, plant and equipment	58	58	11	127
Other non-current assets	–	5	2	7
Current assets				
Inventories	14	24	27	65
Other current assets	39	79	59	177
Cash and cash equivalents	2	13	18	33
Liabilities				
Provisions for pensions and similar obligations	–	36	1	37
Financial debt	–	10	14	24
Sundry financial and non-financial liabilities	49	69	80	198

Discontinued Operations

Earnings after taxes from discontinued operations of €4 million (previous year: €-58 million) comprises follow-on effects related to the disposal of the former Direct Group division.

Assets Held for Sale and Liabilities Related to Assets Held for Sale

The carrying amounts of the assets classified as held for sale and related liabilities, which are mainly attributable to the Be Printers (Be Printers Spain) and Gruner + Jahr (Motor Presse France) divisions in the reporting period, are presented in the following table:

Assets Held for Sale and Related Liabilities

in € millions	12/31/2014	12/31/2013
Assets		
Non-current assets		
Other intangible assets	7	11
Property, plant and equipment	18	5
Other non-current assets	13	–
Deferred tax assets	–	1
Current assets		
Inventories	6	19
Other current assets	43	33
Cash and cash equivalents	2	10
Impairment on assets held for sale	(47)	(14)
Assets held for sale	42	65
Equity and Liabilities		
Non-current liabilities		
Provisions for pensions and similar obligations	1	–
Deferred tax liabilities	–	1
Current liabilities		
Trade payables	27	35
Other current liabilities	13	7
Liabilities related to assets held for sale	41	43

Following the management decision regarding a structured sale of the Spanish Be Printers entities in September 2014, the respective assets and liabilities were classified as held for sale. The closing of the sale is expected for the first half of 2015. Based on the sales negotiations with a French purchaser consortium started in November 2014, the related assets and liabilities of Motor Presse France were classified as held for sale as well.

The disposal groups mentioned above are measured at fair value less costs to sell. These are to be allocated to level 3 of the hierarchy of non-recurring fair values. Valuations for level 3 are based on information from the ongoing contract negotiations. The impairment losses recognized in profit or loss are recognized in "Other operating expenses."

Currency Translation

The financial statements of subsidiaries, joint ventures and associates that were prepared in foreign currencies are translated into euros using the functional currency concept set out in IAS 21 before they are included in Bertelsmann's consolidated financial statements. Assets and liabilities are translated into the reporting currency at the closing rate at the end of the reporting period, while income statement items are translated at the average rate for the year. Currency translation differences are recognized in other comprehensive income. Such differences arise from translating items in the balance sheet at a closing rate that differs from the previous closing rate and from using the average rate from the period and the closing rate at the end of the reporting period to translate the Group profit or loss. On the date Group companies are deconsolidated, the respective accumulated currency translation differences recognized in other comprehensive income and accumulated in a separate component of equity are reclassified from equity to the income statement. The following euro exchange rates were used to translate the currencies that are most significant to the Bertelsmann Group.

Euro Exchange Rates for Major Foreign Currencies

		Average rate		Closing rate	
Foreign currency unit per €1		2014	2013	12/31/2014	12/31/2013
Australian dollar	AUD	1.4718	1.3772	1.4829	1.5423
Canadian dollar	CAD	1.4669	1.3678	1.4063	1.4671
Chinese renminbi	CNY	8.1860	8.1640	7.5358	8.3491
British pound	GBP	0.8061	0.8492	0.7789	0.8337
US dollar	USD	1.3289	1.3280	1.2141	1.3791

Accounting and Measurement Policies

Recognition of Income and Expense

Revenues are measured at the fair value of the compensation received or receivable and reduced by anticipated reductions in price, trade discounts and similar other deductions.
Revenues from the sale of goods are recognized when the Group has transferred the significant risks and rewards associated with ownership of the goods to the purchaser and the amount of revenue can be reliably determined, except for revenues from transactions applying the percentage of completion method in accordance with IAS 11. The latter includes income from services measured by reference to the stage of completion to the extent the point of completion can be reliably determined at the balance sheet date. The stage of completion is determined using the input-oriented method. Under the input-oriented method, contract costs accruing up to the balance sheet date are applied as a percentage of total estimated contract costs (cost-to-cost method).

Revenues from advertising are recorded when the corresponding advertisement or commercial appears in the respective medium. Income from royalties (licenses) is recognized on an accrual basis in line with the provisions of the underlying contract. Revenues from services rendered are recognized based on their percentage of completion. Interest income and expenses are recognized on an accrual basis using the effective interest method in accordance with IAS 39. Dividends are only recognized in income when the shareholder's legal entitlement to payment is established. Other income is recognized when the economic benefits are probable and the amount can be measured reliably. Expenses are deferred on the basis of underlying facts or the period of time to which they relate.

Goodwill

According to IFRS 3, goodwill resulting from a business combination is initially recognized at acquisition cost, with subsequent recognition at acquisition cost less accumulated impairment losses. Goodwill is subject to impairment testing at least annually by comparing the carrying amount of the cash-generating unit to which goodwill has been allocated, with the recoverable amount of the cash-generating unit.

If the carrying amount of a cash-generating unit exceeds its recoverable amount, an impairment loss is immediately recognized in profit or loss. Impairment, including impairment losses recognized during the year, is not reversed. In the Bertelsmann Group, goodwill is tested for impairment each year as of December 31, as outlined in the "Impairment Losses" section, and if a triggering event arises.

Other Intangible Assets

Non-current internally generated intangible assets are carried at cost, which are capitalized in the balance sheet if the criteria for recognition as set out in IAS 38 have been met. Intangible assets acquired separately are carried at acquisition cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired as part of a business combination are initially recognized at fair value at the acquisition date in accordance with IFRS 3.
Intangible assets with finite useful life are amortized systematically on a straight-line basis over their estimated useful life. Impairment losses and reversal of impairment losses are determined by applying the requirements for impairment testing (IAS 36). As a rule, capitalized software has a useful life of between three and five years. Supply rights and subscriber portfolios are amortized over a period of two to 15 years, while the amortization period for trademarks and music and publishing rights is three to 25 years. Licenses are amortized on a straight-line basis over the term of the license agreement or depending on performance (based on the ratios of income from use generated in the reporting period to the estimated total income from use over the whole useful life). The estimate of useful life and amortization methods are reviewed annually

and prospectively adjusted to reflect changes in expectations. Intangible assets with indefinite useful life are not amortized on a systematic basis. Instead, they are subject to at least annual impairment testing and written down to their recoverable amount if applicable.

Property, Plant and Equipment

Items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of items of property, plant and equipment produced internally within the Group includes direct costs and a portion of overhead costs directly attributable to their production. The cost of property, plant and equipment produced over a longer period of time also includes borrowing costs accrued up to the completion date. The amounts involved are insignificant to the Group. All other borrowing costs are expensed in the period occured. Maintenance costs are carried as expenses of the period, whereas expenses for activities that lead to a longer useful life or improved use are generally capitalized. Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. Estimates of useful life and the depreciation method are reviewed annually in line with IAS 16 and are adjusted prospectively according to the changed expectations. During the reporting period, depreciation was generally based on the following useful lives:

- buildings: ten to 50 years
- plant, technical equipment and machinery: four to 15 years
- furniture, fixtures and other equipment: three to twelve years

Land is not subject to depreciation.

Individually significant components of property, plant and equipment are recorded and depreciated separately (component approach).

Impairment Losses

Goodwill and intangible assets with indefinite useful life are tested for impairment at least annually. Intangible assets with a finite useful life and property, plant and equipment are tested for impairment at the end of each reporting period in accordance with IAS 36 if there are any indications of impairment.

An impairment loss is recognized when the recoverable amount of a cash-generating unit has fallen below its carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. For assets held for sale, only fair value less cost to sell is used as a basis for comparison.

As long as an active market exists, the market price or the price in the most recent comparable transaction is used in determining fair value. If there is no active market, fair value less costs of disposal is generally calculated using the discounted cash flow method. If it is not possible to allocate cash flows to assets, the relevant impairment losses are determined on the basis of cash flows attributable to the cash-generating unit to which the assets belong. Projected cash flows are based on internal estimates for three planning periods. Generally, two further detailed planning periods are applied in addition. The company's internal forecasts take into account both historical data as well as anticipated market performance. For periods beyond this detailed horizon, a perpetual annuity is recognized, taking into account individual business-specific growth rates of generally -2.5 to 2.5 percent. Discounting is generally based on the weighted average cost of capital (WACC) after tax. Specific WACCs are derived for cash-generating units with different risk profiles. Management estimates of cash flow are based on factors including assumptions of economic trends and the associated risks, the regulatory environment, the competitive environment, market share, investments and growth rates. The values allocated to the key assumptions are in line with external sources of information. The figures obtained using the respective discount rates reflect the recoverable amount of the cash-generating units. Material changes in the market or competitive environment may impair the value of cash-generating units. If the reasons for an impairment loss recognized in prior periods no longer exist, the impairment loss is reversed up to a maximum of the carrying amount of the respective asset if the impairment loss had not been recognized. The latter does not apply to goodwill.

Leasing

If the Bertelsmann Group bears all material rewards and risks as part of leasing agreements and is thus to be regarded as the economic owner (finance lease), the leased item is capitalized at its fair value at the inception of the lease term or the lower present value of the future minimum lease payments. Payment obligations arising from finance leases are recognized as financial liabilities in the same amount. In the subsequent periods, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability such that this results in a constant interest rate on the remaining balance of the liability. As a rule, financing costs are recognized in profit or loss as "Interest expenses." The leased item is subject to depreciation. If it is reasonably certain that ownership of the leased assets will pass to the lessee at the end of the lease term, the assets are depreciated over their useful life. Otherwise, they are depreciated over the term of the lease or the useful life, whichever is shorter. Contingent lease payments are recognized as an expense in the period in which they result.
Leased assets primarily relate to buildings. Finance leases for buildings are generally subject to non-cancelable minimum lease terms of approximately 20 years. Upon expiry of the lease term, the lessee is as a rule entitled to purchase the leased asset at its residual value. The operating leases entered into by the Bertelsmann Group primarily relate to rental agreements for buildings and technical transmission facilities. Based on the substance of transaction, the leased assets are allocated to the lessor. The lease installments constitute expenses for the period and are carried as "Other operating expenses" using the straight-line method over the term of the lease.

Financial Assets

Financial assets are recognized initially at fair value, taking into account transaction costs that are directly attributable to the acquisition of the financial asset. In the case of financial assets that are recognized at fair value through profit or loss, transaction costs are recognized directly in the income statement. Regular purchases and sales of financial assets are recognized on the trade date – the day on which the Group enters into an obligation to buy or sell the asset.

For subsequent measurement, financial assets are classified into the following categories and subcategories:
- held-to-maturity investments
- available-for-sale financial assets
- financial assets recognized at fair value through profit or loss
  - primary and derivative financial assets held for trading
  - financial assets initially recognized at fair value through profit or loss
- loans and receivables
  - originated loans and trade receivables
  - cash and cash equivalents

Held-to-maturity investments:
Financial instruments are held to maturity if they have fixed or determinable payments and a fixed maturity that the Group is to hold to maturity. Subsequent measurement is at amortized cost using the effective interest method. In the reporting period, no held-to-maturity investments were recognized.

Available-for-sale financial assets:
The available-for-sale category primarily includes current and non-current securities and equity investments not classified as held-to-maturity investments, as loans and receivables, or at fair value through profit or loss. In accordance with IAS 39, available-for-sale financial assets are measured at their fair value at the balance sheet date to the extent that this value

can be reliably measured. Otherwise these are measured at cost. With deferred taxes taken into consideration, gains and losses resulting from fluctuations in the fair value are recognized in other comprehensive income. However, if there is objective evidence of impairment, this is recognized in profit or loss. A significant or prolonged decline in the fair value of an equity instrument below its acquisition costs is also to be regarded as objective evidence of impairment. If these assets are sold, the accumulated gains and losses previously recognized in other comprehensive income are reclassified from equity to the income statement.

Primary and derivative financial assets held for trading:
As a rule, this category includes derivatives that do not meet the formal requirements of IAS 39 for hedge accounting. They are measured at their fair value. Gains or losses from changes to the fair values are recognized in profit or loss.

Financial assets initially recognized at fair value through profit or loss:
This category includes financial assets that are designated upon initial recognition at fair value through profit or loss. Changes in fair value are recognized in the other financial result.

Originated loans and trade receivables:
Originated loans and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method. Long-term interest-free or low-interest loans and receivables are discounted. Foreign currency items are translated using the closing rate. If there is objective evidence of impairment, the carrying amount is reduced through use of an allowance account and the loss is recognized in profit or loss.

Cash and cash equivalents:
Cash includes bank balances and cash on hand. Cash equivalents include short-term, highly liquid securities with a term to maturity on acquisition of a maximum of three months. Foreign currency items are translated using the closing rate.

All derivatives that fulfill the formal requirements of IAS 39 for hedge accounting are carried separately as derivative financial instruments used in hedging relationships and are measured at fair value. Further details are presented in the section "Derivative Financial Instruments."

Measurement at fair value:
In the case of financial assets and financial liabilities measured at fair value, the valuation method applied depends on the respective valuation parameters present in each case. If listed prices can be identified for identical assets on active markets, they are used for valuation (level 1). If this is not possible, the fair values of comparable market transactions are applied, and financial methods that are based on observable market data are used (level 2). If the fair values are not based on observable market data, they are identified using recognized financial methods (level 3).

Impairment losses and reversals of financial assets:
The carrying amounts of financial assets not recognized at fair value through profit or loss are examined at each balance sheet date in order to determine whether there is objective evidence of impairment. Such evidence exists in the following cases: information concerning financial difficulties of a customer or a group of customers; not upholding or not paying interest or capital; the probability of being subject to bankruptcy or other financial restructuring; and recognizable facts that point to a measurable reduction in the estimated future cash flows, such as an unfavorable change in the borrower's payment status or the economic situation that corresponds to the delayed performance. In the case of financial assets carried at amortized cost, the loss in case of impairment corresponds to the difference between the carrying amount and the present value of the anticipated future cash flows – discounted using the original effective interest rate for the financial asset. If it is established that the fair value has increased at a later measurement date, the impairment loss previously recognized is reversed up to a maximum of amortized cost. Impairment losses are not reversed in the case of unlisted equity instruments that are classified as available-for-sale assets and carried at cost. In case of impairment on available-for-sale assets carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted using the risk-adjusted interest rate.

Offsetting financial instruments:
Financial assets and liabilities are offset and the net amount is presented in the consolidated balance sheet if there is a legally enforceable right to set off the recognized amounts and if it is intended to settle on a net basis. Settlement on a net basis must thus be legally valid both as part of ordinary business activities and also in the event of payment default, insolvency or bankruptcy by one of the parties.

Inventories

Inventories – including raw materials and supplies, finished goods and work in progress as well as merchandise – are recognized at the lower of historical cost and net realizable value at the end of the reporting period. Similar inventories are reported at average cost or using the FIFO (first-in, first-out) method. Inventories originating from intragroup suppliers are adjusted to eliminate intercompany earnings and are measured at the Group's manufacturing cost.
Inventories are tested for recoverability on each balance sheet date. For this purpose, net realizable value is determined. Net realizable value is defined as the estimated sales price less expected costs to complete and estimated selling expenses. A write-down is recognized if the net realizable value is lower than its historical cost. Write-downs are reversed if the circumstances causing their recognition no longer exist. The new carrying amount then represents the lower of historical cost and adjusted net realizable value.
In addition to raw materials and supplies, finished goods, work in progress and merchandise, inventories include all short-term film, television and similar rights that are intended for broadcast or sale within the Group's normal operating cycle. In particular, this includes films and TV shows currently in production, coproductions and acquired broadcasting rights. The carrying amount of such items at the balance sheet date is the lower of historical cost or net realizable value.

The consumption of film and television rights starts from the date of initial broadcast and depends either on the number of planned broadcasts or the expected revenues. The broadcast-based consumption of film and television rights is as follows:

- Entertainment programs such as soap operas, documentaries and sports, quiz or music programs are written off in full at the initial broadcast date.
- 50 percent of the carrying amount of children's programs and cartoons is written off at each of the first two broadcast dates.
- The consumption of cinema productions, TV feature films and series also spans a maximum of two broadcasts: 67 percent of the value is consumed upon the first broadcast, the remaining 33 percent upon the second broadcast.

The consumption of inventories is reported in the income statement in the cost of materials and changes in inventories, respectively.

Customer-Specific Production Contracts

To the extent that they meet the requirements of IAS 11, customer-specific contracts are reported using the percentage of completion method. Revenues and gains on customer-specific contracts are recognized by reference to the stage of completion of the respective projects. The stage of completion is calculated as the ratio of the contract costs incurred up to the end of the financial year to the total estimated project cost (cost-to-cost method). Irrespective of the extent to which a project has been completed, losses resulting from customer-specific contracts are immediately recognized in full in the period in which losses are identified. In the reporting period, no material revenues were recognized from customer-specific production contracts.

Deferred Taxes

In accordance with IAS 12, deferred tax assets and liabilities are recognized for temporary differences between the tax base and the carrying amounts shown on the IFRS consolidated balance sheet, and for as yet unused tax loss carryforwards and tax credits.

Deferred tax assets are recognized only to the extent it is probable that taxable income will be available against which the deductible temporary difference can be utilized. Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by valuation allowances. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets and liabilities resulting from business combinations are recognized with the exception of temporary differences on goodwill not recognizable for tax purposes. The tax rates applied for computation are those expected as of the date of reversal of temporary differences and use of tax loss carryforwards respectively. As a rule, deferred taxes are recognized in profit or loss unless they relate to items recognized in other comprehensive income. In this case, deferred taxes are recognized in other comprehensive income.

Cumulated Other Comprehensive Income

Cumulated other comprehensive income includes foreign exchange gains and losses as well as unrealized gains and losses from the fair value measurement of available-for-sale financial assets and derivatives used in cash flow hedges or hedges of net investments in foreign operations in accordance with IAS 39.

In addition, according to IAS 28.10, changes in equity for companies accounted for using the equity method that are taken directly to equity are also recorded. Remeasurement effects of defined benefit pension plans (actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the return implied by the net interest cost on the plan assets and effects of the asset ceiling) are recognized in the retained earnings in the year in which these gains and losses have been incurred as part of the reconciliation of total comprehensive income for the period in the statement of changes in equity. Deferred taxes on the aforementioned items are also recognized directly in equity.

Provisions

Provisions for pensions and similar obligations are calculated using the projected unit credit method within the meaning of IAS 19. This method involves the use of biometric calculation tables, current long-term market interest rates and current estimates of future increases in salaries and pensions.

The net interest expense included in pension expense is reported under the financial result. Remeasurement effects of defined benefit pension plans (actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the return implied by the net interest cost on the plan assets and effects of the asset ceiling) are recognized immediately in equity under other comprehensive income and are not reclassified to profit or loss in a subsequent period (recycled).

With the exception of the other personnel-related provisions calculated according to IAS 19, all of the other provisions are established on the basis of IAS 37 where there is a legal or constructive obligation to a third party, the outflow of resources is probable and it is possible to reliably determine the amount of the obligation. Provisions are measured in the amount of the most likely outcome. Long-term provisions are discounted. The discount rates take into account current market expectations and, if necessary, specific risks for the liability. As a rule, income from the reversal of provisions is generally included in the income statement line item to which the provision was previously charged.

Liabilities

Trade payables and other primary financial liabilities including profit participation certificates are initially measured at their fair value less transaction costs. Subsequent measurement is based on amortized cost using the effective interest method (financial liabilities at amortized cost), unless the financial liability is classified as initially recognized at fair value through profit or loss. Liabilities denominated in foreign currency are translated at the exchange rate at the end of the reporting period. Finance lease liabilities, which are also reported in financial liabilities, are carried at their present value in accordance with IAS 17.

Derivative Financial Instruments

As set out in IAS 39, all derivative financial instruments are recognized at fair value on the balance sheet. Derivative financial instruments are recognized as of the transaction date. When a contract involving a derivative is entered into, it is initially determined whether that contract is intended to serve as a fair value hedge or as a cash flow hedge. Some derivatives do not meet the requirements included in IAS 39 for recognition as hedges, despite this being their economic purpose.

Changes in the fair values of derivatives are recorded as follows:

1. Fair value hedge: Changes in the fair value of these derivatives, which are used to hedge assets or liabilities, are recognized in profit or loss; the corresponding gain or loss on the change in fair value of the underlying balance sheet item is also directly included in the income statement.
2. Cash flow hedge: The effective portion of the changes in the fair value of derivatives used to hedge future cash flows is recognized in other comprehensive income. The amounts carried here are included in the first-time valuation when an underlying non-financial asset or a non-financial liability is received (basis adjustment). In other cases, the reclassification of the previously recognized gains and losses from equity to the income statement is performed when the hedged underlying transaction is recognized in income. The ineffective portion of the changes in the fair value of the hedging instrument is recognized in profit or loss.
3. Hedge of a net investment in a foreign operation: For this type of hedge, the effective portion of the gains and losses on changes in the fair value of the hedging instrument is taken directly to other comprehensive income. The ineffective portion is recognized in profit or loss. On disposal of the investment, the changes in the fair value of the hedging instruments that are contained in equity are recognized in profit or loss.
4. Stand-alone derivatives (no hedge relationship): Changes in the fair value of derivatives that do not meet the criteria for recognition as hedges are recognized in profit or loss in accordance with the held-for-trading category and are therefore classified as at fair value through profit or loss.

In the reporting period, no hedge transactions were recognized with fair value hedges or to hedge a net investment in foreign operations.

Share-Based Payment

Share options are granted to certain directors and senior employees. The options are granted at the market price on the grant date and are exercisable at that price. For share options, the fair value of the options granted is recognized as personnel costs with a corresponding increase in equity. The fair value is measured at the grant date and allocated over the vesting period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial option pricing model, taking into account the terms and conditions at which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options vesting. Share options forfeited solely due to share prices not achieving the vesting threshold are excluded.

Non-Current Assets Held for Sale and Related Liabilities

Non-current assets or disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through a sale transaction and not from continued use. These non-current assets and the associated liabilities are presented in separate line items in the balance sheet under IFRS 5. They are measured at the lower of the carrying amount and fair value less cost to sell. Depreciation/amortization is not recorded if a non-current asset is classified as held for sale or forms part of a disposal group that is classified as held for sale.

Components of entities that fulfill the requirements of IFRS 5.32 are classified as discontinued operations and thus are carried separately in the income statement and cash flow statement as well. All of the changes in amounts made during the reporting period that are directly connected with the sale of a discontinued operation in any preceding period are also stated in this separate category. If a component of an entity is no longer classified as held for sale, the results of this entity component that were previously carried under discontinued operations are reclassified to continuing operations for all of the reporting periods shown.

Government Grants

A government grant is not recognized until there is reasonable assurance that the entity will comply with the conditions attached to it and that the grant will be received. Grants for assets are deducted when the carrying amount is calculated and are recognized in profit or loss over the useful life of the depreciable asset as a reduced depreciation expense. Income-related grants are recognized as income in the periods in which the expenses to be compensated by the grants were incurred.

Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements requires the use of accounting judgements, estimates and assumptions that may impact the carrying amounts of assets, liabilities, income and expenses recognized. Amounts actually realized may differ from estimated amounts. The following section presents accounting judgments, estimates and assumptions that are material in the Bertelsmann consolidated financial statements for understanding the uncertainties associated with financial reporting.

- Recognition of income and expense: In the event of return rights, mostly for print products, estimates must be made with regard to the anticipated return volume as revenues are recognized taking the anticipated returns into account. Return ratios determined using statistical methods are used to identify the anticipated returns.
- Control of entities in which the Group holds less than half of the voting rights: Management considers that the Group has de facto control of Groupe M6, which belongs to RTL Group, even though it holds less than 50 percent of the voting rights. RTL Group is the majority shareholder of Groupe M6 while the balance of other holdings remains highly dispersed, and the other shareholders have not organized their interest in such a way that they intend to vote differently from the Group.
- Trade receivables and other receivables: Valuation allowances are recognized for doubtful receivables based on risk factors such as a customer’s financial difficulties and unfavorable changes in the economic situation, taking into account the maturity structure of the receivables. Sales estimates and assumptions on future sales success are also made in connection with advances paid to authors to

secure exploitation rights in their publications. In addition, in the case of sports and film rights, estimates are made with regard to anticipated revenues.

- Impairment losses: Goodwill and intangible assets with indefinite useful life are tested for impairment at least annually. Intangible assets with finite useful life and property, plant and equipment are tested for impairment in accordance with IAS 36 if there are indications that an asset may be impaired. Impairment loss has occurred when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal and the value in use are generally determined using the discounted cash flow method, which is based on future cash flow forecasts which are part of company forecasts. The cash flow forecasts are based on the management's best possible estimates with regard to future growth. The Group has used a combination of long-term trends, industry forecasts and in-house knowledge, with special emphasis on recent experience, in forming the assumptions about the development of the various relevant markets in which the Group operates. This is an area highly exposed to the general economic conditions. The state of the relevant market is just one of the key operational drivers which the Group uses when assessing individual business models. The most important assumptions include estimated growth rates, the weighted average cost of capital and tax rates. All of these different elements are variable, inter-related and difficult to isolate as the main driver of the various business models and respective valuations. Changes to these estimates as a result of more recent information could have a material impact on the amount of the possible impairment. The Group performs sensitivity analysis on the cash-generating units, especially on those where the headroom between the recoverable amount and the carrying value is low. For detailed information on the assumptions and estimates that are used in impairment testing for intangible assets (including goodwill) and property, plant and equipment in the Bertelsmann Group, please refer to notes 11 "Intangible Assets" and 12 "Property, Plant and Equipment."
- Pension obligations: Pension obligations are measured using the projected unit credit method. Using this approach, biometric calculations, the prevailing long-term capital-market interest rates and, in particular, assumptions about future salary and pension increases are taken into account. Information on the assumptions made in pension accounting is presented in note 19 "Provisions for Pensions and Similar Obligations."
- Provisions for onerous contracts and warranties are also based to a significant extent on management estimates with regard to their amount and probability of occurrence. Assessments of whether there is a present obligation, whether an outflow of resources is probable and whether it is possible to reliably determine the amount of the obligation are generally based on the expertise of in-house or third-party specialists. More recent information could change the estimates and thus impact the Group's financial position and performance. The legal and regulatory environment in which Bertelsmann operates does not bear significant litigation risks. With regard to risk provisioning, a provision for potential losses from litigation is recognized when the risks of a loss are considered to be probable and when a reliable estimate of the anticipated financial impact is possible. For significant contingent liabilities for which the possibility of a future loss is more than remote but less than probable, the Group estimates the possible loss where the Group believes that an estimate can be made. As of the balance sheet date, there were no reportable contingent liabilities from litigation. Management regularly reviews the recognition, measurement and use of provisions as well as the disclosure requirements for contingent liabilities.

In the case of purchase price allocations, assumptions are also made regarding the measurement of assets and liabilities assumed as part of business combinations. This applies in particular with regard to the acquired intangible assets as measurements are based on fair value. As a rule, this is the present value of the future cash flows after taking into account the present value of the tax amortization benefit. In addition, the definition of uniform useful lives within the Group is based on the management's assumptions. General information on useful lives is presented in the sections "Other Intangible Assets" and "Property, Plant and Equipment."

Assessments of the ability to realize uncertain tax positions and future tax benefits are also based on assumptions and estimates. Recognition of an asset or liability from an uncertain tax position is performed in accordance with IAS 12 if payment or refund of an uncertain tax position is probable. Measurement of the uncertain tax position is at its most likely amount. Deferred tax assets are only carried to the extent that it is probable that they can be utilized against future taxable profits. When assessing the probability of the ability to use deferred tax assets in the future, various factors are taken into account, including past earnings, company forecasts, tax forecast strategies and loss carryforward periods. Information relating to the ability to realize tax benefits is presented in note 10 "Income Taxes."

Assumptions are also made when identifying the fair values of financial assets and financial liabilities. In this regard, Bertelsmann uses various actuarial methods that take into account the market conditions and risks in effect at the respective balance sheet dates. The inputs to these models are taken from observable markets where possible, but where this is not feasible, assumptions by management are required in establishing fair values. These assumptions relate to input factors such as liquidity risk and default risks.

Estimates and assumptions also relate to the share-based payments. The conditions of the stock option plans are presented in greater detail in the "Stock Option Plans at Subsidiaries" section in note 18 "Equity."

Estimates and the underlying assumptions are reviewed on an ongoing basis. As a rule, adjustments to estimates are taken into account in the period in which the change is made and in future periods.

Prior Year Information

Due to the first-time application of IFRS 10, IFRS 11, IFRS 12 and IAS 27 (revised 2011), as well as IAS 28 (revised 2011) on January 1, 2014 the figures of the comparable period and the comparable balance sheet dates in the income statement and balace sheet have been adjusted. Parallel to the application of IFRS 10 which includes a consolidation exception for investment entities, Bertelsmann, which is a non-investment entity, modified its application of the equity method for an associate which is an investment entity, as this results in the view of Group´s management, in more reliable information in the financial statements of Bertelsmann itself. In determining the value of the investment using the equity method, for calculating its share of equity Bertelsmann now retains the fair value measurement applied by the associated investment entity to its interests.

Retrospective application of the new financial reporting standards had the following impact with regard to the comparable period or the comparable balance sheet dates:

Adjustment to the Consolidated Income Statement

in € millions	2013 before adjustment	Adjustment: First-time application IFRS 11	Adjustment: At-equity adjustment investment entities	2013 after adjustment
Revenues	16,356	(177)	–	16,179
Other operating income	630	2	–	632
Changes in inventories	206	(2)	–	204
Own costs capitalized	21	–	–	21
Cost of materials	(5,831)	45	–	(5,786)
Royalty and license fees	(1,156)	7	–	(1,149)
Personnel costs	(5,005)	40	–	(4,965)
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	(642)	13	–	(629)
Other operating expenses	(3,067)	47	–	(3,020)
Results from investments accounted for using the equity method	18	22	14	54
Impairment and reversals of impairment on investments accounted for using the equity method	64	(2)	–	62
Results from financial assets	3	–	–	3
Results from disposals of investments	111	–	–	111
EBIT (earnings before interest and taxes)	1,708	(5)	14	1,717
Interest income	19	–	–	19
Interest expenses	(194)	–	–	(194)
Other financial income	30	–	–	30
Other financial expenses	(216)	–	–	(216)
Financial result	(361)	–	–	(361)
Earnings before taxes from continuing operations	1,347	(5)	14	1,356
Income taxes	(419)	6	–	(413)
Earnings after taxes from continuing operations	928	1	14	943
Earnings after taxes from discontinued operations	(58)	–	–	(58)
Group profit or loss	870	1	14	885
attributable to:				
Bertelsmann shareholders				
Earnings from continuing operations	556	1	14	571
Earnings from discontinued operations	(58)	–	–	(58)
Earnings attributable to Bertelsmann shareholders	498	1	14	513
Non-controlling interests				
Earnings from continuing operations	372	–	–	372
Earnings from discontinued operations	–	–	–	–
Earnings attributable to non-controlling interests	372	–	–	372

Adjustment to the Consolidated Balance Sheet as of January 1, 2013

in € millions	1/1/2013 before adjustment	Adjustment: First-time application IFRS 11	Adjustment: At-equity adjustment investment entities	1/1/2013 after adjustment
Assets				
Non-current assets				
Goodwill	6,048	(9)	–	6,039
Other intangible assets	576	(11)	–	565
Property, plant and equipment	1,753	(2)	–	1,751
Investments accounted for using the equity method	456	50	13	519
Other financial assets	426	2	–	428
Trade and other receivables	111	–	–	111
Other non-financial assets	220	–	–	220
Deferred tax assets	1,205	(4)	–	1,201
	10,795	26	13	10,834
Current assets				
Inventories	1,404	(10)	–	1,394
Trade and other receivables	3,266	(27)	–	3,239
Other financial assets	119	(1)	–	118
Other non-financial assets	498	(3)	–	495
Current income tax receivable	115	(1)	–	114
Cash and cash equivalents	2,658	(35)	–	2,623
	8,060	(77)	–	7,983
Assets held for sale	9	–	–	9
	18,864	(51)	13	18,826
Equity and Liabilities				
Equity				
Subscribed capital	1,000	–	–	1,000
Capital reserve	2,345	–	–	2,345
Retained earnings	1,922	(3)	13	1,932
Bertelsmann shareholders' equity	5,267	(3)	13	5,277
Non-controlling interests	816	–	–	816
	6,083	(3)	13	6,093
Non-current liabilities				
Provisions for pensions and similar obligations	2,146	(3)	–	2,143
Other provisions	122	–	–	122
Deferred tax liabilities	94	–	–	94
Profit participation capital	413	–	–	413
Financial debt	3,612	(1)	–	3,611
Trade and other payables	402	(3)	–	399
Other non-financial liabilities	253	–	–	253
	7,042	(7)	–	7,035
Current liabilities				
Other provisions	419	(1)	–	418
Financial debt	264	12	–	276
Trade and other payables	3,645	(36)	–	3,609
Other non-financial liabilities	1,297	(13)	–	1,284
Current income tax payable	113	(3)	–	110
	5,738	(41)	–	5,697
Liabilities related to assets held for sale	1	–	–	1
	18,864	(51)	13	18,826

Adjustment to the Consolidated Balance Sheet as of December 31, 2013

in € millions	12/31/2013 after adjustment	Adjustment: First-time application IFRS 11	Adjustment: At-equity adjustment by investment entities	12/31/2013 before adjustment
Assets				
Non-current assets				
Goodwill	6,966	(13)	–	6,953
Other intangible assets	2,063	(10)	–	2,053
Property, plant and equipment	1,701	(1)	–	1,700
Investments accounted for using the equity method	435	44	25	504
Other financial assets	282	4	–	286
Trade and other receivables	79	–	–	79
Other non-financial assets	405	–	–	405
Deferred tax assets	908	(4)	–	904
	12,839	20	25	12,884
Current assets				
Inventories	1,520	(11)	–	1,509
Trade and other receivables	3,492	(19)	–	3,473
Other financial assets	46	(1)	–	45
Other non-financial assets	630	(2)	–	628
Current income tax receivable	111	(2)	–	109
Cash and cash equivalents	2,745	(40)	–	2,705
	8,544	(75)	–	8,469
Assets held for sale	65	–	–	65
	21,448	(55)	25	21,418
Equity and Liabilities				
Equity				
Subscribed capital	1,000	–	–	1,000
Capital reserve	2,345	–	–	2,345
Retained earnings	3,544	(2)	25	3,567
Bertelsmann shareholders' equity	6,889	(2)	25	6,912
Non-controlling interests	1,849	–	–	1,849
	8,738	(2)	25	8,761
Non-current liabilities				
Provisions for pensions and similar obligations	1,944	(3)	–	1,941
Other provisions	101	3	–	104
Deferred tax liabilities	178	–	–	178
Profit participation capital	413	–	–	413
Financial debt	2,219	(1)	–	2,218
Trade and other payables	367	(3)	–	364
Other non-financial liabilities	280	–	–	280
	5,502	(4)	–	5,498
Current liabilities				
Other provisions	438	(1)	–	437
Financial debt	1,162	6	–	1,168
Trade and other payables	3,985	(39)	–	3,946
Other non-financial liabilities	1,448	(12)	–	1,436
Current income tax payable	132	(3)	–	129
	7,165	(49)	–	7,116
Liabilities related to assets held for sale	43	–	–	43
	21,448	(55)	25	21,418

Notes to the Income Statement and Balance Sheet

1 Revenues

in € millions	2014	2013
Revenues from selling goods and merchandise	6,485	6,444
Revenues from advertising	4,129	4,091
Revenues from providing services	4,132	3,773
Revenues from grant of use of assets	1,929	1,871
	16,675	16,179

Revenues include income from barter transactions in the amount of €68 million (previous year: €72 million), which were primarily incurred by RTL Group and Gruner + Jahr. The total amount is carried in "Revenues from advertising" (previous year: €71 million and €1 million in "Revenues from providing services"). Changes in revenues by segment and geographical areas are presented on page 110.

2 Other Operating Income

in € millions	2014	2013
Income from sideline operations	184	213
Income from reimbursements	159	143
Fair value remeasurement of investments	24	110
Gains from disposals of non-current assets	51	32
Sundry operating income	133	134
	551	632

The item "Sundry operating income" includes income-related government grants in the amount of €19 million (previous year: €19 million), which as in previous year, are mostly attributable to finance film projects of RTL Group subsidiaries and for certain tax relief items for the French companies to promote competition and employment ("Crédit d'Impôt pour la Compétitivité et l'Emploi [CICE]").

3 Personnel Costs

in € millions	2014	2013
Wages and salaries	4,054	3,938
Statutory social security contributions	661	646
Expenses for pensions and similar obligations	119	109
Profit sharing	85	101
Other employee benefits	180	171
	5,099	4,965

4 Amortization, Depreciation, Impairment and Reversals of Intangible Assets and Property, Plant and Equipment

in € millions	2014	2013
Amortization/depreciation, impairment losses and reversals of		
– intangible assets	433	269
– property, plant and equipment	359	360
	792	629

5 Other Operating Expenses

in € millions	2014	2013
Administrative expenses	1,292	1,242
Selling and transmission expenses	645	645
Advertising costs	448	503
Allowances on current assets	278	215
Consulting and audit fees	236	204
Operating taxes	113	102
Adjustment to carrying amounts on assets held for sale	47	14
Losses on disposals of non-current assets	6	6
Foreign exchange losses	–	7
Sundry operating expenses	111	82
	3,176	3,020

Administrative expenses include payments recognized as expenses from operating leases of €247 million (previous year: €226 million) and associated services and incidental costs of €26 million (previous year: €27 million), repair and maintenance costs of €194 million (previous year: €189 million) and costs for IT services of €133 million (previous year: €115 million).

6 Results from Investments Accounted for Using the Equity Method and Results from Financial Assets

in € millions	2014	2013
Income from investments accounted for using the equity method	66	88
– Joint ventures	28	31
– Associates	38	57
Expenses from investments accounted for using the equity method	(21)	(34)
– Joint ventures	(5)	(9)
– Associates	(16)	(25)
Results from investments accounted for using the equity method	45	54
– Joint ventures	23	22
– Associates	22	32
Income from participations	12	17
Impairment on other financial assets	(18)	(14)
Results from financial assets	(6)	3

7 Special Items

in € millions	2014	2013
RTL Hungary	(77)	–
Other	(10)	(4)
Impairment on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations	(87)	(4)
Be Printers Spain	(32)	–
Motor Presse France, Gruner + Jahr	(14)	–
Mistergooddeal, RTL Group	–	(10)
Other	(1)	(4)
Adjustment to carrying amounts on assets held for sale	(47)	(14)
Impairment on other financial assets	(18)	(14)
Atresmedia, RTL Group	–	72
Other	4	(10)
Impairment and reversals of impairment on investments accounted for using the equity method	4	62
Be Printers Italy	(103)	–
Book club Círculo de Lectores, Corporate Investments	(15)	–
BAI investments, Corporate Investments	–	39
Non-current securities, RTL Group	–	49
Other	(37)	23
Results from disposals of investments	(155)	111
BMG, Corporate Investments	–	109
StyleHaul, RTL Group	21	–
Other	3	1
Fair value remeasurement of investments	24	110
Impairment on fixed assets Prinovis, Be Printers	(70)	(48)
Impairment on assets RTL Hungary	(18)	–
Impairment on property, plant and equipment Be Printers Spain	–	(14)
Restructuring and severance payments, Arvato	(52)	(35)
Restructuring and severance payments, Gruner + Jahr	(29)	(21)
Restructuring and severance payments, Corporate Investments	(16)	(36)
Restructuring and severance payments, Be Printers	–	(77)
Integration expenses, Penguin Random House	(75)	(27)
One-off expenses direct-to-customer businesses, Corporate Investments	(18)	(12)
Withdrawal pension plan USA, Be Printers	(15)	–
Project cost, Corporate Center	(14)	(8)
Other	(33)	(19)
Restructuring and other special items	(340)	(297)
Total of special items	(619)	(46)

Special items are primarily business transactions that are not repeatable and therefore not operational in nature. They include income and expense items that distort the assessment of the results of operations of the divisions and of the Group due to their size and low frequency of occurrence. Special items in the reporting period total €-619 million (previous year: €-46 million).

8 Interest Income and Interest Expenses

in € millions	2014	2013
Interest income		
Interest income on cash and cash equivalents	7	8
Interest income on interest derivatives	3	1
Other interest income	13	10
	23	19
Interest expenses		
Interest expenses on financial debt	(93)	(179)
Interest expenses on interest derivatives	(2)	(1)
Other interest expenses	(14)	(14)
	(109)	(194)

9 Other Financial Income and Expenses

in € millions	2014	2013
Other financial income		
Financial income from put options	4	16
Minority interest in partnerships	46	–
Other	5	14
	55	30
Other financial expenses		
Net interest on defined benefit plans	(64)	(67)
Dividend entitlement on profit participation certificates	(44)	(44)
Minority interest in partnerships	(112)	(33)
Non-operating forex losses	(2)	(5)
Other	(42)	(67)
	(264)	(216)

To better reflect the economic content, income and expenses from non-operating foreign currency transactions are offset against the results from the measurement of the hedged foreign currency items and are reported as non-operating forex gains or losses. In the financial year 2014, expenses from these non-operating foreign currency transactions of €-55 million (previous year: €-71 million) were offset by gains from hedged foreign currency transactions amounting to €61 million (previous year: €101 million). Income from foreign currency transactions of €131 million (previous year: €42 million) were offset by losses from hedged foreign currency transactions amounting to €-139 million (previous year: €-77 million).

10 Income Taxes

Income taxes, broken down into current and deferred income taxes, are as follows:

Income Taxes

in € millions	2014	2013
Earnings before income taxes (total)	862	1,295
Current income taxes from continuing operations	(299)	(326)
Deferred income taxes from continuing operations	13	(87)
Income taxes from continuing operations	(286)	(413)
Current income taxes from discontinued operations	–	–
Deferred income taxes from discontinued operations	(3)	3
Income taxes from discontinued operations	(3)	3
Total income taxes	(289)	(410)
Net income after income taxes (total)	573	885

Tax loss carryforwards of €352 million (previous year: €746 million) were utilized in the reporting period, reducing current tax expenses by €71 million (previous year: €165 million). Of the tax loss carryforwards utilized, €175 million (previous year: €160 million) was due to German corporate income tax, €29 million (previous year: €196 million) was due to German trade tax and €148 million (previous year: €390 million) was due to foreign income taxes. These amounts include €34 million (previous year: €15 million) for tax loss carryforwards for which no deferred tax assets were recognized in the past. These relate to German corporate tax in the amount of €1 million (previous year: €1 million), German trade tax in the amount of €2 million (previous year: €3 million) and foreign income taxes in the amount of €31 million (previous year: €11 million). This led to a reduction in current tax expense of €8 million (previous year: €3 million). The reduced use of tax losses carryforwards mainly results from the German trade tax loss carryforwards, which were last used in 2013, and the higher taxable income in the US in the prior year.

Deferred tax assets and liabilities resulted from the following items and factors:

Deferred Taxes

in € millions	12/31/2014 Assets	12/31/2014 Equity and Liabilities	12/31/2013 Assets	12/31/2013 Equity and Liabilities
Intangible assets	319	542	317	475
Property, plant and equipment	67	47	64	65
Financial assets	16	36	20	54
Inventories	85	1	59	2
Receivables	113	27	107	29
Advance payments and other assets	113	119	110	75
Provisions	775	145	516	121
Financial debt	25	23	20	17
Liabilities	17	1	12	4
Advance payments and other liabilities	65	50	71	47
Loss carryforwards/tax credits	2,442	–	2,367	–
Subtotal	4,037	991	3,663	889
Valuation allowances	(2,122)	–	(2,048)	–
Total	1,915	991	1,615	889
Offset	(839)	(839)	(711)	(711)
Carrying amount	1,076	152	904	178

No deferred tax liabilities were recognized for temporary differences in connection with investments in subsidiaries in the amount of €184 million (previous year: €191 million) as Bertelsmann can control their reversal, and it is probable that these temporary differences will not be reversed in the foreseeable future. Current and deferred tax assets and liabilities are offset against each other if they relate to the same tax authority and meet the criteria for offsetting. The term of the deferred taxes on temporary differences is mostly long term.

Information on amounts of income tax relating to other comprehensive income is presented in note 18 “Equity.”

Valuation allowances for deferred tax assets are recognized on temporary differences, tax loss carryforwards and tax credits when it is unlikely that they can be utilized in the foreseeable future. The need to recognize valuation allowances is assessed primarily based on existing deferred tax liabilities from temporary differences and projected taxable income within a planning period.

Temporary differences, tax loss carryforwards and tax credits for which no deferred taxes have been recognized can be carried forward as follows:

Expiration

in € millions	12/31/2014	12/31/2013
Tax loss carryforwards		
To be carried forward for more than 5 years	6,800	6,577
To be carried forward for up to 5 years	70	56
Temporary differences	417	246
Tax credits		
To be carried forward for more than 5 years	67	58
To be carried forward for up to 5 years	3	4

A reconciliation of expected net tax income/expense to actual tax income/expense is shown in the following table:

Reconciliation to Actual Tax Expense

in € millions	2014	2013
Earnings before income taxes from continuing operations	855	1,356
Income tax rate applicable to Bertelsmann SE & Co. KGaA	30.70%	30.70%
Expected tax expense from continuing operations	(262)	(416)
The tax effects of the following items led to differences between the expected and actual tax expense:		
Adjustment to different national tax rates	(31)	(12)
Effect of changes in tax rate and tax law	(4)	9
Non-tax-deductible impairment of goodwill	(19)	(5)
Tax effects in respect of results from disposals of investments	(37)	8
Current income taxes for previous years	20	27
Deferred income taxes for previous years	80	36
Change in valuation allowance on deferred tax assets	(52)	(83)
Permanent differences	21	22
Other adjustments	(2)	1
Total of adjustments	(24)	3
Actual tax expense from continuing operations	(286)	(413)

The income tax rate applied at Bertelsmann SE & Co. KGaA consists of corporate income tax, the solidarity surcharge and trade tax.

Effective Income Tax Rate

	2014	2013
Corporate income tax including solidarity surcharge	15.83%	15.83%
Trade tax	14.87%	14.87%
Effective income tax rate	30.70%	30.70%

11 Intangible Assets

in € millions	Goodwill	Other intangible assets: Music and film rights	Other rights and licenses	Internally generated intangible assets	Advance payments	Total	Total
Cost							
Balance as of 1/1/2013	6,297	1,018	1,385	809	2	3,214	9,511
Currency translation differences	(52)	(37)	(37)	(18)	–	(92)	(144)
Acquisitions through business combinations	989	767	585	56	–	1,408	2,397
Other additions	–	284	80	55	6	425	425
Reductions through disposal of investments	(25)	–	(23)	–	–	(23)	(48)
Other disposals	–	(20)	(132)	(4)	–	(156)	(156)
Reclassifications according to IFRS 5	–	(5)	(19)	–	–	(24)	(24)
Reclassifications and other changes	–	31	4	(25)	(3)	7	7
Balance as of 12/31/2013	7,209	2,038	1,843	873	5	4,759	11,968
Currency translation differences	109	105	84	37	–	226	335
Acquisitions through business combinations	711	82	158	1	–	241	952
Other additions	–	120	85	46	7	258	258
Reductions through disposal of investments	(50)	–	(17)	–	–	(17)	(67)
Other disposals	(34)	(78)	(250)	(3)	–	(331)	(365)
Reclassifications according to IFRS 5	(26)	–	(28)	–	–	(28)	(54)
Reclassifications and other changes	(1)	87	(10)	(75)	(10)	(8)	(9)
Balance as of 12/31/2014	7,918	2,354	1,865	879	2	5,100	13,018
Accumulated amortization							
Balance as of 1/1/2013	258	962	968	719	–	2,649	2,907
Currency translation differences	(2)	(5)	(15)	(15)	–	(35)	(37)
Amortization	–	113	111	30	–	254	254
Impairment losses	4	1	11	1	–	13	17
Reversals of impairment losses	–	(1)	–	(1)	–	(2)	(2)
Reductions through disposal of investments	(4)	–	(18)	–	–	(18)	(22)
Other disposals	–	(19)	(130)	(1)	–	(150)	(150)
Reclassifications according to IFRS 5	–	(1)	(12)	–	–	(13)	(13)
Reclassifications and other changes	–	–	5	3	–	8	8
Balance as of 12/31/2013	256	1,050	920	736	–	2,706	2,962
Currency translation differences	3	18	27	36	–	81	84
Amortization	–	137	138	48	–	323	323
Impairment losses	89	1	19	2	–	22	111
Reversals of impairment losses	–	(1)	–	–	–	(1)	(1)
Reductions through disposal of investments	(18)	–	(14)	–	–	(14)	(32)
Other disposals	–	(77)	(208)	(3)	–	(288)	(288)
Reclassifications according to IFRS 5	(26)	–	(21)	–	–	(21)	(47)
Reclassifications and other changes	(4)	2	6	(3)	–	5	1
Balance as of 12/31/2014	300	1,130	867	816	–	2,813	3,113
Carrying amount as of 12/31/2014	7,618	1,224	998	63	2	2,287	9,905
Carrying amount as of 12/31/2013	6,953	988	923	137	5	2,053	9,006

Other rights and licenses include brands, supply rights, publishing rights and acquired software as well as other licenses. In the reporting period, BMG acquired music-rights catalogs in the amount of €67 million, €31 million of which relates to the music-rights catalog of Hal David. Internally generated intangible assets mostly include own film and TV productions and internally generated software. As in the previous year, no intangible assets have been provided as collateral for liabilities.

Goodwill and other intangible assets are attributable to the following cash-generating units:

Goodwill and Other Intangible Assets with Indefinite Useful Life by Cash-Generating Units

	Goodwill		Other intangible assets with indefinite useful life	
in € millions	12/31/2014	12/31/2013	12/31/2014	12/31/2013
RTL Group	4,993	4,830	121	121
RTL Group, Group level	2,123	2,123	–	–
Fremantle Media	1,001	971	–	–
Television Germany	915	883	–	–
Television France	429	421	120	120
Other	525	432	1	1
Penguin Random House	927	804	–	–
Penguin Random House Ventures	882	759	–	–
Random House Germany	45	45	–	–
Gruner + Jahr	439	457	–	–
Magazines and digital business Germany & MPS	251	240	–	–
Magazines and digital business international	172	200	–	–
Newspapers	16	17	–	–
Arvato	513	517	–	–
Financial Solutions	411	420	–	–
Other	102	97	–	–
Be Printers	22	19	–	–
Be Printers Americas	22	19	–	–
Corporate Investments	724	326	–	–
BMG	337	326	–	–
Relias Learning	387	–	–	–
	7,618	6,953	121	121

Intangible assets with an indefinite useful life are primarily M6 trademark rights in France (€120 million; previous year: €120 million). The relevant factors that apply when determining the useful life include, in particular, developments in the advertising and sales markets, consumers' reading and leisure-time behavior, changes in the technology or regulatory environment and management strategies to maintain the brands. In addition, according to IAS 38.94, when determining the useful life, extension periods are included if the extension is possible without significant additional costs. Consideration of these factors and past experience with regard to these and comparable internally generated trademark rights and titles support the management's estimate that there are currently no foreseeable restrictions on the ability to use these rights to the extent that they are capable of generating corresponding cash flows for the unit.

For the purpose of impairment testing (IAS 36), goodwill from a business combination is allocated to the cash-generating units that are expected to benefit from the synergies of the business combination. Goodwill is tested for impairment at least annually and whenever there is an indication that it may be impaired, as outlined in the "Accounting and Measurement Policies" section and under the following assumptions.

The recoverable amount is identified as being the respective higher amount of the fair value less costs of disposal and the value in use.

Management estimates of cash flow are based on factors including assumptions of economic trends and the associated risks, the regulatory environment, the competitive environment, market share, investments, EBITDA margins and growth rates. With regard to the individual cash-generating units bearing material goodwill, the following assumptions relating to the market development for the beginning of the detailed planning period were applied:

- For 2015, slight growth is generally expected in the European TV advertising markets with the exception of France.
- The English-, Spanish- and German-language book markets are expected to show largely stable development.
- In the magazine business, the advertising and sales markets in Germany and France are expected to continue to decline in 2015.
- In 2015, the services markets are expected to achieve growth similar to 2014.
- In 2015, the global music-publishing market is forecast to show continued slight growth.
- For the US education markets, continuing significant growth is expected in the e-learning, health & human sciences and education services segments.

In addition, fair values were calculated using the following individual business-specific growth rates and discount rates for periods after the detailed planning period:

Overview of Growth and Discount Rates

	Growth rate in % p.a. 12/31/2014	Discount rate in % p.a. 12/31/2014	Growth rate in % p.a. 12/31/2013	Discount rate in % p.a. 12/31/2013
RTL Group				
RTL Group, Group level	2.0	7.6	2.0	7.6
Fremantle Media	2.5	7.7	3.0	7.7
Television Germany	2.0	7.6	2.0	7.6
Television France	2.5	7.6	2.5	7.6
Other	2.0	6.7–13.9	2.0–2.5	6.7–13.7
Penguin Random House				
Penguin Random House Ventures	0.5	8.3	0.0	7.4
Random House Germany	1.0	7.1	1.0	7.5
Gruner + Jahr				
Magazines and digital business Germany & MPS	(1.5)	5.7	0.0	5.4
Magazines and digital business international	(1.0)	7.6	0.0	6.2
Newspapers	(2.5)	6.9	0.0	5.4
Arvato				
Financial Solutions	1.0	5.8	1.0	6.0
Other	0.0–1.0	5.8–7.5	0.0–1.0	7.0–7.6
Be Printers				
Be Printers Americas	(1.0)	6.5	(1.0)	7.1
Corporate Investments				
BMG	2.0	6.5	2.0	6.8

The recoverable amount for the impairment test for RTL Group's goodwill recognized at the Group level was identified using the fair value less costs of disposal. The fair value is derived from the stock-market price and is therefore based on level 1 of the fair value hierarchy. No impairment was identified for goodwill carried, and the validation with the business expectations confirms this estimate.

With respect to the other cash-generating units, fair value is derived from discounted cash flows and is based on level 3 of the fair value hierarchy. Projected cash flows were based on internal estimates for three detailed planning periods and generally two further detailed planning periods were applied in addition. For periods after this detailed horizon, a perpetual annuity was applied, taking into account individual business-specific growth rates.

During the reporting period, impairment losses were recognized for goodwill in the amount of €-89 million (previous year: €-6 million). Impairment losses on goodwill and other intangible assets with indefinite useful lives are disclosed in the income statement under "Amortization/depreciation, impairment charges and reversals of intangible assets and property, plant and equipment."

On June 2, 2014, a new advertising tax was submitted to the Hungarian Parliament and was subsequently adopted via an accelerated procedure on June 11, 2014. On July 4, 2014, the Hungarian Parliament adopted several amendments to the tax. The new, revised tax came into force on August 15, 2014, with the first payments, in two equal installments, under this new regime to be made by RTL Hungary on August 20, 2014, and November 20, 2014. The tax is steeply progressive, with rates between 0 and 40 percent, and is calculated, in general, on the net revenues derived from advertising plus the margins which the sales houses affiliated with the taxpayers charge to their customers. The tax base is calculated by aggregating the tax bases of subsidiaries. As a result, entities belonging to a group of companies are taxed at higher tax rates than independent legal entities. RTL Group's management has started to pursue all options to protect the Hungarian business against the negative effects of this new regulation. Nevertheless, in accordance with IFRS guidance, it is assumed that the impact of this new advertising tax on the Hungarian business will continue throughout the planning period. It is also assumed that the Hungarian business is a going concern. The recoverable amount of the cash-generating unit RTL Hungary has been determined as of June 30, 2014, on the basis of the value in use. On November 18, 2014, the Hungarian Parliament adopted an amendment by which the highest applicable tax rate was increased from 40 to 50 percent. This amendment entered in force on January 1, 2015. RTL Group's management maintained the following impairment loss already recognized as of June 30, 2014: full impairment of the goodwill for an amount of €77 million and additional impairment losses on non-current intangible assets of €11 million, of which €9 million is related to assets identified in connection with the preliminary purchase price allocations. In the second half of 2014, a valuation allowance on current program rights has been additionally recorded for an amount of €7 million. After impairment, the carrying amount of RTL Hungary was €55 million as of December 31, 2014. The remaining non-current assets, mainly composed of property, plant and equipment and software licenses, amount to approximately €10 million and have not been impaired as their fair value less costs of disposal was considered to be higher than or at least equal to their carrying amount. The other current assets in the amount of €77 million, mainly composed of inventories and financial assets, have been valued in accordance with the relevant applicable IFRS standard, and accordingly, no additional impairment was required.

Due to continuing pressure on the production and distribution business as a result of lower volumes and pricing, the company's internal forecasts for the cash-generating unit Fremantle Media, which belongs to RTL Group, have been updated taking into account the latest available information, primarily on the United States. The recoverable amount was determined using the value in use on the basis of the discounted cash flow method with a long-term growth rate of 2.5 percent (December 31, 2013: 3.0 percent) and a discount rate of 7.7 percent (previous year: 7.7 percent). As of December 31, 2014, the recoverable amount exceeds the carrying amount by €124 million (previous year: €190 millon). In the event of an increase in the discount rate by 0.6 percentage points, a reduction in the annual revenue growth rate of 0.8 percentage points or a reduction in the EBITDA margin by 0.8 percentage points, the recoverable amount is lower than the carrying amount.

As of December 31, 2014, the recoverable amount for the cash-generating unit BMG exceeds the carrying amount by €357 million (previous year: €92 million). BMG is still a growth platform which is still developing during the detailed planning phase. Therefore, for the sensitivity information, the long-term growth rate and the sustainable EBITDA margin were calculated accordingly, in addition to the discount rate. In the event of an increase in the discount rate by 0.9 percentage points, a reduction in the long-term growth rate by 0.8 percentage points or a reduction in the sustainable EBITDA margin by 5.8 percentage points, the recoverable amount is lower than the carrying amount for the first time.

Other material goodwill was not subject to impairment even given a change by one of the two most important factors: discount rate (increase of 1.0 percentage point) and long-term growth rate (reduction of 1.0 percentage point).

12 Property, Plant and Equipment

in € millions	Land, rights equivalent to land and buildings	Technical equipment and machinery	Other equipment, fixtures, furniture and office equipment	Advance payments and construction in progress	Total
Cost					
Balance as of 1/1/2013	1,955	3,353	1,200	63	6,571
Currency translation differences	(16)	(46)	(21)	(1)	(84)
Acquisitions through business combinations	11	18	24	1	54
Other additions	37	53	104	104	298
Reductions through disposal of investments	–	(18)	(15)	–	(33)
Other disposals	(5)	(85)	(99)	(4)	(193)
Reclassifications according to IFRS 5	(7)	–	(5)	–	(12)
Reclassifications and other changes	21	41	11	(69)	4
Balance as of 12/31/2013	1,996	3,316	1,199	94	6,605
Currency translation differences	17	51	30	2	100
Acquisitions through business combinations	–	13	10	15	38
Other additions	42	78	120	105	345
Reductions through disposal of investments	(163)	(627)	(28)	(7)	(825)
Other disposals	(63)	(174)	(110)	(1)	(348)
Reclassifications according to IFRS 5	(24)	(139)	(11)	(1)	(175)
Reclassifications and other changes	11	40	66	(95)	22
Balance as of 12/31/2014	1,816	2,558	1,276	112	5,762
Accumulated depreciation					
Balance as of 1/1/2013	1,017	2,905	894	4	4,820
Currency translation differences	(8)	(40)	(14)	–	(62)
Depreciation	56	129	113	–	298
Impairment losses	15	47	2	–	64
Reversals of impairment losses	–	–	–	(2)	(2)
Reductions through disposal of investments	–	(18)	(14)	–	(32)
Other disposals	(3)	(80)	(92)	(1)	(176)
Reclassifications according to IFRS 5	(4)	–	(3)	–	(7)
Reclassifications and other changes	(1)	8	(4)	(1)	2
Balance as of 12/31/2013	1,072	2,951	882	–	4,905
Currency translation differences	11	48	20	–	79
Depreciation	54	106	116	–	276
Impairment losses	29	46	9	–	84
Reversals of impairment losses	–	(1)	–	–	(1)
Reductions through disposal of investments	(89)	(590)	(24)	–	(703)
Other disposals	(53)	(170)	(91)	–	(314)
Reclassifications according to IFRS 5	(17)	(130)	(10)	–	(157)
Reclassifications and other changes	1	–	8	–	9
Balance as of 12/31/2014	1,008	2,260	910	–	4,178
Carrying amount as of 12/31/2014	808	298	366	112	1,584
Carrying amount as of 12/31/2013	924	365	317	94	1,700

As of the balance sheet date, no property, plant and equipment was pledged as collateral for liabilities (previous year: €4 million). Impairment losses totaling €-84 million were recognized for property, plant and equipment (previous year: €-64 million).

As of December 31, 2014, as part of impairment testing, an impairment of €-69 million was identified for property, plant and equipment (previous year: €-48 million) and €-1 million for intangible assets at the Prinovis Group (Germany and the UK), which belongs to Be Printers, based on a recoverable amount of €94 million. This was primarily the result of the continued difficult situation in the printing market against the backdrop of continuing declining demand for gravure printing volumes and the loss of printing orders in Germany. The following assumptions were used to identify the impairment: a discount rate of 6.2 percent and a growth rate of -1.5 percent. As there is no active market, the fair value less costs of disposal for cash-generating units was identified using the discounted cash flow method and is thus based on level 3 of the fair value hierarchy. If the discount rate applied had been 1.0 percentage point higher, there would have been no additional impairment for the Group, because the impairment has been carried out on net realizable values of the assets of the cash-generating unit.

13 Investments in Group Companies

Subsidiaries with Material Non-Controlling Interests

In the Group's view, material non-controlling interests relate to RTL Group and the publishing group Penguin Random House. The proportion of ownership interests held by non-controlling interests in RTL Group based in Luxembourg, Luxembourg, is 24.3 percent after treasury shares (previous year: 24.3 percent). RTL Group itself holds a material non-controlling interest in the subsidiary Groupe M6 based in Paris, France. Bertelsmann has a 48.6 percent interest (previous year: 48.6 percent) in Groupe M6. Of the non-controlling interests of RTL Group, €405 million (previous year: €399 million) are attributable to Groupe M6. The publishing group Penguin Random House, formed due to the merger of Random House and Penguin as of July 1, 2013, consists of the two legal groups Penguin Random House LLC, based in Wilmington, Delaware, US, which bundles all of the publishing units in the United States, and Penguin Random House Limited, based in London, UK, comprised of all other publishing units. To better reflect the substance of the Bertelsmann Group's investment in the two groups, both groups are considered as a single entity. The proportion of ownership interests held by non-controlling interests in Penguin Random House is 47.0 percent (previous year: 47.0 percent).

The following table shows summarized financial information on RTL Group and Penguin Random House including the interests in their subsidiaries, joint ventures and associates. The information disclosed shows the amounts before intercompany eliminations.

Financial Information for Subsidiaries with Material Non-Controlling Interests

	RTL Group		Penguin Random House	
in € millions	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Non-current assets	6,561	6,342	1,965	1,673
Current assets	3,283	3,298	1,692	1,400
Non-current liabilities	1,213	1,087	356	265
Current liabilities	3,244	2,858	1,368	1,052
Bertelsmann shareholders' equity	4,338	4,583	1,219	1,121
Non-controlling interests	1,049	1,112	714	635

in € millions	2014	2013	2014	2013
Revenues	5,808	5,824	3,007	1,546
Profit or loss	727	944	268	170
thereof of non-controlling interests	238	248	126	80
Total comprehensive income	745	876	428	111
thereof of non-controlling interests	241	232	202	52
Dividends to non-controlling interests	313	356	119	51
Cash flow from operating activities	934	1,116	419	230
Cash flow from investing activities	(454)	437	(135)	8
Cash flow from financing activities	(545)	(1,619)	(283)	2
Increase/(decrease) in cash and cash equivalents	(65)	(66)	1	240

Investments Accounted for Using the Equity Method

The investments accounted for using the equity method relate to joint ventures in the amount of €50 million (previous year: €44 million) and to associates in the amount of €542 million (previous year: €460 million).

Investments in Joint Ventures

The Group holds investments in 29 (previous year: 34) individually immaterial joint ventures. The following table shows summarized financial information on these joint ventures. The information given represents in each case the Bertelsmann Group's interest.

Financial Information on Individually Immaterial Joint Ventures

in € millions	12/31/2014	12/31/2013
Non-current assets	65	60
Current assets	33	46
Non-current liabilities	47	63
Current liabilities	1	2

in € millions	2014	2013
Earnings after taxes from continuing operations	25	11
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	(1)	–
Total comprehensive income	24	11

Investments in Associates

The Group holds investments in 30 (previous year: 43) associates. As in the previous year, the investment in Atresmedia, based in San Sebastián de los Reyes, Spain, is individually material for the Group. The ownership in Atresmedia decreased from 20.5 percent as of December 31, 2013, to 19.2 percent as of December 31, 2014, as a result of the partial novation on February 19, 2014, of the Integration Agreement executed with the shareholder La Sexta on December 14, 2011, and the reduction of the number of treasury shares. The transaction resulted in a dilution of interest generating a loss of €5 million. As of December 31, 2014, the ownership is 19.3 percent after treasury shares. Although the Group now holds less than 20 percent of the equity shares of Atresmedia, management considers that the Group still exercises a significant influence in Atresmedia due to the representation of RTL Group within decision-making bodies of Atresmedia. On December 31, 2014, the stock market value of Atresmedia, which is listed on the Madrid Stock Exchange, amounted to €2,628 million (previous year: €2,713 million). As of December 31, 2014, the fair value of the Bertelsmann Group's interest in Atresmedia amounted €504 million (previous year: €556 million).

The following table shows summarized financial information on Atresmedia. The information presented is the amounts included in the financial statements of Atresmedia plus adjustments for using the equity method, and not the Bertelsmann Group's share of these amounts.

Financial Information on Individually Material Associates

	Atresmedia	
in € millions	12/31/2014	12/31/2013
Non-current assets	642	648
Current assets	565	574
Non-current liabilities	(204)	(298)
Current liabilities	(561)	(579)
Equity	442	345

in € millions	2014	2013
Revenues	883	830
Earnings after taxes from continuing operations	42	46
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	1	1
Total comprehensive income	43	47
Dividends received from the associate	9	–

Reconciliation of the summarized financial information shown to the carrying amount of the interest in Atresmedia in the consolidated financial statements:

Reconciliation to Carrying Amount

in € millions	12/31/2014	12/31/2013
Equity	442	345
Proportionate equity	85	71
Goodwill	171	178
Carrying amount	256	249

The following table shows summarized financial information on associates which management considers individually to be immaterial. The information given represents in each case the Bertelsmann Group's interest.

Summarized Financial Information on Individually Immaterial Associates

in € millions	12/31/2014	12/31/2013
Non-current assets	171	121
Current assets	107	61
Non-current liabilities	19	18
Current liabilities	54	26

in € millions	2014	2013
Earnings after taxes from continuing operations	11	6
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	2	8
Total comprehensive income	13	14

The total carrying amount of the investments in all individually immaterial associates amounts to €286 million (previous year: €211 million) as of December 31, 2014. Of this amount, €84 million (previous year: €50 million) is attributable to the four University Venture Funds, which invest in high-growth companies in the education sector. Bertelsmann holds between 47 percent and 100 percent of the shares in these funds. As operational management and investment decisions in particular are the responsibilities of the respective fund managers (general partners), control as defined by IFRS 10 does not exist despite an ownership interest of over 50 percent in some cases, but rather a significant influence. As of the balance sheet date, there are contribution obligations to University Ventures Funds in the amount of €45 million (previous year: €138 million).

14 Other Financial Assets

in € millions	At amortized cost 12/31/2014	At amortized cost 12/31/2013	At fair value 12/31/2014	At fair value 12/31/2013	Derivatives with hedge relation 12/31/2014	Derivatives with hedge relation 12/31/2013	Total 12/31/2014	Total 12/31/2013
Current								
Loans	41	18	–	–	–	–	41	18
Securities and financial assets	2	1	1	1	–	–	3	2
Derivative financial instruments	–	–	36	14	28	11	64	25
	43	19	37	15	28	11	108	45
Non-current								
Loans	26	54	–	–	–	–	26	54
Investments in affiliates	14	15	–	–	–	–	14	15
Other investments	207	142	42	50	–	–	249	192
Securities and financial assets	3	9	7	8	–	–	10	17
Derivative financial instruments	–	–	6	2	26	6	32	8
	250	220	55	60	26	6	331	286

Other financial assets are measured at fair value according to IAS 39 or they are measured at amortized cost. Investments in affiliates and other investments are measured at cost in accordance with IAS 39.46 (c) if those financial assets do not have a quoted market price in an active market and a reliable estimate of the fair value is not possible. Information on impairment is presented in note 25 "Additional Disclosures on Financial Instruments."

As of the balance sheet date, no financial assets have been provided as collateral for liabilities (previous year: €3 million). Financial assets of €9 million (previous year: €8 million) were pledged with restrictions on disposal. No financial assets were provided as security for contingent liabilities to third parties for the reporting periods 2014 or 2013.

15 Inventories

in € millions	12/31/2014	12/31/2013
Program rights	897	838
Raw materials and supplies	114	141
Work in progress	131	120
Finished goods and merchandise	315	289
Advance payments	133	121
	1,590	1,509

In the reporting period 2014, valuation allowances on inventories were recognized at €-145 million (previous year: €-148 million). Write-ups on inventories were recognized in the amount of €128 million (previous year: €125 million) in the reporting period. These are due to broadcasting factors for program rights and also increased prices on some markets. As in the previous year, no inventories have been pledged as collateral for liabilities.

16 Receivables and Other Non-Financial Assets

in € millions	12/31/2014	12/31/2013
Non-current		
Trade receivables	11	8
Other receivables	134	71
Other non-financial assets	544	405
Current		
Trade receivables	2,945	2,938
Other receivables	525	535
Advance payments	393	319
Other tax receivables	94	93
Deferred items	156	154
Sundry non-financial assets	61	62
Other non-financial assets	704	628

The non-current other non-financial assets in the amount of €538 million (previous year: €392 million) relate to advance payments for royalties and licenses. Advance payments for royalties and licenses are generally written off if no recoupment is expected. The amount of these write-downs is based on management estimates of future sales volumes and price changes using historical data. The item "Other receivables" includes receivables in the amount of the continuing involvement in connection with factoring agreements, receivables from reimbursement rights for defined benefit obligations as well as other refund entitlements, creditors with debit balances and accounts receivable from participations.

Information on impairment and the analysis of maturities is presented in note 25 "Additional Disclosures on Financial Instruments."

17 Cash and Cash Equivalents

in € millions	12/31/2014	12/31/2013
Cash	1,095	2,321
Other securities < 3 months	234	384
	1,329	2,705

Cash and cash equivalents of €16 million (previous year: €17 million) were used as collateral for liabilities. As in the previous year, no cash and cash equivalents were pledged with restrictions on disposal as of the balance sheet date.

In order to reduce the counterparty risk, cash investments are made in some cases against the provision of collaterals (tri-party transactions). As of the balance sheet date, no collateralized cash investments exist (previous year: €585 million). The market value of the securities provided by banks and pledged as collateral in the previous year totaled €586 million.

18 Equity

Subscribed Capital

Number of shares	12/31/2014	12/31/2013
Ordinary shares	83,760	83,760
Total shares	83,760	83,760

Compared with the previous year, the subscribed capital of Bertelsmann SE & Co. KGaA remained unchanged at €1,000 million and comprises 83,760 no-par-value bearer shares (ordinary shares). As of December 31, 2014, foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) held 80.9 percent of Bertelsmann SE & Co. KGaA shares, with the other 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft mbH (BVG) controls the voting rights at the General Meeting of Bertelsmann SE & Co. KGaA and Bertelsmann Management SE (personally liable partner).

Capital Reserve

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

Retained Earnings

Retained earnings include the undistributed prior-year net profits of those companies included in the consolidated financial statements, remeasurement effects of defined benefit pension plans (actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the return implied by the net interest cost on the plan assets and effects of the asset ceiling) and cumulated other comprehensive income.

The change in other comprehensive income after taxes is derived as follows:

Changes to Components of Other Comprehensive Income After Taxes

in € millions	2014				
	Before-tax amount	Taxes	Net-of-tax amount	thereof of Bertelsmann shareholders	thereof of non-controlling interests
Items that will not be reclassified subsequently to profit or loss					
Remeasurement effects on defined benefit plans	(764)	199	(565)	(544)	(21)
Share of other comprehensive income of investments accounted for using the equity method	(1)	–	(1)	(1)	–
Items that will be reclassified subsequently to profit or loss when specific conditions are met					
Currency translation differences	244	–	244	179	65
Available-for-sale financial assets	(9)	1	(8)	(6)	(2)
Cash flow hedges	50	(12)	38	28	10
Share of other comprehensive income of investments accounted for using the equity method	7	–	7	7	–
Other comprehensive income net of tax	(473)	188	(285)	(337)	52

in € millions	2013				
	Before-tax amount	Taxes	Net-of-tax amount	thereof of Bertelsmann shareholders	thereof of non-controlling interests
Items that will not be reclassified subsequently to profit or loss					
Remeasurement effects on defined benefit plans	126	(40)	86	89	(3)
Items that will be reclassified subsequently to profit or loss when specific conditions are met					
Currency translation differences	(155)	–	(155)	(128)	(27)
Available-for-sale financial assets	(20)	3	(17)	(13)	(4)
Cash flow hedges	(36)	10	(26)	(20)	(6)
Share of other comprehensive income of investments accounted for using the equity method	(6)	(1)	(7)	(7)	–
Other comprehensive income net of tax	(91)	(28)	(119)	(79)	(40)

Changes in the fair value of previous year hedging relationships relating to cash flow hedges amounted to €46 million (previous year: €-18 million) and new hedging relationships totaled €1 million (previous year: €-6 million) in the reporting period. The amount of €3 million relating to other comprehensive income (previous year: €-12 million) was reclassified to the income statement.

Stock Option Plans at Subsidiaries

There are various stock option plans at Groupe M6, which belongs to RTL Group. Métropole Télévision has established a stock option plan open to directors and certain employees within Groupe M6. The number of options granted to participants is approved by the Supervisory Board of Métropole Télévision SA in accordance with the authorization given by the General Meeting of Shareholders.

The terms and conditions of the grants are as follows, whereby all options are settled by the physical delivery of shares:

Granting and Vesting Conditions (Groupe M6)

Grant date	Number of options initially granted (in thousands)	Remaining options (in thousands)	Vesting conditions	Contractual life of options[1]
Stock option plans				
May 2007	827.50	–	4 years of service	7 years
May 2008	883.83	233.06	4 years of service	7 years
Total	1,711.33	233.06		
Free-share plans	**Maximum number of free shares granted (in thousands)[2]**			
July 2012	487.75	–	2 years of service + performance conditions	
July 2013	642.50	578.98	2 years of service + performance conditions	
April 2014	149.55	142.68	2 years of service	
October 2014	513.15	513.15	2 years of service + performance conditions	
Total	1,792.95	1,234.81		

1) Contractual life of options corresponds to the vesting period (i.e., four years) plus three years (which represents the time frame during which the options can be exercised).
2) Maximum number of free shares granted if the performance conditions are significantly exceeded. Such number could be reduced to nil if objectives are not met.

The free share plans are subject to performance conditions. The plans granted in July 2012, July 2013 and October 2014 are subject to Groupe M6 achieving its target growth in net consolidated result over the periods 2012, 2013 and 2014 respectively. The plan granted in April 2014 is only subject to presence in Groupe M6.

The price to be paid when exercising the remaining options is the average value of the shares of Métropole Télévision on the Paris Stock Exchange, taken over 20 trading days prior to the date of grant. The management free-share allocation plan forms an exception to the above.

The table below shows movements in the number of stock options in the reporting period:

Options (Groupe M6)

in thousands	Average exercise price in € per share	2014	Average exercise price in € per share	2013
Options outstanding at the beginning of the year	21	1,029	21	1,554
Options exercised during the year	15	(297)	15	(81)
Options expired during the year	27	(499)	24	(444)
Options outstanding at the end of the year	15	233	21	1,029

An estimated 1,235,000 free shares are exercisable at the end of the year against 1,084,000 at the beginning of the year. 663,000 free shares were granted during the year, with 464,000 being exercised and 48,000 being forfeited.

Share options outstanding at the end of the year have the following terms:

Conditions for Stock Options (Groupe M6)

Expiry date	Exercise price in €	Number of options/shares (in thousands) 2014	Number of options/shares (in thousands) 2013
Stock option plans			
2014	27.52	–	488
2015	14.73	233	541
		233	1,029
Free-share plans			
2014		–	468
2015		579	616
2016		656	–
		1,235	1,084
Options outstanding at the end of the year		1,468	2,113
of which exercisable		233	1,029

On December 31, 2014, the market price of Groupe M6 shares on the Paris Stock Exchange was €15.58 (December 31, 2013: €16.65).

The fair value of services received in return for share options granted is measured by reference to the fair value of stock options granted. The estimate of fair value of the services received is measured based on a binomial model. Free shares are valued at the share price at the date they are granted less discounted dividends, which employees are not entitled to receive during the vesting period.

Fair Values of Stock Options (Groupe M6)

Grant date	Share price	Exercise price	Volatility	Risk-free interest rate	Expected return	Option life	Personnel costs in € millions 2014	2013
Stock option plans								
5/2/2007	€26.55	€27.52	37.80%	4.40%	3.99%	7 years	–	–
5/6/2008	€15.22	€14.73	40.00%	4.39%	6.30%	7 years	–	–
Free-share plans								
7/26/2011	€15.75			1.56%	6.35%	2 years	–	1.2
12/22/2011	€11.40			1.02%	9.60%	2 years	–	–
7/27/2012	€11.51			0.24%	9.50%	2 years	1.0	1.8
7/26/2013	€14.79			0.58%	6.10%	2 years	3.2	1.4
4/14/2014	€16.05			0.53%	5.60%	2 years	0.6	–
10/13/2014	€12.03			0.23%	7.60%	2 years	0.4	–
Total							5.2	4.4

19 Provisions for Pensions and Similar Obligations

in € millions	12/31/2014	12/31/2013
Defined benefit obligation	2,596	1,830
Obligations similar to pensions	102	111
	2,698	1,941

The Bertelsmann Group operates various pension plans for current and former employees and their surviving dependents. The model of such plans varies according to the legal, fiscal and economic environment of the country concerned. These company pension plans include both defined contribution and defined benefit plans.

In the case of defined contribution plans, the company makes payments into an external pension fund or another welfare fund through a statutory, contractual or voluntary model. The company has no obligation to provide further benefits once it has made these payments, so no provisions are recognized. Expenses for defined contribution plans in the amount of €40 million were recognized in the repoting year (previous year: €35 million). The contributions paid by employer to state pension plans amounts to €311 million (previous year: €299 million) in the reporting period 2014.

All other pension plans are defined benefit plans. The US companies' obligations for health-care costs for employees after they retire (medical care plans) are also defined benefit obligations and are included in the provisions on the balance sheet. For all of the retirement benefit plans, a distinction must be made as to whether these are financed through an external investment fund or not.

Net Defined Benefit Liability Recognized in the Balance Sheet

in € millions	12/31/2014	12/31/2013
Present value of defined benefit obligation of unfunded plans	1,905	1,419
Present value of defined benefit obligation of funded plans	2,314	1,853
Total present value of defined benefit obligation	4,219	3,272
Fair value of plan assets	(1,624)	(1,449)
Net defined benefit liability recognized in the balance sheet	2,595	1,823
thereof provisions for pensions	2,596	1,830
thereof other assets	1	7

During the financial year and in the previous year, the asset ceiling prescribed by IAS 19.64 did not impact other comprehensive income.

Provisions are recognized for these defined benefit plans. These are mostly flat salary plans and final salary plans:

Defined Benefit Plans

in € millions	12/31/2014	12/31/2013
Flat salary plans/plans with fixed amounts	2,441	1,642
Final salary plans	1,217	1,217
Career average plans	366	254
Other commitments given	129	96
Medical care plans	66	63
Present value of defined benefit obligation	4,219	3,272
thereof capital commitments	213	194

The defined benefit obligation and the plan assets can be broken down by geographical areas as follows:

Breakdown of Defined Benefit Obligation and Plan Assets by Geographical Areas

in € millions	12/31/2014	12/31/2013
Germany	3,326	2,585
United Kingdom	478	345
United States	207	174
Other European countries	184	150
Other countries	24	18
Present value of defined benefit obligation	4,219	3,272

in € millions	12/31/2014	12/31/2013
Germany	1,011	960
United Kingdom	451	345
United States	109	100
Other European countries	41	35
Other countries	12	9
Fair value of plan assets	1,624	1,449

The obligations and plan assets available for the existing pension plans are, in some cases, exposed to demographic, economic and legal risks. The demographic risks are primarily the longevity risk for pensioners. Economic risks include, in this respect, mostly unforeseeable developments on the capital markets and the associated impacts on plan assets and pension obligations. Legal risks can result from restrictions to investments and minimum funding requirements. In order to substantially minimize these risks, a Group-wide pension guideline was introduced in 2004. This stipulates that all new pension plans are, as a rule, only to be designed as defined contribution plans so that the charges from benefit commitments are always acceptable, calculable and transparent, and so that no risks can arise that the company cannot influence. In addition, the Bertelsmann Group aims, in particular, to transfer existing final salary-related pension agreements to plans with fixed amounts and capital commitments that are independent from trends. As a result of these measures, this obligation is almost entirely due to the plans that have been closed.

Bertelsmann Group has minimum funding obligations for the plans in the United States and United Kingdom. The pension plan in the United States is subject to the minimum funding agreements according to the "Employee Retirement Income Security Act of 1974" (ERISA). In general, the aim under this agreement is for a fully funded pension plan so that the annual contributions to the plan assets are limited to the pension entitlements that the insured employee has earned during the year, as is the case for a defined contribution plan. If the pension obligations are not fully covered by the plan assets, an additional amount sufficient to ensure full financing over a seven-year period must be applied in excess of this contribution. The plans in the United Kingdom are subject to the "Pensions Act 2004," which includes reviewing the full financing of the pension plan from an actuarial perspective every three years with annual monitoring and, if necessary, eliminating any deficits that may have arisen by means of further additions to plan assets.
Furthermore, one Group entity in the United States participates in a multiemployer plan with other non-affiliated companies. This plan is, in principle, a defined benefit plan. As the relevant information required to account for this as a defined benefit plan is neither available on time nor available to a sufficient extent, this benefit plan is carried in the consolidated financial statements in line with the requirements for defined contribution benefit plans. The contributions are based on collective agreements regularly negotiated with the workers' union and currently total €4.47 for each shift worked, including a funding premium of 25 percent. The contributions are recognized as personnel expenses and amounted to less than €1 million in the reporting period. Based on the latest available information, Bertelsmann accounts for almost 7 percent of the total contributions to the plan in 2013, which has a funding status of 75 percent based on actuarial value of plan assets as of January 1, 2014. Bertelsmann is subject to a minimum funding requirement of less than €1 million in the reporting period. For the next year, Bertelsmann intends to withdraw from the plan. In this case, the withdrawal liability should be settled by a lump sum for which a provision in the amount of €16 million has been recognized.
The target portfolio structure for the pension plans is determined using asset-liability studies and is reviewed regularly. The investments are then adjusted to the obligations over the long term taking into account the investment risks and any minimum funding obligations for investing pension funds. There are no other material regulatory conditions over and above the minimum funding regulations in the United States and United Kingdom.

The provisions are determined using actuarial formulas in accordance with IAS 19. The amount of provisions depends on employees' length of service with the company and their pensionable salary. Provisions are computed using the projected unit credit method, in which the benefit entitlement earned is allocated to each year of service, thus assuming an increasing cost of service in comparison to the entry age normal method. When identifying the present value of the pension obligation, the underlying interest rate is of material importance. In the Bertelsmann Group, this is based on the "Mercer Yield Curve Approach." With this approach, separate spot rate yield curves are created for the euro zone, the United Kingdom and the United States on the basis of bonds from the Bloomberg or Barclays Capital indices. In order to appropriately present the time value of money according to IAS 19.84, the basis does not consider either spikes for which the risk estimate may be substantially higher or lower or bonds with embedded options that distort interest rates. The biometric calculations in Germany are based on the 2005 G mortality tables issued by Prof. Klaus Heubeck.

Further significant actuarial assumptions are assumed as follows:

Actuarial Assumptions

	12/31/2014		12/31/2013	
	Germany	Foreign	Germany	Foreign
Discount rate	1.98%	3.34%	3.72%	4.24%
Rate of salary increase	2.25%	3.73%	2.25%	3.67%
Rate of pension increase	1.73%	1.70%	1.84%	1.69%

An increase or decrease of one percentage point in the assumptions set out above compared with the assumptions actually applied would have had the following effects on the defined benefit obligation as of December 31, 2014:

Effect of Actuarial Assumptions

in € millions	Increase	Decrease
Effect of 0.5 percentage point change in discount rate	(315)	362
Effect of 0.5 percentage point change in rate of salary increase	49	(45)
Effect of 0.5 percentage point change in rate of pension increase	154	(140)
Effect of change in average life expectancy by one year	145	(146)

In order to determine the sensitivity of the longevity, the mortality rates for all beneficiaries is reduced or increased evenly, so that the life expectancy of a person of a country-specific retirement age increases or decreases by one year.

Changes in the present value of defined benefit obligations and plan assets in the reporting period were as follows:

Changes in Defined Benefit Obligations and Plan Assets

in € millions	2014	2013
Present value of defined benefit obligation on 1/1	3,272	3,357
Current service cost	61	59
Past service cost	(7)	(10)
Interest expenses	123	117
Actuarial (gains) and losses		
– changes in financial assumptions	833	(101)
– changes in demographic assumptions	18	(7)
– experience adjustments	(13)	5
Gains (-) or losses (+) from settlements	1	(4)
Cash effects from settlements	(7)	(11)
Pension payments paid by employer	(109)	(106)
Contributions to plan assets by employees	4	3
Pension payments from the plan assets	(19)	(18)
Changes of consolidation scope	(31)	5
Currency translation differences	53	(19)
Other changes	40	2
Present value of defined benefit obligation on 12/31	4,219	3,272
Fair value of plan assets on 1/1	1,449	1,337
Interest income	59	50
Remeasurement component	45	32
Settlements	(7)	(11)
Contributions by employer	35	71
Contributions by employees	4	3
Pension payments from the plan assets	(19)	(18)
Changes of consolidation scope	–	(2)
Currency translation differences	41	(13)
Other changes	17	–
Fair value of plan assets on 12/31	1,624	1,449
Funded status	2,595	1,823

Of the contributions to plan assets, €11 million (previous year: €53 million) pertains to Germany. The majority of plan assets are managed by Bertelsmann Pension Trust e.V. under a contractual trust arrangement (CTA) for pension commitments of Bertelsmann SE & Co. KGaA and some of the German subsidiaries. There is no funding requirement for the CTA.

In Germany, reimbursement rights for defined benefit obligations in the amount of €22 million (previous year: €22 million) mostly relate to reinsurance, which is not pledged to the pension beneficiary. Reimbursement rights are carried under the balance sheet item "Trade receivables and other receivables."

Of the expenses for defined benefit plans in the amount of €119 million (previous year: €112 million), €55 million (previous year: €45 million) was recorded under the item "Personnel expenses" and €64 million (previous year: €67 million) under "Other financial expenses" and "Other financial income." The past service cost and losses from settlements carried under "Personnel expenses" totaled €-6 million and are mostly due to curtailments of plans for medical care at Be Printers USA. The €-14 million recognized in the previous year was mostly due to the merger of Random House and Penguin as of July 1, 2013, and the associated redesign of the pension plans in the United States. The expenses are broken down as follows:

Expenses for Defined Benefit Plans

in € millions	2014	2013
Current service cost	61	59
Past service cost and impact from settlement	(6)	(14)
Net interest expenses	64	67
Net pension expenses	119	112

The portfolio structure of plan assets is composed as follows:

Portfolio Structure of Plan Assets

in € millions	12/31/2014	12/31/2013
Equity instruments[1]	492	444
Debt instruments[1]	903	823
Other funds	91	85
Qualifying insurance policies	117	63
Cash and cash equivalents	14	23
Property	6	5
Derivatives	(2)	4
Other	3	2
Fair value of plan assets	1,624	1,449

1) For almost all equity and debt instruments, market prices are listed on an active market.

Employer contributions to plan assets are expected to amount to €18 million in the next financial year.

Net defined benefit liability recognized in the balance sheet changed as follows:

Change in Net Defined Benefit Liability Recognized in the Balance Sheet

in € millions	2014	2013
Net defined benefit liability recognized in the balance sheet at 1/1	1,823	2,020
Net pension expenses	119	112
Remeasurement component of defined benefit plans	793	(135)
Pension payments	(109)	(106)
Contributions to plan assets	(35)	(71)
Changes of consolidation scope	(31)	7
Currency translation differences	12	(6)
Other effects	23	2
Net defined benefit liability recognized in the balance sheet at 12/31	2,595	1,823

The weighted average duration of the pension obligations on December 31, 2014, was 17 years (previous year: 16 years).

The maturity profile of the anticipated non-discounted pension payments can be seen in the following table:

Maturity Profile of Pension Payments

in € millions	2014
Expected maturities	
Less than 1 year	134
1 to less than 2 years	134
2 to less than 3 years	142
3 to less than 4 years	148
4 to less than 5 years	155
5 to less than 10 years	803

Obligations similar to pensions relate to provisions for bonuses for employee service anniversaries, amounts due but not yet paid to defined contribution plans, and severance payments at retirement. Severance payments at retirement are made when employees leave the company and are based on statutory obligations, primarily in Italy and Austria. Provisions for employee service anniversary bonuses and severance payments at retirement are recognized in the same way as defined benefit plans, but with actuarial gains and losses recognized in profit or loss. Employees in Germany who are at least 55 years old and have a permanent employment contract with the company qualify for the old-age part-time schemes. The partial retirement phase lasts two to five years.

The following table shows the breakdown in obligations similar to pensions:

Breakdown of Obligations Similar to Pensions

in € millions	12/31/2014	12/31/2013
Provisions for old-age part-time schemes	38	41
Provisions for severance payments	32	36
Provisions for employee service anniversaries	28	29
Other	4	5
Obligations similar to pensions	102	111

20 Other Provisions

in € millions	12/31/2013	of which > 1 year	Additions	Reversal	Usage	Other effects	Change of consolidation scope	Accrued interest	12/31/2014	of which > 1 year
Restructuring	161	21	101	(12)	(110)	6	–	1	147	20
Onerous contracts	135	25	78	(10)	(76)	14	–	1	142	16
Litigation	120	12	28	(16)	(7)	1	–	–	126	65
Guarantees and warranties	23	12	3	(6)	(7)	2	–	1	16	7
Sales and distribution	11	–	3	(1)	(2)	1	(1)	–	11	–
Other employee benefits	7	–	19	(1)	(2)	3	–	–	26	–
Other	84	34	30	(11)	(18)	1	(1)	1	86	35
	541	104	262	(57)	(222)	28	(2)	4	554	143

In accordance with IAS 37, restructuring provisions include termination benefits and other costs relating to the discontinuation of business activities. Provisions in the amount of €147 million (previous year: €161 million) are recognized for various restructuring programs within the Bertelsmann Group. In the reporting period 2014, a provision of €17 million was recognized due to the merger of Random House and Penguin as of July 1, 2013, and the related integration expenses. Due to a lack of economic perspectives, a decision was made in June 2014 to gradually terminate the activities of the German-language club businesses, reported under Corporate Investments, by the end of 2015, for which a provision in the amount of €17 million was recognized as of December 31, 2014. Provisions of €28 million and €21 million were recognized in the financial year 2014 for additional restructuring programs within the Arvato and Gruner + Jahr divisions.

The provisions for onerous contracts concern RTL Group in the amount of €111 million (previous year: €113 million) and were recognized mainly for program rights, primarily sports events in the amount of €16 million (previous year: €28 million). A total of €67 million (previous year: €63 million) relates to Mediengruppe RTL Deutschland and another €42 million (previous year: €49 million) to Groupe M6. Additions related to provisions for onerous contracts total €64 million for movies and series and €2 million for sports events.

Provisions for litigation totaling €111 million (previous year: €101 million) also pertain mainly to RTL Group companies. They cover expected losses from partly multiannual court proceedings and extrajudicial disputes. Please refer to the risk report in the combined management report for information on antitrust litigation.

For the planned withdrawal from a multiemployer plan with other non-affiliated companies in the next year, a provision was recognized in the amount of €16 million. Further information is presented in note 19 “Provisions for Pensions and Similar Obligations.” The other provisions include a provision in the amount of €30 million (previous year: €28 million) for compensation obligations from pension entitlements for employees at the Prinovis location in Ahrensburg, toward Axel Springer SE.

21 Profit Participation Capital

in € millions	12/31/2014	12/31/2013
Profit participation capital 1992	23	23
Profit participation capital 2001	390	390
	413	413

Profit participation capital is made up of profit participation certificates issued in 2001 (ISIN DE 000 522 9942, hereafter referred to as 2001 profit participation certificates) and profit participation certificates issued in 1992 (ISIN DE 000 522 9900, hereafter referred to as 1992 profit participation certificates). As of the balance sheet date, nominal profit participation capital consisted of €390 million in 2001 profit participation certificates (previous year: €390 million) and €23 million in 1992 profit participation certificates (previous year: €23 million). The 1992 and 2001 profit participation certificates are listed for public trading on the Regulated Market.

On December 31, 2014, the nominal value of the profit participation capital totaled €301 million (previous year: €301 million). Of this amount, €284 million is due to 2001 profit participation certificates (previous year: €284 million) and €17 million to 1992 profit participation certificates (previous year: €17 million). The 2001 profit participation certificates each have a notional value of €10 and the notional value of each 1992 profit participation certificate is €0.01. The market value of the 2001 profit participation certificates with a closing rate of 301 percent on the last day of trading in the past financial year on the Frankfurt Stock Exchange was €856 million (previous year: €788 million with a rate of 277.25 percent) and correspondingly, €34 million for the 1992 profit participation certificates with a rate of 200.00 percent (previous year: €34 million with a rate of 200.50 percent). The fair values are based on level 1 of the fair value hierarchy.

22 Financial Debt

Financial debt includes all of the Bertelsmann Group's interest-bearing liabilities to banks and capital markets at the balance sheet date. Carrying amounts are calculated as follows:

Current and Non-Current Financial Debt

	Current		Non-current			
			Remaining term in years			
in € millions	12/31/2014	12/31/2013	1 to 5 years	> 5 years	12/31/2014	12/31/2013
Bonds	430	750	885	1,335	2,220	2,051
Promissory notes	–	217	60	–	60	60
Liabilities to banks	91	88	10	–	10	22
Lease liabilities	9	14	37	25	62	71
Other financial debt	124	99	8	4	12	14
	654	1,168	1,000	1,364	2,364	2,218

At initial recognition within the scope of IAS 39, the non-current financial debt is recognized at fair value including transaction costs, and the subsequent measurement is based on amortized cost using the effective interest method. Foreign currency liabilities are translated using the exchange rate at the end of the reporting period. The Bertelsmann Group has access to floating-rate and fixed-rate funds through various contractual arrangements. Financial debt is generally unsecured and all individual debts have the same priority.

In October 2014, Bertelsmann issued a publicly listed bond with a ten-year term in the amount of €500 million. In addition, Bertelsmann issued a bond for €100 million with a term of 5 years as part of a private placement in November 2014. The bond due in January 2014 in the amount of €750 million was repaid on time. A promissory note loan due in the amount of €500 million, of which €313 million had already been redeemed ahead of time in previous years, was repaid in February 2014. Furthermore, Bertelsmann repaid the promissory note loan due in March 2014 on time in the amount of €30 million. As of the balance sheet date, the Group had bonds, private placements and promissory note loans outstanding with a nominal volume of €2,726 million (previous year: €3,093 million).

The differences in carrying amount versus nominal value in the table below result from transaction costs, premiums and discounts. The carrying amount of the bond due in October 2015 was reduced by an early repayment of a nominal amount of €70 million. The carrying amount of the bond due in September 2016 was adjusted by an early repayment of €214 million. Both early repayments took place in the financial year 2013.

Bonds and Promissory Notes

in € millions	Due date	Effective interest rate in %	Carrying amount 12/31/2014	Carrying amount 12/31/2013	Fair value 12/31/2014	Fair value 12/31/2013
7.875% Bertelsmann SE & Co. KGaA (€750 million bond) 2009	1/16/2014	7.72	–	750	–	752
5.05% Bertelsmann SE & Co. KGaA (€500 million promissory note) 2008	2/25/2014	5.17	–	187	–	188
6.00% Bertelsmann SE & Co. KGaA (€30 million promissory note) 2009	3/24/2014	6.00	–	30	–	30
3.625% Bertelsmann SE & Co. KGaA (€500 million bond) 2005	10/6/2015	3.74	430	429	441	452
4.75% Bertelsmann SE & Co. KGaA (€1,000 million bond) 2006	9/26/2016	4.89	785	784	842	866
4.207% Bertelsmann SE & Co. KGaA (€60 million promissory note) 2012	5/4/2019	4.21	60	60	69	67
3-mon.-EURIBOR + 40 Bp. Bertelsmann SE & Co. KGaA (€100 million floating rate note) 2014	11/18/2019	n.a.	100	–	100	–
2.625% Bertelsmann SE & Co. KGaA (€750 million bond) 2012	8/2/2022	2.80	741	740	836	742
1.75% Bertelsmann SE & Co. KGaA (€500 million bond) 2014	10/14/2024	1.84	496	–	516	–
3.70% Bertelsmann SE & Co. KGaA (€100 million bond) 2012	6/29/2032	3.84	98	98	128	102
			2,710	3,078	2,932	3,199

The documentation of the bonds from Bertelsmann SE & Co. KGaA in 2005, 2009, 2012 and 2014 is within the framework of a base documentation for debt issuance programs. The bonds issued by Bertelsmann SE & Co. KGaA in 2006 and the promissory note loans were issued on the basis of separate documentation. The bonds have a rating of "Baa1" (Moody's) and "BBB+" (Standard & Poor's). The debt issuance program was updated in April 2014. The framework documentation allows Bertelsmann SE & Co. KGaA to place bonds with a total volume of up to €4 billion on the capital market. Transaction costs and agreed discounts or premiums are taken into account in interest income over the term, impacting the carrying amount of the bonds and promissory note loans. These led to a difference to the nominal volume of €-16 million (previous year: €-15 million) at the end of the year.

As a rule, in order to determine the fair value of the bonds issued, the quoted prices on the balance sheet dates are used. On December 31, 2014, the cumulative fair value of the listed bonds totaled €2,635 million (previous year: €2,812 million) with a nominal volume of €2,466 million (previous year: €2,716 million) and a carrying amount of €2,452 million (previous year: €2,703 million). The stock market prices are based on level 1 of the fair value hierarchy.

The quoted prices applied in determining the fair values are shown in the table below:

Quoted Prices

in percent	12/31/2014	12/31/2013
7.875% Bertelsmann SE & Co. KGaA (€750 million bond) 2009	–	100.203
3.625% Bertelsmann SE & Co. KGaA (€500 million bond) 2005	102.589	105.078
4.75% Bertelsmann SE & Co. KGaA (€1,000 million bond) 2006	107.008	110.124
2.625% Bertelsmann SE & Co. KGaA (€750 million bond) 2012	111.447	98.957
1.75% Bertelsmann SE & Co. KGaA (€500 million bond) 2014	103.170	–

The fair values of private placements and promissory note loans are determined using actuarial methods based on yield curves adjusted for the Group's credit margin. This credit margin results from the market price for credit default swaps at the end of the respective reporting periods. Fair value is determined on the basis of discount rates ranging from 0.10 percent to 1.96 percent. Determining the fair value of the private placements and promissory note loans is to be allocated to level 2 of the fair value hierarchy.

The table below shows the interest rates for bonds and promissory notes issued.

Interest on Bonds and Promissory Notes

	Carrying amount as of 12/31/2014			Carrying amount as of 12/31/2013		
in € millions	Fixed interest	Floating rate	Total	Fixed interest	Floating rate	Total
Bonds	2,550	100	2,650	2,801	–	2,801
Promissory notes	60	–	60	277	–	277
	2,610	100	2,710	3,078	–	3,078

Credit Facility

The Bertelsmann Group has access to a syndicated agreement entered into with major international banks in the amount of €1,200 million (previous year: €1,200 million), which in July 2014 was extended ahead of time to 2019. Bertelsmann SE & Co. KGaA can draw down this credit facility using floating-rate loans in euros, US dollars and pounds sterling based on EURIBOR or LIBOR on a revolving basis.

Leasing Liabilities

Finance leases exist for the following assets:

Leased Assets

	12/31/2014		12/31/2013	
in € millions	Acquisition costs	Net carrying amount	Acquisition costs	Net carrying amount
Land, rights equivalent to land and buildings	105	52	149	90
Technical equipment and machinery	6	2	6	3
Other equipment, fixtures, furniture and office equipment	15	7	10	5
	126	61	165	98

The beneficial ownership of leased assets lies with the lessee, providing that the lessee also bears the significant risks and rewards of ownership. The Group's finance lease activities primarily relate to long-term agreements for office space. The Group generally has the option to acquire such properties at the end of the lease term.

The minimum lease payments for finance leases are presented in the following table:

Minimum Lease Payments for Finance Leases

	12/31/2014			12/31/2013		
in € millions	Nominal amount of lease payments	Discount amounts	Present value	Nominal amount of lease payments	Discount amounts	Present value
Up to 1 year	10	–	10	14	1	13
1 to 5 years	41	4	37	54	6	48
Over 5 years	31	7	24	32	8	24
	82	11	71	100	15	85

Subleases as part of finance lease agreements mean that future minimum lease payments are expected with a nominal value of less than €1 million (previous year: €1 million).

23 Liabilities

in € millions	12/31/2014	12/31/2013
Non-current		
Trade payables	189	126
Other financial payables	188	238
Other non-financial liabilities	331	280
Current		
Trade payables	3,273	3,083
Other financial payables	847	863
Tax liabilities	199	185
Social security liabilities	96	107
Personnel-related liabilities	556	599
Received advance payments	66	91
Deferred items	297	282
Sundry non-financial liabilities	163	172
Other non-financial liabilities	1,377	1,436

Non-current other financial payables in the amount of €188 million (previous year: €238 million) include liabilities from put options relating to shareholders with non-controlling interests of €99 million (previous year: €46 million), non-controlling interests in partnerships of €49 million (previous year: €153 million) and derivative financial instruments of €3 million (previous year: €16 million). The item "Current other financial payables" includes liabilities in the amount of the continuing involvement in connection with factoring agreements, liabilities from refund entitlements, liabilities from the acquisition of assets, liabilities to participations, debtors with credit balances and derivative financial instruments.

24 Off-Balance-Sheet Liabilities
Contingent Liabilities and Other Commitments

in € millions	12/31/2014	12/31/2013
Guarantees	–	61
Rental and lease commitments	1,372	1,339
Other commitments	3,611	3,836
	4,983	5,236

Of other commitments, €2,606 million (previous year: €2,777 million) pertains to RTL Group. These relate to supply agreements for (co-)productions, contracts for TV licenses and broadcasting rights and other rights and services. Further €785 million (previous year: €746 million) of other commitments pertain to Penguin Random House which represent the portion of obligations to authors for which no payments have yet been made, where future payments are contingent upon other events (such as delivery and acceptance of manuscripts). Other commitments of €48 million (previous year: €91 million) are for the acquisition of property, plant and equipment.

The following minimum lease payments exist from all of the Group's long-term rental commitments classified as operating leases:

in € millions	12/31/2014	12/31/2013
Nominal amount		
Up to 1 year	272	248
1 to 5 years	687	647
Over 5 years	413	444
	1,372	1,339
Present value	1,238	1,181

These commitments largely concern tenancy and technical broadcasting facilities. They are partially offset by expected minimum lease payments from subleases with a nominal value of €66 million (previous year: €65 million). The present values calculated considering country-specific interest rates show all of the net payments required to settle the obligation.

25 Additional Disclosures on Financial Instruments
Maturity Analysis of Selected Financial Assets

		Not individually impaired as of the reporting date and past due by:					
in € millions	Neither impaired nor past due on the reporting date	< 1 month	1 to 3 months	3 to 6 months	6 to 12 months	> 12 months	Gross value of accounts receivable individually impaired
Loans	67	–	–	–	–	–	100
Securities and financial assets	13	–	–	–	–	–	4
Trade receivables	2,308	407	123	60	30	36	218
Receivable from participations	29	2	–	–	–	–	–
Other selected receivables	598	9	2	1	2	15	50
Carrying amount as of 12/31/2014	3,015	418	125	61	32	51	372
Loans	72	–	–	–	–	–	94
Securities and financial assets	19	–	–	–	–	–	6
Trade receivables	2,300	347	145	50	32	42	259
Receivable from participations	34	3	–	1	–	–	–
Other selected receivables	552	7	6	–	4	2	22
Carrying amount as of 12/31/2013	2,977	357	151	51	36	44	381

No impairment losses were recognized for unsettled receivables not yet due as of the reporting date, as there was no indication of default.

Reconciliation of Changes in Impairment According to IFRS 7

in € millions	Previous year	Additions	Usage	Reversal	Change of consolida-tion scope	Exchange rate effect	Reporting period
Loans	(94)	(6)	–	1	–	(1)	(100)
Investments in affiliates	(52)	–	–	10	–	–	(42)
Other investments	(65)	(19)	–	17	(19)	(2)	(88)
Securities and financial assets	(6)	–	–	3	–	(1)	(4)
Trade receivables	(229)	(55)	20	29	20	(11)	(226)
Other receivables	(27)	(28)	1	5	–	–	(49)
Total 2014	(473)	(108)	21	65	1	(15)	(509)
Loans	(51)	(59)	1	15	–	–	(94)
Investments in affiliates	(52)	(8)	–	12	(4)	–	(52)
Other investments	(70)	(10)	–	14	–	1	(65)
Securities and financial assets	(11)	(1)	–	6	–	–	(6)
Trade receivables	(181)	(63)	23	36	(49)	5	(229)
Other receivables	(26)	(7)	–	5	1	–	(27)
Total 2013	(391)	(148)	24	88	(52)	6	(473)

As a result of the Bertelsmann Group's global activities and the diversified customer structure, there is no material concentration of default risks. The Group has obtained credit collateralization in the amount of €360 million (previous year: €386 million) for trade receivables of more than €5 million, which would reduce the potential default risk for these receivables, which currently does not exist. The carrying amount of all receivables, loans and securities constitutes the Group's maximum default risk.

The following table presents the remaining contractual term of the financial liabilities. The figures are based on undiscounted cash flows at the earliest date at which the Group can be held liable for payment.

Contractual Maturity of Financial Liabilities

in € millions	Carrying amount	Undiscounted cash flows			
		Up to 1 year	1 to 5 years	Over 5 years	Total
Profit participation capital	413	–	413	–	413
Fixed interest bonds and promissory notes	2,610	430	846	1,350	2,626
Floating rate bonds and promissory notes	100	–	100	–	100
Liabilities to banks	101	91	10	–	101
Lease liabilities	71	10	41	31	82
Other financial debt	136	124	8	4	136
Trade payables	3,462	3,273	177	12	3,462
Liabilities to participations	13	13	–	–	13
Other financial payables	962	777	93	92	962
Balance as of 12/31/2014	7,868	4,718	1,688	1,489	7,895
Profit participation capital	413	–	413	–	413
Fixed interest bonds and promissory notes	3,078	967	1,216	910	3,093
Liabilities to banks	110	88	22	–	110
Lease liabilities	85	14	54	32	100
Other financial debt	113	99	10	4	113
Trade payables	3,209	3,083	117	9	3,209
Liabilities to participations	17	17	–	–	17
Other financial payables	1,030	808	52	170	1,030
Balance as of 12/31/2013	8,055	5,076	1,884	1,125	8,085

Current cash outflows from financial obligations are offset by planned cash inflows from receivables and other financial assets. To cover current cash flows, Bertelsmann SE & Co. KGaA also has adequate financial reserves in the amount of the cash and cash equivalents and unutilized credit facilities in place as of the balance sheet date.

The following table presents the remaining terms of the contractual amounts to be exchanged in a derivative financial instrument for which gross cash flows are exchanged:

Liabilities from Derivatives with Gross Settlement

	Remaining term of liabilities		
in € millions	Up to 1 year	1 to 5 years	Over 5 years
Cash outflow	(2,395)	(67)	–
Cash inflow	2,337	65	–
Balance as of 12/31/2014	(58)	(2)	–
Cash outflow	(1,832)	(314)	–
Cash inflow	1,795	300	–
Balance as of 12/31/2013	(37)	(14)	–

The remaining terms of the contractual amounts of derivative financial instruments for which net cash flows are exchanged are as follows:

Liabilities from Derivatives with Net Settlement

	Remaining term of liabilities		
in € millions	Up to 1 year	1 to 5 years	Over 5 years
Cash outflow 12/31/2014	(1)	(1)	–
Cash outflow 12/31/2013	(1)	(1)	–

Based on the remaining contractual terms of its financial liabilities at the end of the reporting period, the Group will have to make the following future interest payments:

Future Undiscounted Interest Payments

	Undiscounted interest payments			
in € millions	Up to 1 year	1 to 5 years	Over 5 years	Total
Profit participation capital	45	91	–	136
Bonds and promissory notes	88	179	151	418
Liabilities to banks	7	2	1	10
Lease liabilities	3	8	1	12
Other financial debt	3	1	–	4
Balance as of 12/31/2014	146	281	153	580
Profit participation capital	45	136	–	181
Bonds and promissory notes	149	194	133	476
Liabilities to banks	7	–	–	7
Lease liabilities	3	9	3	15
Other financial debt	2	2	–	4
Balance as of 12/31/2013	206	341	136	683

Carrying Amounts and Measurement Methods by Measurement Category

Assets

in € millions	Category according to IAS 39					
	Loans and receivables	Available-for-sale		Financial assets initially recognized at fair value through profit or loss	Financial assets held for trading	Derivatives with hedge relation
Measurement	At amortized cost	At cost	Fair value recognized in equity	Fair value recognized in profit or loss	Fair value recognized in profit or loss	
Loans	67	–	–	–	–	–
Investments in affiliates	–	14	–	–	–	–
Other investments	–	207	42	–	–	–
Securities and financial assets	2	3	1	7	–	–
Derivative financial instruments	–	–	–	–	42	54
Trade receivables	2,956	–	–	–	–	–
Receivable from participations	31	–	–	–	–	–
Other receivables	628	–	–	–	–	–
Cash	1,095	–	–	–	–	–
Other securities < 3 months	234	–	–	–	–	–
	5,013	224	43	7	42	54

Investments in affiliates and other investments that are classified as available-for-sale within financial assets are measured at cost. These financial assets are measured at cost, as they do not have a quoted price on an active market and a reliable estimate of the fair value is not possible. No plan has been made to sell significant holdings of the other available-for-sale investments in the near future. For all other financial assets and financial liabilities, their carrying amount represents a reasonable approximation of fair value.

Equity and Liabilities

in € millions	Category according to IAS 39				
	Financial liabilities	Financial liabilities initially recognized at fair value through profit or loss	Financial liabilities held for trading	Derivatives with hedge relation	Payables out of scope of IAS 39
Measurement	At amortized cost	Fair value recognized in profit or loss	Fair value recognized in profit or loss		
Profit participation capital	413	–	–	–	–
Bonds and promissory notes	2,710	–	–	–	–
Liabilities to banks	101	–	–	–	–
Lease liabilities	–	–	–	–	71
Other financial debt	136	–	–	–	–
Trade payables	3,462	–	–	–	–
Liabilities to participations	13	–	–	–	–
Derivative financial instruments	–	–	57	3	–
Other financial payables	929	33	–	–	–
	7,764	33	57	3	71

	Balance as of 12/31/2014	Category according to IAS 39: Loans and receivables – At amortized cost	Available-for-sale – At cost	Available-for-sale – Fair value recognized in equity	Financial assets initially recognized at fair value through profit or loss – Fair value recognized in profit or loss	Financial assets held for trading – Fair value recognized in profit or loss	Derivatives with hedge relation	Balance as of 12/31/2013
	67	72	–	–	–	–	–	72
	14	–	15	–	–	–	–	15
	249	–	142	50	–	–	–	192
	13	1	9	1	8	–	–	19
	96	–	–	–	–	16	17	33
	2,956	2,946	–	–	–	–	–	2,946
	31	38	–	–	–	–	–	38
	628	568	–	–	–	–	–	568
	1,095	2,321	–	–	–	–	–	2,321
	234	384	–	–	–	–	–	384
	5,383	6,330	166	51	8	16	17	6,588

	Balance as of 12/31/2014	Category according to IAS 39: Financial liabilities – At amortized cost	Financial liabilities initially recognized at fair value through profit or loss – Fair value recognized in profit or loss	Financial liabilities held for trading – Fair value recognized in profit or loss	Derivatives with hedge relation	Payables out of scope of IAS 39	Balance as of 12/31/2013
	413	413	–	–	–	–	413
	2,710	3,078	–	–	–	–	3,078
	101	110	–	–	–	–	110
	71	–	–	–	–	85	85
	136	113	–	–	–	–	113
	3,462	3,209	–	–	–	–	3,209
	13	17	–	–	–	–	17
	60	–	–	27	27	–	54
	962	1,030	–	–	–	–	1,030
	7,928	7,970	–	27	27	85	8,109

Financial Assets Measured at Fair Value Categorized Using the Fair Value Measurement Hierarchy

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2014
Financial assets initially recognized at fair value through profit or loss	–	7	–	7
Available-for-sale financial assets	8	1	34	43
Primary and derivative financial assets held for trading	–	42	–	42
Derivatives with hedge relation	–	54	–	54
	8	104	34	146

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2013
Financial assets initially recognized at fair value through profit or loss	–	8	–	8
Available-for-sale financial assets	14	2	35	51
Primary and derivative financial assets held for trading	–	16	–	16
Derivatives with hedge relation	–	17	–	17
	14	43	35	92

It is possible to allocate the financial instruments measured at fair value in the balance sheet to the three levels of the fair value hierarchy by category based on the tables “Carrying Amounts and Measurement Methods by Measurement Category.”

Financial Assets Measured at Fair Value Based on Level 3

in € millions	Financial assets initially recognized at fair value through profit or loss	Available-for-sale financial assets	Primary and derivative financial assets held for trading	Derivatives with hedge relation	Total
Balance as of 1/1/2014	–	35	–	–	35
Total gain or loss	–	(2)	–	–	(2)
– in profit or loss	–	–	–	–	–
– in other comprehensive income	–	(2)	–	–	(2)
Transfers from “Investments accounted for using the equity method”	–	–	–	–	–
Purchases	–	1	–	–	1
Issues	–	–	–	–	–
Sales/settlements	–	–	–	–	–
Transfers out of/into level 3	–	–	–	–	–
Balance as of 12/31/2014	–	34	–	–	34
Gain (+) or loss (-) for assets still held at the end of the reporting period	–	–	–	–	–

in € millions	Financial assets initially recognized at fair value through profit or loss	Available-for-sale financial assets	Primary and derivative financial assets held for trading	Derivatives with hedge relation	Total
Balance as of 1/1/2013	79	41	–	–	120
Total gain or loss	2	(6)	–	–	(4)
– in profit or loss	2	–	–	–	2
– in other comprehensive income	–	(6)	–	–	(6)
Transfers from "Investments accounted for using the equity method"	–	–	–	–	–
Purchases	–	–	–	–	–
Issues	–	–	–	–	–
Sales/settlements	(81)	–	–	–	(81)
Transfers out of/into level 3	–	–	–	–	–
Balance as of 12/31/2013	–	35	–	–	35
Gain (+) or loss (-) for assets still held at the end of the reporting period	2	–	–	–	2

Financial Liabilities Measured at Fair Value Categorized Using the Fair Value Measurement Hierarchy

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2014
Financial liabilities initially recognized at fair value through profit or loss	–	–	33	33
Primary and derivative financial liabilities held for trading	–	57	–	57
Derivatives with hedge relation	–	3	–	3
	–	60	33	93

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2013
Financial liabilities initially recognized at fair value through profit or loss	–	–	–	–
Primary and derivative financial liabilities held for trading	–	27	–	27
Derivatives with hedge relation	–	27	–	27
	–	54	–	54

Financial Liabilities Measured at Fair Value Based on Level 3

in € millions	Financial liabilities initially recognized at fair value through profit or loss	Primary and derivative financial liabilities held for trading	Derivatives with hedge relation	Total
Balance as of 1/1/2014	–	–	–	–
Total gain or loss	–	–	–	–
– in profit or loss	–	–	–	–
– in other comprehensive income	–	–	–	–
Purchases	33	–	–	33
Issues	–	–	–	–
Settlements	–	–	–	–
Transfers out of/into level 3	–		–	–
Balance as of 12/31/2014	33	–	–	33
Gain (+) or loss (-) for liabilities still held at the end of the reporting period	–	–	–	–

Level 1:
The fair value of the existing financial instruments is determined on the basis of stock exchange listings at the balance sheet date.

Level 2:
To determine the fair values of unlisted derivatives, Bertelsmann uses various financial methods reflecting the prevailing market conditions and risks at the respective balance sheet date. Irrespective of the type of financial instrument, future cash flows are discounted as of the balance sheet date based on the respective market interest rates and interest rate structure curves at the balance sheet date.
The fair value of forward exchange transactions is calculated using the average spot prices as of the balance sheet date and taking into account forward markdowns and markups for the remaining term of the transactions. The fair value of interest rate derivatives is calculated on the basis of the respective market rates and interest rate structure curves at the balance sheet date. The fair value of forward commodity transactions is derived from the stock exchange listings published at the balance sheet date. Any incongruities to the standardized stock exchange contracts are reflected through interpolation or additions.

Level 3:
If no observable market data is available, the fair values are mostly determined based on cash flow-based valuation methods.

The valuation of financial assets and financial liabilities according to level 2 and level 3 requires management to make certain assumptions about the model inputs including cash flows, discount rate and credit risk. During the reporting period, no reclassifications were performed between levels 1, 2 and 3.

Net Result from Financial Instruments

in € millions	Loans and receivables	Available-for-sale, at cost	Available-for-sale, at fair value recognized in equity	Financial assets initially recognized at fair value through profit or loss	Financial liabilities at amortized cost	Derivatives with hedge relation	Financial instruments held for trading	Other currency effects
From dividends	–	12	–	–	–	–	–	–
From interest	16	–	–	–	(90)	–	1	–
From impairment	(54)	(19)	–	–	–	–	–	–
From fair value measurement	–	–	–	–	–	(7)	–	–
From currency translation differences	–	–	–	–	–	–	(60)	63
From disposal/derecognition	(25)	4	–	–	3	–	–	–
Net income 2014	(63)	(3)	–	–	(87)	(7)	(59)	63
From dividends	–	17	–	–	–	–	–	–
From interest	17	–	–	–	(167)	(1)	–	–
From impairment	(84)	(12)	–	–	–	–	–	–
From fair value measurement	–	–	–	22	–	–	–	–
From currency translation differences	–	–	–	–	–	–	24	(36)
From disposal/derecognition	(22)	4	103	–	(35)	–	–	–
Net income 2013	(89)	9	103	22	(202)	(1)	24	(36)

Other currency translation differences consist of the exchange rate effects of the “Loans and Receivables” and “Financial Liabilities at Amortized Cost” categories.

In the case of the financial assets and liabilities which are shown in the following tables and which are offset on the balance sheet, master netting agreements or similar agreements allow Bertelsmann Group and the counterparty to reach settlement on a net basis. Settlement on a net basis is thus legally valid both as part of ordinary business activities and also in the event of payment default by one of the parties. In addition, Bertelsmann purchases financial derivatives that do not meet the criteria for offsetting on the balance sheet as future events determine the right to offset.

Offsetting Financial Assets

in € millions	12/31/2014				
				Related amounts not set off in the balance sheet	
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Net amount
Derivative financial assets	96	–	96	(12)	84
Trade receivables	2,960	(4)	2,956	–	2,956
Cash and cash equivalents	1,338	(9)	1,329	–	1,329
	4,394	(13)	4,381	(12)	4,369

in € millions	12/31/2013				
				Related amounts not set off in the balance sheet	
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Net amount
Derivative financial assets	33	–	33	(6)	27
Trade receivables	2,963	(17)	2,946	–	2,946
Cash and cash equivalents	2,757	(52)	2,705	–	2,705
	5,753	(69)	5,684	(6)	5,678

Offsetting Financial Liabilities

in € millions	12/31/2014				
				Related amounts not set off in the balance sheet	
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Net amount
Derivative financial liabilities	60	–	60	(12)	48
Liabilities to banks	110	(9)	101	–	101
Trade payables	3,466	(4)	3,462	–	3,462
	3,636	(13)	3,623	(12)	3,611

in € millions	12/31/2013				
				Related amounts not set off in the balance sheet	
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Net amount
Derivative financial liabilities	54	–	54	(6)	48
Liabilities to banks	162	(52)	110	–	110
Trade payables	3,226	(17)	3,209	–	3,209
	3,442	(69)	3,373	(6)	3,367

Accounting of Derivative Financial Instruments and Hedges

All derivatives are recognized at their fair value. When a contract involving a derivative is entered into, it is determined whether that contract is intended to serve as a fair value hedge or as a cash flow hedge. Some derivatives, however, do not meet the requirements for recognition as hedges, even though they function as such in financial terms.

Bertelsmann documents all relationships between hedging instruments and hedged items as well as its risk management objectives and strategies in connection with the various hedges. This method includes linking all derivatives used for hedging purposes to the underlying assets, liabilities, firm commitments and forecasted transactions. Furthermore, the Bertelsmann Group assesses and documents the degree to which changes in the fair values or cash flows of hedged items are effectively offset by changes in the corresponding hedging instruments, both when the hedges are initiated and on an ongoing basis.

Financial Derivatives

Bertelsmann uses standard market financial derivatives, primarily unlisted (OTC) instruments. These include, in particular, forward agreements, currency swaps, currency options, interest rate swaps and individual commodities forwards. Transactions are entered into solely with banks with an excellent credit rating. As a rule, the Central Financial Department's transactions are only performed with a group of banks approved by the Executive Board. The nominal volume is the total of all underlying buying and selling amounts.

The majority of the financial derivatives at the end of the reporting period are used to hedge against exchange rate risks from intercompany financing activities (47 percent). A total of €1,565 million (38 percent) is due to financial derivatives used to hedge currency risks from operating business as of the balance sheet date. Financial derivatives are also used to hedge against interest rate risks from cash and cash equivalents and financing. No financial derivatives were purchased for speculative purposes.

Nominal Amounts of Financial Derivatives

	Nominal volume as of 12/31/2014				Nominal volume as of 12/31/2013			
in € millions	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Currency derivatives								
Forward contracts and currency swaps	3,128	390	5	3,523	2,889	471	11	3,371
Currency options	–	–	–	–	26	–	–	26
Interest rate derivatives								
Interest rate swaps	551	52	–	603	69	609	–	678
Other derivative financial instruments	–	–	–	–	1	–	–	1
	3,679	442	5	4,126	2,985	1,080	11	4,076

Fair Values of Financial Derivatives

	Nominal volume		Fair values	
in € millions	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Currency derivatives				
Forward contracts and currency swaps	3,523	3,371	35	(19)
Currency options	–	26	–	–
Interest rate derivatives				
Interest rate swaps	603	678	1	(2)
Other derivative financial instruments	–	1	–	–
	4,126	4,076	36	(21)

The option offered in IFRS 13.48 (net risk position) is used to measure the fair value of financial derivatives. In order to identify the credit exposure from financial derivatives, the respective net position of the fair values with the contractual partners is used as a basis as these are managed based on a net position in view of their market or credit default risks. Currency forwards are used to hedge the exchange rate risk relating to the purchase of program rights and output deals for the TV business. Bertelsmann hedges between 80 and 100 percent of the future cash flows from the purchase of program rights in foreign currency, which represent a fixed obligation (within one year) or a future transaction with a high probability of occurrence, and between 20 and 80 percent of the longer-term (two to five years) transactions expected in the future under output deals. The derivatives used for this purpose are recognized as hedging instruments in connection with cash flow hedges. The effective portion of changes in the fair value of cash flow hedges is parked in other comprehensive income until the effects of the hedged items are recognized in profit or loss. The portion remaining in other comprehensive income at December 31, 2014, will thus mainly impact the income statement in the financial years 2015 through 2018. The ineffective portion of the cash flow hedges amounts to €-7 million as of December 31, 2014 (previous year: less than €1 million).

The following table provides an overview of the carrying amounts of the Group's derivative financial instruments, which correspond to their fair values. A distinction is made between derivatives that are included in an effective hedging relationship in accordance with IAS 39 and those that are not.

Derivative Financial Instruments

in € millions	Carrying amount as of 12/31/2014	Carrying amount as of 12/31/2013
Assets		
Forward contracts and currency swaps		
Without hedge relation	40	15
In connection with cash flow hedges	54	17
Interest rate swaps		
Without hedge relation	2	1
In connection with cash flow hedges	–	–
Other in connection with cash flow hedges	–	–
Equity and Liabilities		
Forward contracts and currency swaps		
Without hedge relation	56	25
In connection with cash flow hedges	3	26
Interest rate swaps		
Without hedge relation	1	2
In connection with cash flow hedges	–	1

Financial Instruments
Financial Risk Management

The Bertelsmann Group is exposed to various forms of financial risk through its international business operations. Above all, this includes the effects of exchange and interest rate movements. Bertelsmann's risk management activities are designed to effectively mitigate these risks.
The Executive Board establishes basic risk management policy, outlining general procedures for hedging currency and interest rate risk and the utilization of derivative financial instruments. The Corporate Treasury and Finance Department advises subsidiaries on operating risk and hedges risks using derivative financial instruments as necessary. However, subsidiaries are not obliged to use the services provided by this department for their operating risks. Some subsidiaries, such as RTL Group in particular, have their own finance departments. These report their hedge transactions to the Corporate Treasury and Finance Department each quarter. Further information on financial market risks and financial risk management is presented in the Combined Management Report.

Exchange Rate Risk

Bertelsmann is exposed to an exchange rate risk in various currencies. Its subsidiaries are advised, but not obliged, to hedge themselves against exchange rate risks in the local reporting currency by signing forward agreements with banks that have an excellent credit rating. Loans within the Group that are subject to exchange rate risk are hedged using derivatives.

A number of subsidiaries are based outside the euro zone. The resulting translation risk is managed through the relationship of economic debt to operating EBITDA of key currency areas. Over the long term, the Group aims to achieve a reasonable relationship between financial debt and results of operations. Bertelsmann's focus is on the maximum leverage factor permitted for the Group.

Interest Rate Risk

There are interest rate risks for interest-bearing assets and financial debt. Interest rate risk in the Bertelsmann Group is analyzed centrally and managed on the basis of the Group's planned net financial debt. A key factor in this management is the Group's interest result over time and its sensitivity to interest rate changes. The Group aims for a balanced relationship between floating-rate and long-term fixed interest rates depending on the absolute amount, forecast performance of the interest-bearing liability and interest level. This is implemented using underlying and derivative instruments for control.

Liquidity Risk

Liquidity risks may arise through a lack of rollover financing (liquidity risk in a narrower sense), delayed receipt of payment and unforeseen expenditure (budgeting risk). Budgeting risk is determined by comparing deviations in actual spending with budget and reserve amounts. In a narrower sense, liquidity risk depends on the volume of debt due within a given period. Liquidity risk is monitored on an ongoing basis with reference to the budget for current and future years. New and unplanned transactions (e.g., acquisitions) are continuously tracked. The maturity profile of financial assets and liabilities is also reconciled on a regular basis. Budget risks are managed through effective cash management and constant monitoring of projected versus actual cash flows. Debt maturities are also diversified to ensure that rising financing costs do not have a short-term impact. Credit facilities are also maintained for unplanned expenditures.

Counterparty Risk

The Group is exposed to default risks in the amount of the invested cash and cash equivalents and the positive fair value of the derivatives in its portfolio. Transactions involving money market securities and other financial instruments are exclusively conducted with a defined group of banks with an excellent credit rating ("core banks"). The credit ratings of core banks are constantly monitored on the basis of quantitative and qualitative criteria (rating, CDS spreads, stock price, etc.). Counterparty limits determined on the basis of credit ratings reflect cash holdings and positive fair values; the use of limits is monitored on a daily basis. Funds are invested in very short-term portfolios in some cases to preserve flexibility in the event of credit rating changes. In addition, some tri-party transactions with banks have been concluded to reduce default risks. These tri-party transactions are collateralized investments, and the banks provide pre-defined securities as collateral. At the balance sheet date, no tri-party transactions were outstanding and no collateral had been given (previous year: €586 million). Processing these transactions as well as managing and valuing the collateral is performed by a clearing agent. Default risks arising from trade receivables are partially mitigated through credit insurance coverage. For these receivables of more than €5 million, the Group has credit collateralization in the amount of €360 million (previous year: €386 million).

Capital Management

The financing guidelines adopted by the Bertelsmann Group are designed to ensure a balance between financing security, return on equity and growth. The Group's net indebtedness is based specifically on the requirements for a credit rating of "Baa1/BBB+." Financial management at Bertelsmann is conducted using quantified financing objectives that are a central factor in ensuring the Group's independence and capacity to act. These objectives, as elements of the planning process and regular monitoring, are broadly defined performance indicators. The key performance indicator for limiting economic debt within the Group is the leverage factor of maximum 2.5. On December 31, 2014, the leverage factor was 2.7 (previous year: 2.0). The coverage ratio is to remain above 4. The coverage ratio amounted to 7.5 on December 31, 2014 (previous year: 5.9). The equity ratio is not to fall below 25 percent of total assets. Management of the equity ratio is based on the definition of equity in IFRS. Although non-controlling interests in partnerships represent equity in financial terms, they are classified as debt for accounting purposes.

In the reporting period, the equity ratio was 38.9 percent (previous year: 40.9 percent), meeting the internal financial target set by the Group.

Interest Rate and Exchange Rate Sensitivity

For the analysis of interest rate risk, a distinction is made between cash flow and present value risks. Financial debt, cash and cash equivalents and interest rate swaps with variable interest terms are subject to a greater degree of cash flow risk, as changes in market interest rates impact the Group's net interest income almost immediately. In contrast, medium- and long-term interest rate agreements are subject to a greater degree of present value risk. The accounting treatment of present value risks depends on the respective financial instrument or a hedging relationship documented in conjunction with a derivative (micro-hedge).

Upon initial recognition, originated financial debt are measured at fair value less transaction costs. Subsequent measurement is based on amortized cost. Changes in fair value are limited to opportunity effects, as changes in interest rates have no effect on the balance sheet or the income statement. The recognition of originated financial debt at fair value is only permitted for transactions for which a micro-hedge is documented in accordance with IAS 39 in conjunction with the conclusion of an interest rate or exchange rate hedge transaction involving derivatives. In this case, changes in the fair value of the respective items are recognized in the income statement in order to substantially balance out the offsetting effects of the fair value measurement of the related derivatives.

For derivative financial instruments, the effects of changes in interest rates are recognized in the income statement. In the case of documented hedging relationships (cash flow hedges), however, these effects are taken directly to equity.

The cash flow or present value risks existing at the end of the reporting periods are analyzed using a sensitivity calculation as an after-tax observation. A parallel shift in the interest rate curve of +/-1 percent is assumed for all major currencies. The analysis is performed on the basis of financial debt, cash and cash equivalents and derivatives at the end of the reporting period. The results are shown in the following table:

Sensitivity Analysis of Cash Flow and Present Value Risks

	12/31/2014		12/31/2013	
in € millions	Shift +1%	Shift (1)%	Shift +1%	Shift (1)%
Cash flow risks (income statement)	3	(3)	8	(8)
Present value risks (income statement)	(2)	2	(6)	6
Present value risks (equity)	–	–	1	(1)

The analysis of exchange rate sensitivity includes the Group's financial debt and operating transactions at the end of the reporting period as well as the hedging relationships entered into (forward agreements and options). The calculation is performed for the unsecured net exposure on the basis of an assumed 10 percent write-up of the euro versus all foreign currencies and is presented after tax. A uniform devaluation of foreign currencies would have resulted in a change in the carrying amount recognized in profit or loss of €-8 million (previous year: €-9 million). Of this figure, €-3 million (previous year: €-2 million) relates to fluctuations in the US dollar exchange rate with a net exposure of US$52 million (previous year: US$34 million). Shareholders' equity would have changed by €-41 million (previous year: €-45 million) as a result of fluctuations in the fair values of documented cash flow hedges. Thereof, €-43 million (previous year: €-47 million) relates to fluctuations in the US dollar exchange rate on the basis of a documented cash flow hedge volume of US$753 million (previous year: US$940 million). If there had been a uniform increase in the value of foreign currencies, this would have led to opposite changes in these amounts for the Group.

Factoring

In individual cases, Bertelsmann sells receivables to banks. These exceptions are limited to agreements in which Bertelsmann grants financing to its customers in separate contracts. The volume of receivables sold amounted to €370 million at the balance sheet date (previous year: €444 million). As part of the contractual agreements on the sale of receivables, in the majority of cases neither all rewards nor all risks that are associated with the receivables were transferred or retained. In particular, parts of the default and late payment risks were retained by Bertelsmann, with the result that a receivable was accounted for in the amount of the continuing involvement of €48 million (previous year: €54 million). The carrying amount of the associated liability is €59 million (previous year: €69 million).

26 Cash Flow Statement

The Bertelsmann consolidated cash flow statement has been prepared in accordance with IAS 7 and is intended to facilitate analysis of the Group's ability to generate cash and cash equivalents. Cash flows are divided into those relating to operating activities, investing activities and financing activities. Cash flows from operating activities are presented using the indirect method, with Group earning before interest and taxes adjusted for non-cash items. Income and expenses relating to cash flows from investing activities are also eliminated.

The management of Group operations of the Bertelsmann Group utilizes indicators that include operating EBITDA and is thus before interest and taxes as well as depreciation, amortization and impairment. Operating results and the resulting cash flow from operating activities should therefore be consistent and comparable. Accordingly, the net balance of interest paid and interest received during the financial year is shown in the cash flow statement as part of financing activities.

Contributions to pension plans are a cash outflow reported as a separate item in the cash flow from investing activities. The change in provisions for pensions and similar obligations represents the balance of personal expenses for pensions and similar obligations and company payments for these obligations (see note 19 "Provisions for Pensions and Similar Obligations").

The consolidated cash flow statement includes the effects of changes in foreign currencies and changes in the scope of consolidation. Items in the consolidated cash flow statement thus cannot be compared with changes in items disclosed on the consolidated balance sheet. Investing activities include payments for fixed assets and purchase price payments for investments acquired as well as proceeds from the disposal of non-current assets and participations. See the "Acquisitions and Disposals" section concerning acquisitions made during the reporting period. Disposals during the reporting period are also presented separately in that section. Financial debt of €62 million (previous year: €676 million) was assumed during the reporting period.

Cash flow from financing activities tracks changes in equity, financial debt and dividend payments affecting cash, as well as interest paid and interest received. The item "Proceeds from/redemption of other financial debt" includes receipts in the amount of €103 million (previous year: €218 million) and payments in the amount of €-184 million (previous year: €-828 million).

27 Segment Reporting

IFRS 8 Operating Segments stipulates that external segment reporting must be based on internal organizational and management structure and on management and reporting indicators used internally. The Bertelsmann Group is comprised of Corporate Investments and five operating segments, which differ according to the type of products and services they offer:

- TV, radio and TV production group: RTL Group
- book publishing group: Penguin Random House
- magazine publisher: Gruner + Jahr
- technology service provider: Arvato
- printing service provider: Be Printers.

Segment reporting thus consists of five operating reportable segments: RTL Group, Penguin Random House, Gruner + Jahr, Arvato and Be Printers, as well as other operating activities (Corporate Investments).

Each of the five segments is run by a segment manager who is responsible for results. This manager reports to the Executive Board of Bertelsmann Management SE in its role as the chief operating decision-maker within the meaning of IFRS 8. Bertelsmann's remaining operating activities are grouped under Corporate Investments. Among others, these include the strategic growth segments of music rights and education as well as the remaining club and direct-marketing businesses. Bertelsmann Digital Media Investments (BDMI), Bertelsmann Asia Investments (BAI) and other investments in the growth regions are also allocated to Corporate Investments. The responsibilities of the Corporate Center comprise, in particular, activities in the areas of accounting and reporting, taxes, legal, human resources, information technology, internal auditing as well as management, internal control and strategic development of the Group, financing, risk management and the optimization of the Group's investment portfolio.

Intersegment eliminations are carried in the column "Consolidation."

As in the past, specific segment information is defined according to the definitions on which Group management is based. As a rule, accounting and measurement in the segment reporting uses the same IFRS principles as in the consolidated financial statements. Notwithstanding the IFRS principles, 66 percent of the net present value of the operating leases is considered in the calculation of invested capital. Intercompany revenues are recognized using the same arm's-length conditions applied to transactions with third parties.

In view of the Bertelsmann Group's growth strategy and the associated expansion of investment activity, it has been using operating EBITDA as a performance indicator for determining the results of operations since the start of the 2014 financial year. Assessment of the operating segments' performance is based on this performance indicator as well. Operating EBITDA represents the operating earnings generated by the respective segment management before interest and income taxes as well as depreciation, amortization and impairment, and adjusted for special items. Elimination of these special items allows the determination of a normalized perfomance indicator, thus simplifying forecasting and comparability. Segment depreciation and amortization includes the depreciation of property, plant and equipment, and amortization of intangible assets as set out in notes 11 "Intangible Assets" and 12 "Property, Plant and Equipment." Both operating EBITDA and operating EBIT are reported to the chief operating decision maker in the financial year.
Segment assets constitute the operating assets for each segment. These consist of property, plant and equipment and intangible assets including goodwill and financial assets. Also included is 66 percent of the net present value of the operating leases and current assets with the exception of cash and cash equivalents, tax receivables and other non-operating assets. Segment liabilities consist of operating liabilities and provisions. Pensions and similar obligations, income taxes, financial debt or other non-operating liabilities and provisions are thus not included. Additions to non-current assets are balance sheet additions to property, plant and equipment and intangible assets including goodwill.

Each segment shows the investments accounted for using the equity method and their results, provided these companies can be clearly allocated to the segment concerned. Results from investments accounted for using the equity method are shown before impairment. The number of employees as of the balance sheet date and the average number of employees for the year are also shown.

In addition to the segment breakdown, revenues are broken down by customer location and revenue source. Non-current assets are also stated according to the location of the respective company.

For information on the segment information tables, please refer to page 110f.

The following table shows the reconciliation of segment information to the consolidated financial statements:

Reconciliation of Segment Information to the Consolidated Financial Statements

in € millions	2014	2013 (adjusted)
Operating EBITDA of divisions	2,444	2,389
Corporate Center	(71)	(77)
Consolidation	1	(1)
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	(792)	(629)
Adjustments on amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment included in special items	187	81
Operating EBIT	1,769	1,763
Special items	(619)	(46)
EBIT from continuing operations	1,150	1,717
Financial result	(295)	(361)
Earnings before taxes from continuing operations	855	1,356
Income taxes	(286)	(413)
Earnings after taxes from continuing operations	569	943
Earnings after taxes from discontinued operations	4	(58)
Group profit or loss	573	885

in € millions	12/31/2014	12/31/2013
Total assets of the segments	19,345	18,084
Corporate Center	133	107
Consolidation	(84)	(80)
Total assets of the Group[1]	19,394	18,111
Operating leases (66% of net present value)	(817)	(780)
Cash and cash equivalents	1,329	2,705
Deferred tax assets	1,076	904
Other assets (not allocated)[2]	564	478
Total assets	21,546	21,418
Total liabilities of the segments	6,459	6,168
Corporate Center	89	72
Consolidation	(52)	(38)
Total liabilities of the Group	6,496	6,202
Profit participation capital	413	413
Provisions for pensions and similar obligations	2,698	1,941
Financial debt	3,018	3,386
Deferred tax liabilities	152	178
Other liabilities (not allocated)[3]	388	537
Total liabilities of the Group	13,165	12,657
Equity	8,381	8,761
Total liabilities	21,546	21,418

The figures from the previous year have been adjusted. Further details are presented in the “Prior Year Information” section.
1) Continuing operations, including 66 percent of the net present value of the operating leases.
2) Includes assets held for sale.
3) Includes liabilities related to assets held for sale.

28 Related Party Disclosures

For the Bertelsmann Group, related parties as defined in IAS 24 are those persons and entities that control or exercise a significant influence over the Bertelsmann Group, as well as those persons and entities controlled or jointly controlled by the Bertelsmann Group, or over which it exercises a significant influence. Accordingly, certain members of the Mohn family, the members of the Executive Board of Bertelsmann Management SE as the personally liable partner and the Supervisory Board of Bertelsmann SE & Co. KGaA including close members of their families, including the companies that are controlled or jointly managed by them, as well as the joint ventures and associates forming part of the Bertelsmann Group and their subsidiaries are defined as related parties.

Bertelsmann Verwaltungsgesellschaft mbH (BVG), Gütersloh, a holding company with no operating activities, has control of the Bertelsmann Group. Johannes Mohn GmbH, Bertelsmann Beteiligungs GmbH, Reinhard Mohn Verwaltungsgesellschaft mbH and Mohn Beteiligungs GmbH have informed Bertelsmann SE & Co. KGaA that they each own more than one-quarter of the shares. Shares held both directly and indirectly are included when identifying shareholdings.

In the legal form of a KGaA, the business is managed by a personally liable partner. In the case of Bertelsmann SE & Co. KGaA, Bertelsmann Management SE, represented by its Executive Board, is responsible for the management of the business. The statutory bodies consist of the Supervisory Board and the General Meeting at the Bertelsmann SE & Co. KGaA level, and the Executive Board, Supervisory Board and General Meeting at the Bertelsmann Management SE level. The Supervisory Board of the KGaA is elected by the limited partners at the General Meeting. The members of the Bertelsmann Management SE Supervisory Board are appointed by the General Meeting of Bertelsmann Management SE. BVG controls the voting rights at the Bertelsmann SE & Co. KGaA and Bertelsmann Management SE General Meeting.

Remuneration for key management personnel includes:

Remuneration for Key Management Personnel

in € millions	2014	2013
Short-term employee and termination benefits	22	26
Post-employment benefits[1)]	2	–
Other long-term benefits	4	6

1) In the previous year, the post-employment benefits amounted to less than €1 million.

The remuneration shown also includes remuneration for activities by the members of the Supervisory Board of Bertelsmann SE & Co. KGaA in the Supervisory Board of Bertelsmann Management SE. Transactions with material subsidiaries are eliminated in the course of consolidation and are not discussed in further detail in these notes. In addition to transactions with material subsidiaries, the following transactions with related parties and entities were conducted in the reporting period:

Transactions with Related Parties

in € millions	Parent and entities with significant influence	Key members of management	Joint ventures	Associates	Other related parties
2014					
Goods delivered and services provided	–	–	77	22	–
Goods and services received	–	(2)	(27)	(12)	(1)
Receivables against	–	–	21	25	–
Commitments provided	–	40	28	15	16
2013					
Goods delivered and services provided	–	–	82	25	–
Goods and services received	–	(3)	(28)	(9)	–
Receivables against	–	–	31	25	–
Commitments provided	–	31	18	21	12

Transactions with the personally liable partner Bertelsmann Management SE are shown under "Other related parties." The obligations at the end of the reporting period result from expenses passed on by Bertelsmann Management SE.

No guarantees were entered into for associates during the financial year and also not in the previous year. In line with the previous year, Bertelsmann has no share in the contingent liabilities at the associates. There are contribution obligations to University Ventures Funds in the amount of €45 million (previous year: €138 million).

Joint ventures have obligations to the Bertelsmann Group from operating leases in the amount of €9 million (previous year: €11 million) and contingent liabilities in the amount of €8 million (previous year: €11 million). The Group has entered into contingent liabilities for its joint ventures totaling €7 million (previous year: €21 million).

29 Events After the Reporting Period

Sequent to the balance sheet date, no events of special importance occurred that could have a material impact on the financial position and results of operations of the Bertelsmann Group.

30 Exemption for Subsidiaries from Preparation, Audit and Publication of Financial Statements

The following subsidiaries took advantage of the exemption regulations set out in section 264 (3) of the German Commercial Code (HGB) relating to additional requirements for limited liability companies to prepare annual financial statements and a management report, as well as the requirements for audit of and publication by limited liability companies for the year ended December 31, 2014:

"I 2 I" Musikproduktions- und Musikverlagsgesellschaft mbH	Cologne
adality GmbH	Munich
arvato AG	Gütersloh
arvato analytics GmbH	Gütersloh
arvato backoffice services Erfurt GmbH	Erfurt
arvato business support GmbH	Gütersloh
arvato CRM Nordhorn GmbH	Nordhorn
arvato direct services Brandenburg GmbH	Brandenburg
arvato direct services Cottbus GmbH	Cottbus
arvato direct services Dortmund GmbH	Dortmund
arvato direct services eiweiler GmbH	Heusweiler-Eiweiler
arvato direct services Frankfurt GmbH	Frankfurt am Main
arvato direct services GmbH	Gütersloh
arvato direct services Gütersloh GmbH	Gütersloh
arvato direct services Münster GmbH	Münster
arvato direct services Neckarsulm GmbH	Neckarsulm
arvato direct services Neubrandenburg GmbH	Neubrandenburg
arvato direct services Potsdam GmbH	Potsdam
arvato direct services Rostock GmbH	Rostock
arvato direct services Schwerin GmbH	Schwerin
arvato direct services Stralsund GmbH	Stralsund
arvato direct services Stuttgart GmbH	Kornwestheim
arvato direct services Wilhelmshaven GmbH	Schortens
arvato distribution GmbH	Harsewinkel
arvato eCommerce Beteiligungsgesellschaft mbH	Gütersloh
arvato eCommerce Verwaltungsgesellschaft mbH	Gütersloh
arvato Entertainment Europe GmbH	Gütersloh
arvato infoscore GmbH	Baden-Baden
arvato Logistics, Corporate Real Estate & Transport GmbH	Gütersloh
arvato media GmbH	Gütersloh
arvato p.s. GmbH	Verl
arvato Print Management GmbH	Gütersloh
arvato services Chemnitz GmbH	Chemnitz
arvato services Cottbus GmbH	Cottbus
arvato services Dresden GmbH	Dresden
arvato services Duisburg GmbH	Duisburg
arvato services Erfurt GmbH	Erfurt
arvato services Essen GmbH	Essen
arvato services Gera GmbH	Gera
arvato services Halle GmbH	Halle (Saale)
arvato services Leipzig GmbH	Leipzig
arvato services Magdeburg GmbH	Magdeburg
arvato services München GmbH	Munich
arvato services Rostock GmbH	Rostock
arvato services Schwerin GmbH	Schwerin
arvato services solutions GmbH	Gütersloh
arvato services Stralsund GmbH	Stralsund
arvato services Suhl GmbH	Suhl
arvato services technical information GmbH	Harsewinkel
arvato Systems Business Services GmbH	Dortmund
arvato systems GmbH	Gütersloh
arvato Systems perdata GmbH	Leipzig
arvato Systems S4M GmbH	Cologne
arvato telco services Erfurt GmbH	Erfurt
AVE Gesellschaft für Hörfunkbeteiligungen mbH	Berlin
AZ Direct Beteiligungs GmbH	Gütersloh
AZ Direct GmbH	Gütersloh
BAG Business Information Beteiligungs GmbH	Gütersloh
BAI GmbH	Gütersloh
BC Bonusclub GmbH	Berlin
BDMI GmbH	Gütersloh
Be Accounting Services GmbH	Gütersloh
BePeople GmbH	Gütersloh
Bertelsmann Aviation GmbH	Gütersloh
Bertelsmann Capital Holding GmbH	Gütersloh
Bertelsmann Music Group GmbH	Gütersloh
Bertelsmann Transfer GmbH	Gütersloh
Bertelsmann Treuhand- und Anlagegesellschaft mit beschränkter Haftung	Gütersloh
BFS finance GmbH	Verl
BFS finance Münster GmbH	Münster
BFS health finance GmbH	Dortmund
BFS risk & collection GmbH	Verl
BMG RIGHTS MANAGEMENT (Europe) GmbH	Berlin
BMG RIGHTS MANAGEMENT GmbH	Berlin
CBC Cologne Broadcasting Center GmbH	Cologne

CCM Communication-Center Mitteldeutschland GmbH	Leipzig
COUNTDOWN MEDIA GmbH	Hamburg
DeutschlandCard GmbH	Munich
DirectSourcing Germany GmbH	Munich
Erste TD Gütersloh GmbH	Gütersloh
Erste WV Gütersloh GmbH	Gütersloh
European SCM Services GmbH	Gütersloh
Fremantle Licensing Germany GmbH	Potsdam
Gerth Medien GmbH	Aßlar
GGP Media GmbH	Pößneck
Global Assekuranz Vermittlungsgesellschaft mit beschränkter Haftung	Gütersloh
Gruner + Jahr Communication GmbH	Hamburg
Gruner + Jahr Management GmbH	Hamburg
Gute Zeiten – Schlechte Zeiten Vermarktungsgesellschaft mbH	Cologne
infoNetwork GmbH	Cologne
informa Insurance Risk and Fraud Prevention GmbH	Baden-Baden
informa Solutions GmbH	Baden-Baden
infoscore Business Support GmbH	Baden-Baden
infoscore Consumer Data GmbH	Baden-Baden
infoscore Finance GmbH	Baden-Baden
infoscore Forderungsmanagement GmbH	Baden-Baden
inmediaONE] GmbH	Gütersloh
IP Deutschland GmbH	Cologne
KWS Kontowechsel Service GmbH	Schortens
maul + co – Chr. Belser GmbH	Nuremberg
MEDIASCORE Gesellschaft für Medien- und Kommunikationsforschung mbH	Cologne
Medienfabrik Gütersloh GmbH	Gütersloh
Mediengruppe RTL Deutschland GmbH	Cologne
Mohn Media Energy GmbH	Gütersloh
Mohn Media Mohndruck GmbH	Gütersloh
NIONEX GmbH	Gütersloh
NORDDEICH TV Produktionsgesellschaft mbH	Hürth
Print Service Gütersloh GmbH	Gütersloh
Probind Mohn media Binding GmbH	Gütersloh
PSC Print Service Center GmbH	Oppurg
Random House Audio GmbH	Cologne
Reinhard Mohn GmbH	Gütersloh
rewards arvato services GmbH	Munich
RM Buch und Medien Vertrieb GmbH	Gütersloh
RM Filial-Vertrieb GmbH	Rheda-Wiedenbrück
RM Kunden-Service GmbH	Gütersloh
RTL Creation GmbH	Cologne
RTL Group Cable & Satellite GmbH	Cologne
RTL Group Central & Eastern Europe GmbH	Cologne
RTL Group Deutschland GmbH	Cologne
RTL Group Deutschland Markenverwaltungs GmbH	Cologne
RTL Group Licensing Asia GmbH	Cologne
RTL Hessen GmbH	Frankfurt am Main
RTL interactive GmbH	Cologne
RTL Nord GmbH	Hamburg
RTL Radio Berlin GmbH	Berlin
RTL Radio Center Berlin GmbH	Berlin
RTL Radio Deutschland GmbH	Berlin
RTL Radiovermarktung GmbH	Berlin
RTL West GmbH	Cologne
rtv media group GmbH	Nuremberg
Smart Shopping and Saving GmbH	Berlin
SSB Software Service und Beratung GmbH	Munich
UFA Cinema GmbH	Potsdam
UFA Cinema Verleih GmbH	Potsdam
UFA Factual GmbH	Berlin
UFA Fiction GmbH	Potsdam
UFA Film und Fernseh GmbH	Cologne
UFA GmbH	Potsdam
Ufa Radio-Programmgesellschaft in Bayern mbH	Ismaning
UFA Serial Drama GmbH	Potsdam
UFA Sports GmbH	Cologne
UFA Sports Ventures GmbH	Cologne
Universum Film GmbH	Munich
Verlag RM GmbH	Gütersloh
Verlagsgruppe Random House GmbH	Gütersloh
Verlegerdienst München GmbH	Gilching
Viasol Reisen GmbH	Berlin
VIVENO Group GmbH	Gütersloh
Vogel Druck und Medienservice GmbH	Höchberg
VOX Holding GmbH	Cologne
webmiles GmbH	Munich
Zweite BAG Beteiligungs GmbH	Gütersloh

In addition, the exemption regulations set out in section 264b of the German Commercial Code (HGB) were used by the following companies for the year ended December 31, 2014:

"Alwa" Gesellschaft für Vermögensverwaltung mbH & Co. Grundstücksvermietung KG	Schönefeld
11 Freunde Verlag GmbH & Co. KG	Berlin
AVE II Vermögensverwaltungsgesellschaft mbH & Co. KG	Cologne
AZ fundraising services GmbH & Co. KG	Gütersloh
Berliner Presse Vertrieb GmbH & Co. KG	Berlin
Dresdner Druck- und Verlagshaus GmbH & Co. KG	Dresden
G+J / Klambt Style-Verlag GmbH & Co. KG	Hamburg
G+J Immobilien GmbH & Co. KG	Hamburg
G+J Wirtschaftsmedien AG & Co. KG	Hamburg
Gruner + Jahr GmbH & Co KG	Hamburg
infoscore Portfolio Management GmbH & Co. KG	Verl
infoscore Portfolio Management II GmbH & Co. KG	Baden-Baden
Motor Presse Stuttgart GmbH & Co. KG	Stuttgart
PRINOVIS Ltd. & Co. KG	Hamburg
Sellwell GmbH & Co. KG	Hamburg

The consolidated subsidiary arvato SCM Ireland Limited in Dublin, Ireland, has used the option offered in section 17 of the Republic of Ireland Companies (Amendment) Act 1986 for publication requirements for its annual financial statements.

31 Additional Information According to Section 315a HGB

Compensation of the Supervisory Board of Bertelsmann SE & Co. KGaA for financial year 2014 amounted to €2,020,000 plus statutory value-added tax. Members of the Executive Board received total remuneration in the reporting period of €19,487,307, including €10,205,906 from Bertelsmann Management SE. Former members of the Executive Board of Bertelsmann Management SE and Bertelsmann AG and their surviving dependents received compensation of €9,211,341, including €8,833,551 from Bertelsmann SE & Co. KGaA. The provision for pension obligations to former members of the Executive Board of Bertelsmann AG and Bertelsmann Management SE accrued at Bertelsmann SE & Co. KGaA and Bertelsmann Management SE amounts to €77,653,407. The members of the Executive Board and Supervisory Board are listed on pages 200ff.

The fees for the Group auditors PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft totaled €6 million during the financial year. Thereof, €4 million was due to fees for the audit of the financial statements and €1 million was due to other audit-related services. PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft was paid a total of less than €1 million for tax consulting services. Expenses for further services totaled €1 million.

32 Proposal for the Appropriation of Net Retained Profits

The personally liable partner Bertelsmann Management SE and the Supervisory Board of Bertelsmann SE & Co. KGaA will propose to the General Meeting that the remaining net retained profits of Bertelsmann SE & Co. KGaA of €484 million be appropriated as follows:

Net Retained Profits for Bertelsmann SE & Co. KGaA

in € millions	
Retained earnings	484
Dividends to shareholders	(180)
Carry forward to new fiscal year	304

The dividend per ordinary share thus totals €2,149.

The personally liable partner Bertelsmann Management SE approved the consolidated financial statements for submission to the Supervisory Board of Bertelsmann SE & Co. KGaA on March 11, 2015. The Supervisory Board's task is to review the consolidated financial statements and to declare whether it approves these.

Gütersloh, March 11, 2015

Bertelsmann SE & Co. KGaA
Represented by:
Bertelsmann Management SE, the personally liable partner
The Executive Board

Dr. Thomas Rabe	Achim Berg	Markus Dohle
Dr. Immanuel Hermreck	Anke Schäferkordt	