Building A New Bertelsmann

Annual Report 2014

BERTELSMANN

BERTELSMANN

At a Glance

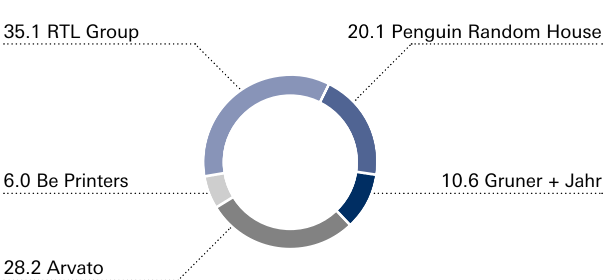
Key Figures (IFRS)

in € millions	2014	2013	2012	2011	2010
Business Development					
Group revenues	16,675	16,179	16,065	15,368	15,065
Operating EBITDA	2,374	2,311	2,210	2,243	2,355
EBITDA margin in percent [1]	14.2	14.3	13.8	14.6	15.6
Operating EBIT	1,769	1,763	1,732	1,755	1,825
Bertelsmann Value Added (BVA) [2]	188	283	362	359	378
Group profit	573	885	612	612	656
Investments [3]	1,578	1,312	655	956	753
Consolidated Balance Sheet					
Equity	8,381	8,761	6,083	6,149	6,486
Equity ratio in percent	38.9	40.9	32.2	33.9	34.7
Total assets	21,546	21,418	18,864	18,149	18,702
Net financial debt	1,689	681	1,218	1,809	1,913
Economic debt [4]	6,039	4,216	4,773	4,913	4,915
Leverage factor	2.7	2.0	2.3	2.4	2.3
Employees (in absolute numbers)					
Germany	40,846	38,611	38,434	37,519	36,462
Other countries	71,191	72,488	65,852	65,233	61,066
Total	112,037	111,099	104,286	102,752	97,528
Dividends to Bertelsmann shareholders	180	180	180	180	180
Distribution on profit participation certificates	44	44	44	44	44
Employee profit sharing	85	101	92	107	108

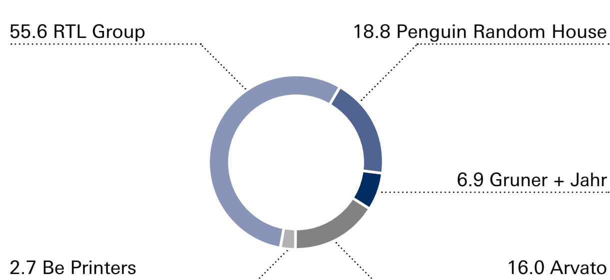
Figures adjusted for financial year 2013; figures before 2013 are the most recently reported previous year's figures.

1) Operating EBITDA as a percentage of revenues.
2) Bertelsmann uses the BVA as a strictly defined key performance indicator to evaluate the profitability of the operating business and the return on investment.
3) Taking into account the financial debt assumed, investments amounted to €1,601 million (2013: €1,988 million).
4) Net financial debt plus pension provisions, profit participation capital and net present value of operating leases.

Total Revenues by Segments in percent [5]



Operating EBITDA by Segments in percent [5]



5) Based on total from segments not including Corporate Investments, Corporate and Consolidation.

Bertelsmann is a media, services and education company that operates in about 50 countries around the world. It includes the broadcaster RTL Group, the trade book publisher Penguin Random House, the magazine publisher Gruner + Jahr, the service providers Arvato and Be Printers, the music rights company BMG and the e-learning provider Relias Learning. The company has more than 112,000 employees and generated revenues of €16.7 billion in financial year 2014. Bertelsmann stands for creativity and entrepreneurship. This combination promotes the creation of first-class media content and innovative service solutions that inspire customers around the world.

www.bertelsmann.com

BERTELSMANN

Corporate Investments
Corporate Center

The Bertelsmann Divisions

in € millions	2014	2013	2012	2011	2010
Revenues	5,808	5,824	6,002	5,814	5,591
Operating EBITDA	1,334	1,324	1,253	1,311	1,305
Employees	11,768	11,491	11,931	12,184	12,339

RTL Group is the leading European entertainment network, with interests in 52 television channels and 29 radio stations and content production throughout the world. Its television portfolio includes RTL Television in Germany, M6 in France, the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia and Hungary and Antena 3 in Spain. The group also operates the channels RTL CBS Entertainment HD and RTL CBS Extreme HD in Southeast Asia. The Group's flagship radio station is RTL in France, and it also owns or has interests in other stations in France, Germany, Belgium, the Netherlands, Spain and Luxembourg. RTL Group's content production arm, Fremantle Media, is one of the largest international producers outside the United States. Combining the catch-up TV services of its broadcasters, the multichannel networks BroadbandTV and StyleHaul and Fremantle Media's more than 210 YouTube channels, RTL Group has become the leading European media company in online video. RTL Group also owns a majority stake in the programmatic video-advertising platform SpotXchange. With a more than 75 percent shareholding, Bertelsmann is the majority shareholder of RTL Group.

www.rtlgroup.com

in € millions*	2014	2013	2012	2011	2010
Revenues	3,324	2,654	2,142	1,749	1,828
Operating EBITDA	452	363	352	211	201
Employees	12,812	11,838	5,712	5,343	5,264

With nearly 250 independent imprints and brands on five continents, more than 15,000 new titles and more than 800 million print, audio and e-books sold annually, **Penguin Random House** is the world's leading trade book publisher. The company, which employs more than 12,500 people globally, was formed on July 1, 2013, by Bertelsmann and Pearson, who own 53 percent and 47 percent, respectively. Penguin Random House is committed to publishing adult and children's fiction and nonfiction print editions and is a pioneer in digital publishing. Its book brands include storied imprints such as Doubleday, Viking and Alfred A. Knopf (United States); Ebury, Hamish Hamilton and Jonathan Cape (UK); Plaza & Janés and Alfaguara (Spain) and Sudamericana (Argentina), as well as the international imprint DK. Its publishing lists include more than 70 Nobel Prize laureates and hundreds of the world's most widely read authors. Penguin Random House champions the creative and entrepreneurial independence of its publishers, who work tirelessly to maximize readership for its authors and to protect their intellectual property.

www.penguinrandomhouse.com

The German-language **Verlagsgruppe Random House** in Munich, with renowned publishers such as Goldmann and Heyne, is managed by Bertelsmann outside Penguin Random House.

www.randomhouse.de

in € millions	2014	2013	2012	2011	2010
Revenues	1,747	2,014	2,218	2,287	2,259
Operating EBITDA	166	193	213	279	309
Employees	8,168	10,556	11,585	11,822	11,637

Gruner + Jahr reaches readers and users in more than 20 countries with its more than 500 magazines and digital offerings. Gruner + Jahr publications include "Stern," "Brigitte," "Geo," "Capital," "Gala," "Eltern," "P.M." group's titles, "Essen & Trinken" and "National Geographic." Gruner + Jahr owns 59.9 percent of Motor Presse Stuttgart, one of Europe's biggest special-interest magazine publishers. Gruner + Jahr is wholly owned by Bertelsmann.

www.guj.com

in € millions	2014	2013	2012	2011	2010
Revenues	4,662	4,388	4,419	4,201	5,225
Operating EBITDA	384	397	391	416	572
Employees	70,653	66,303	63,627	61,257	65,182

Arvato is a leading international technology-services provider. More than 70,000 employees design and produce innovative solutions for business customers from all over the world, covering a wide range of business processes along integrated service chains. These include CRM, SCM, financial, IT and digital marketing solutions, as well as all services related to the creation and distribution of printed products and digital storage media. Arvato is wholly owned by Bertelsmann.

www.arvato.com

in € millions	2014	2013	2012	2011	2010
Revenues	996	1,122	1,214	1,199	–
Operating EBITDA	64	92	115	128	–
Employees	4,108	6,201	6,571	7,068	–

Be Printers runs printing operations in Germany and the UK (Prinovis), Spain (Southern Europe) and the United States (Americas). The group employs more than 4,000 employees at eleven production sites. Be Printers covers the entire range of contemporary printing (gravure, web- and sheet-fed offset printing and digital printing). The printing plants produce magazines, catalogs, brochures and books for their customers. The company also offers finishing, creative and digital services.

www.beprinters.com

Corporate Investments
Corporate Center

Corporate Investments, which is comprised of all of Bertelsmann's activities at Group level, includes the music-rights company BMG as well as the Group's Education businesses, including the online-education provider Relias Learning. The Bertelsmann Digital Media Investments (BDMI), Bertelsmann Asia Investments (BAI) funds and other fund activities in growth regions are also part of Corporate Investments, as are Bertelsmann's remaining club and direct-marketing businesses.

The **Corporate Center** fulfills tasks in the fields of accounting and reporting, taxes, legal, human resources, information technology, internal auditing and financing, as well as handling the management, control and strategic development of the Group, providing the necessary financing and risk management.

www.bertelsmann.com

*Figures for the period 2010 to 2012 refer to Random House only.

Interactive Annual Report

The Bertelsmann Annual Report can also be accessed online at:
ar2014.bertelsmann.com

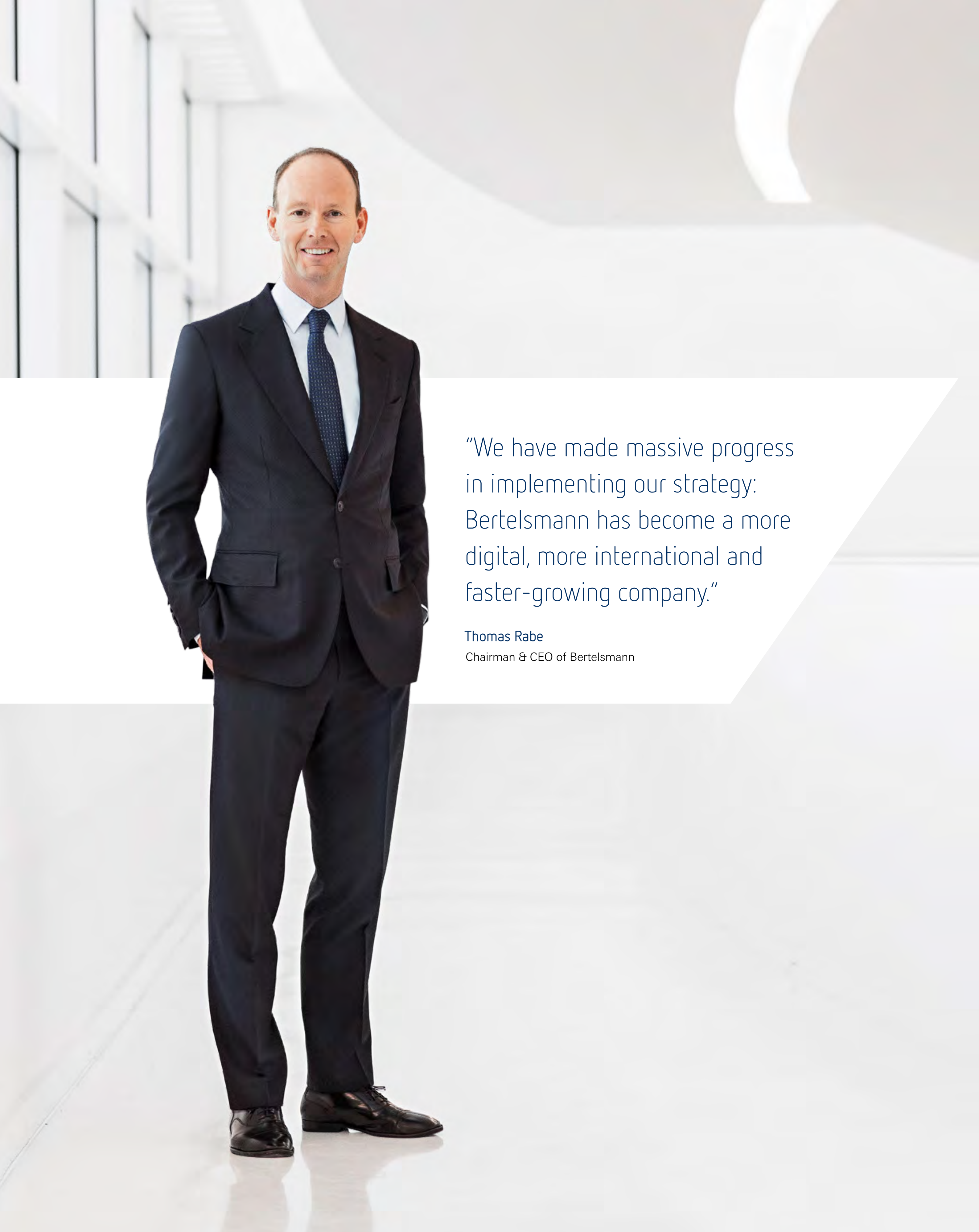
As well as company information and the extensive financial section, the online report offers lots of extra features, including several videos and extracts.

The Annual Report is also available as a free app on the Apple App Store and in Google Play.

Contents

Company Information

Financial Information



"We have made massive progress in implementing our strategy: Bertelsmann has become a more digital, more international and faster-growing company."

Thomas Rabe
Chairman & CEO of Bertelsmann

Dear Readers,
Dear Friends of Bertelsmann,

2014 was a good year for Bertelsmann. Our business performance was positive overall, and we made good progress in implementing our strategy. Among other highlights, we implemented an important step in building our education business. In the long term, we want to establish education as the third pillar of our portfolio, alongside media content and services. We've also moved closer to our goal of making Bertelsmann a more digital, more international and faster-growing company through many other measures. The "new Bertelsmann" is visibly taking shape, as this Annual Report documents.

Last year, Bertelsmann grew its revenues by three percent to €16.7 billion – the highest level in seven years. The key drivers of this revenue increase were our strategic transactions, such as the merger of Penguin and Random House, the full acquisition of BMG, and the expansion of financial and e-commerce services at Arvato. At the same time, we disposed of some high-revenue but structurally declining businesses, such as Gruner + Jahr's US printing business and Be Printers' Italian printing operations.

Operating EBITDA also reached its highest level since 2007. Year on year it increased by nearly three percent, to €2.37 billion. Here too, Penguin Random House made a significant contribution – thanks in part to numerous bestsellers. The merger of the two book-publishing groups is paying off for our authors and their millions of readers, as well as commercially. The operational integration proceeded ahead of schedule and our publishing companies on all continents achieved outstanding creative successes. In the United States, for example, more than 500 Penguin Random House titles made the "New York Times" bestseller lists in 2014.

Other major contributors to earnings growth were our German-language television business – thanks to another record year for Mediengruppe RTL Deutschland – and our music-rights business BMG. Overall, declines in earnings at some businesses in France and from structurally declining activities, as well as startup costs for new businesses, were more than offset. As a result, our EBITDA margin remained virtually stable at 14.2 percent.

Group profit was €573 million, after €885 million in the previous year. Earnings were noticeably impacted by the downscaling of our print and direct-marketing businesses, as well as an impairment loss recognized in the television business in Hungary, where a special tax on advertising was introduced in the summer. Earnings were also affected by expenditure on profit-improvement measures. However, the combined medium-term earnings potential of such measures amounts to about €500 million.

In 2012, we set ourselves the goal of making Bertelsmann a more digital, more international and faster-growing company by pursuing four strategic priorities. Last year, again, we made progress in every one of these priorities.

One important measure for **strengthening the core** was our full acquisition of Gruner + Jahr. Some 45 years after Bertelsmann first invested in the Hamburg publisher, under the leadership of Reinhard Mohn, we became the sole owner of G+J on November 1, 2014, after purchasing the Jahr family's shares. We are very happy to be working with the staff to develop the company into a leading house of content – and are pleased that the strategic realignment of G+J is already bearing fruit. Excluding the print operations that were sold, in 2014, G+J achieved an almost stable operating result despite additional investment in its transformation to digital.

We also strengthened our core in other divisions: RTL Group expanded its families of channels by launching new channels in Germany (Geo TV, in collaboration with G+J), Croatia (RTL Kockica) and Southeast Asia (RTL CBS Extreme HD). Penguin Random House strengthened its presence in Latin America, as well as Spain and Portugal, with the acquisition of the book publisher Santillana. We also made significant progress in downscaling a number of structurally declining businesses. For instance, in addition to the aforementioned printers, we sold the club businesses in the Czech Republic, Slovakia and Spain. We will also be withdrawing from the club and direct-marketing business in Germany in the months ahead.

The **digital transformation** of our businesses also saw positive developments in 2014. RTL Group acquired a majority stake in SpotXchange, one of the world's five largest marketing platforms for online videos. The group also increased its shareholding in the multichannel network (MCN) StyleHaul to 97 percent. StyleHaul is the world's most popular MCN for fashion, beauty, and lifestyle topics. Our channels' catch-up TV offerings, Fremantle Media's Web productions and channels, and our MCNs collectively generated over 36 billion online video views in 2014. Only Google, Facebook, and AOL had more viewers. As a result, RTL Group has established itself as Europe's leading digital-entertainment company.

Penguin Random House further consolidated its market leadership in the digital business. In 2014, Penguin Random House sold more than 100 million e-books and now offers more than 100,000 titles in electronic form. Gruner + Jahr has expanded its portfolio of digital content and is well on the way to becoming the leading provider of digital magazines in Germany. Also in 2014, Arvato grew with services for leading companies in the IT and high-tech sector.

We took an essential step in **expanding our growth platforms**. The takeover of Relias Learning was Bertelsmann's largest purchase in the United States since the acquisition of Random House in 1998. Relias is a leading US e-learning provider with more than 4,000 institutional clients, and offers considerable growth potential, as it benefits from three global megatrends: education, health and digitization. This makes Relias the ideal nucleus for developing Bertelsmann's e-learning business.

E-learning is one of three segments in the education sector in which we will invest during the next few years. We also want to build a global network of medicine and human-sciences universities under the umbrella of our US subsidiary Arist. In February 2015, we added the first university to this network: Alliant International University, a renowned institution with 3,700 students at ten campuses. We also intend to shape the services sector for universities. In this way, we plan to develop education as a key pillar of the "new Bertelsmann." We are aiming for revenues of €1 billion in the next few years.

As well as education, we also successfully developed our other growth platforms in 2014. Fremantle Media secured a majority stake in the TV production company 495 Productions. Arvato's takeover of Netrada made it the European market leader in fashion e-commerce. Arvato also continued to drive forward the expansion of its financial services business, for example, by acquiring the Dutch company AfterPay. BMG grew both organically and through acquisitions; among other opportunities, we took over the music publishers Talpa and Union Square, and the Montana and Hal David rights catalogs.

There are encouraging developments to report in the **expansion** of our businesses **in the growth regions** as well. Our Bertelsmann Asia Investments (BAI) fund made more new investments than ever before, bringing the total number to more than 40 since it was established. At the same time, BAI once again recorded significant increases in value. In India, Bertelsmann's investments included the e-commerce platform Pepperfry and the education service iNurture. And in Brazil, we joined forces with an investment company to set up a venture capital fund that focuses on technologies in the education market there.

The experiences of our divisions demonstrate that China, India and Brazil offer us a wealth of opportunities with their rapidly growing middle classes. RTL Group and Fremantle Media are already present on TV screens around the world with their nonlinear offerings and hit formats such as "Idol," "Got Talent" and "X Factor"; Penguin Random House has a global reach unrivalled by any other trade publisher; and Arvato is one of China's leading service providers. By expanding these and our new education and digital-media businesses, we plan to generate around €1 billion in revenues in China, India and Brazil in the medium term.

In the future these countries will be even more formative for the "new Bertelsmann" than they are today. Bertelsmann is in the process of becoming a more digital, more international and faster-growing company. We will become an education company as well as a media and services company. And we want to increase our revenues to €20 billion in the years ahead.

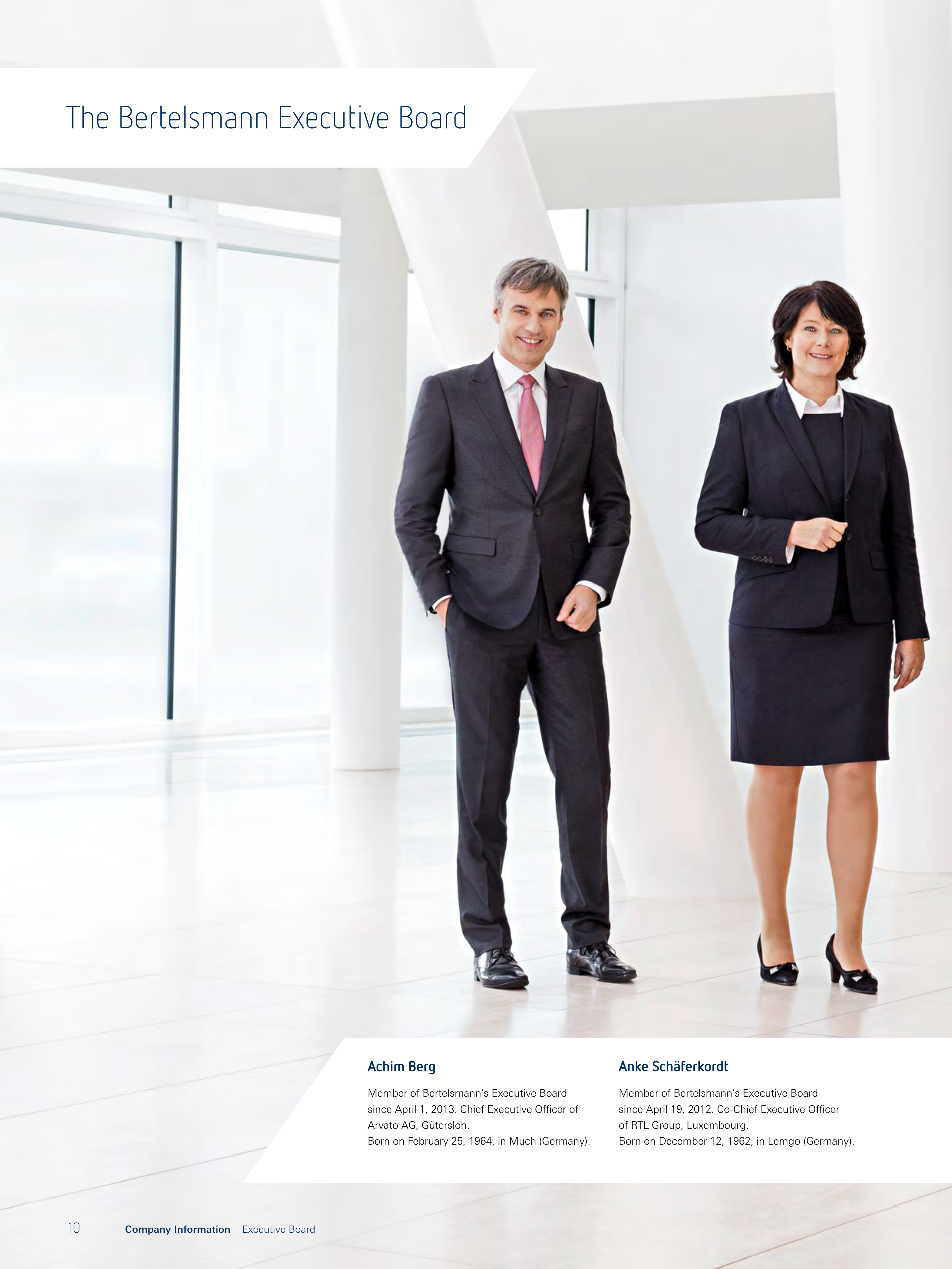
To date, our progress on this journey has been faster than expected. Since the beginning of 2012 we have invested more than €2 billion just in our expansion and growth businesses. As a result, last year they contributed almost 30 percent to our total revenues – compared to around 20 percent in 2011. Conversely, during the same period, we reduced the share of revenues from structurally declining businesses from 15 to under 10 percent.

The most important basis for our company's success is and will remain the commitment and dedication of our more than 112,000 colleagues, whom I would like to thank most sincerely for their work. Together, we are building a "new Bertelsmann," as you can see in this Annual Report – which is therefore also a progress report. I hope you enjoy reading it!

Yours sincerely,

Thomas Rabe

The Bertelsmann Executive Board



Achim Berg

Member of Bertelsmann's Executive Board since April 1, 2013. Chief Executive Officer of Arvato AG, Gütersloh.
Born on February 25, 1964, in Much (Germany).

Anke Schäferkordt

Member of Bertelsmann's Executive Board since April 19, 2012. Co-Chief Executive Officer of RTL Group, Luxembourg.
Born on December 12, 1962, in Lemgo (Germany).

Thomas Rabe

Member of Bertelsmann's Executive Board since January 1, 2006. Chairman and Chief Executive Officer of Bertelsmann, Gütersloh, since January 1, 2012.
Born on August 6, 1965, in Luxembourg.

Markus Dohle

Member of Bertelsmann's Executive Board since June 1, 2008. Chief Executive Officer of Penguin Random House, New York.
Born on June 28, 1968, in Arnsberg (Germany).

Immanuel Hermreck

Member of Bertelsmann's Executive Board since January 1, 2015. Chief Human Resources Officer of Bertelsmann, Gütersloh.
Born on March 22, 1969, in Rheda-Wiedenbrück (Germany).

The Bertelsmann Group Management Committee

The Group Management Committee (GMC) advises and supports the Executive Board on important issues of corporate strategy and development and other enterprise-wide topics. It is composed of the members of the Bertelsmann Executive Board and selected executives from the Bertelsmann Group. The GMC reflects Bertelsmann's diversity and internationality, as well as its most important markets. It is led by Thomas Rabe.

Thomas Rabe
Chairman and Chief Executive Officer
of Bertelsmann

Achim Berg
Chief Executive Officer of Arvato AG

Fernando Carro
Chief Executive Officer Clubs and Direct Marketing
and President Latin America and Spain
of Bertelsmann

Markus Dohle
Chief Executive Officer of Penguin Random House

Immanuel Hermreck
Chief Human Resources Officer of Bertelsmann

Julia Jäkel
Chief Executive Officer and Chairwoman
of the Executive Board of Gruner + Jahr

Annabelle Yu Long
Chief Executive Bertelsmann China Corporate Center and Managing Partner Bertelsmann Asia Investments

Hartwig Masuch
Chief Executive Officer of BMG

Guillaume de Posch
Co-Chief Executive Officer of RTL Group

Gail Rebuck
Chair of Penguin Random House UK Board

Anke Schäferkordt
Co-Chief Executive Officer of RTL Group and Chief Executive Officer of Mediengruppe RTL Deutschland

Karin Schlautmann
Executive Vice President Corporate Communications of Bertelsmann

Bertram Stausberg
Chief Executive Officer of Be Printers

Nicolas de Tavernost
Chief Executive Officer and Chairman of the Management Board of Groupe M6

Bertelsmann Strategy

01 Strengthening the Core

02 Digital Transformation

The Bertelsmann strategy is designed to create a more digital, more international and faster-growing company. Specifically, this means that beyond ongoing investment in its existing activities, Bertelsmann is increasingly developing new lines of business that ensure a broader overall revenue structure. In 2014, significant progress was made in implementing the four declared priorities of the strategy: strengthening core businesses, digital transformation, development of growth platforms and expansion in growth regions.

Bertelsmann's strategy is a response to global trends that are radically changing media usage behavior and customer requirements: the digitization of all areas of life, the increasing role of emerging markets such as Latin America, China and India and the increasing demand for education services.

Creativity is of particular importance for putting the strategy into practice. Accordingly, the company is investing heavily in the creative substance of its businesses. At the same time, Bertelsmann advanced its transformation to digital, expanded growth areas such as education, the music-rights business, and television production, as well as services and e-commerce, and stepped up its activities in fast-growing regions of the world.

The aforementioned four strategic priorities will continue to guide Bertelsmann's business activities as the company benefits from its strong market positions and solid financial foundation.

This Annual Report is entitled **"Building A New Bertelsmann."** The following pages highlight the specific successes that were achieved on this path during the past year and where Bertelsmann stands today. This vividly shows what drives the company and what direction Bertelsmann is taking with its individual businesses.

03 Growth Platforms

04 Growth Regions

digital

international

fast-growing

01

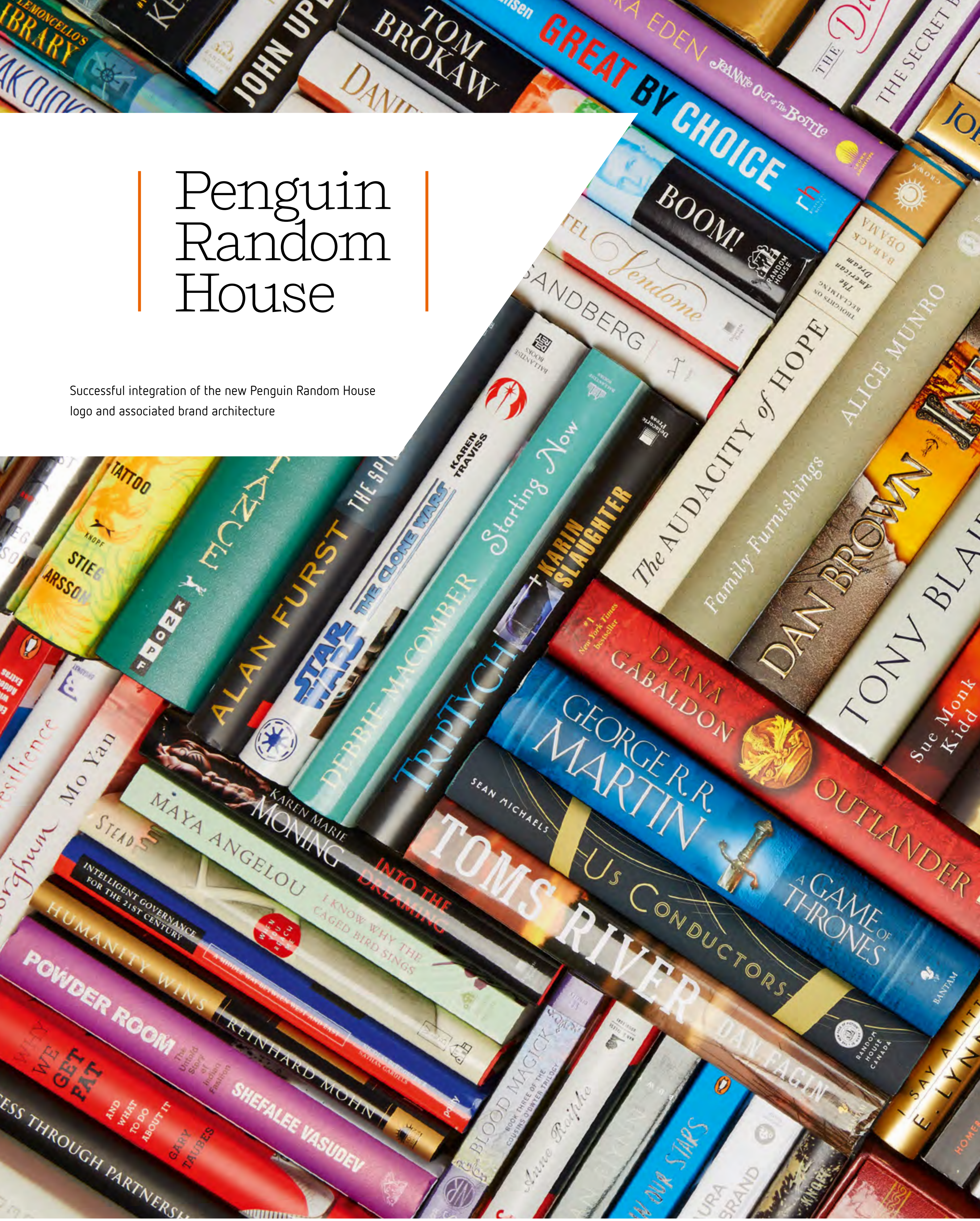
Strengthening the Core

digital

international

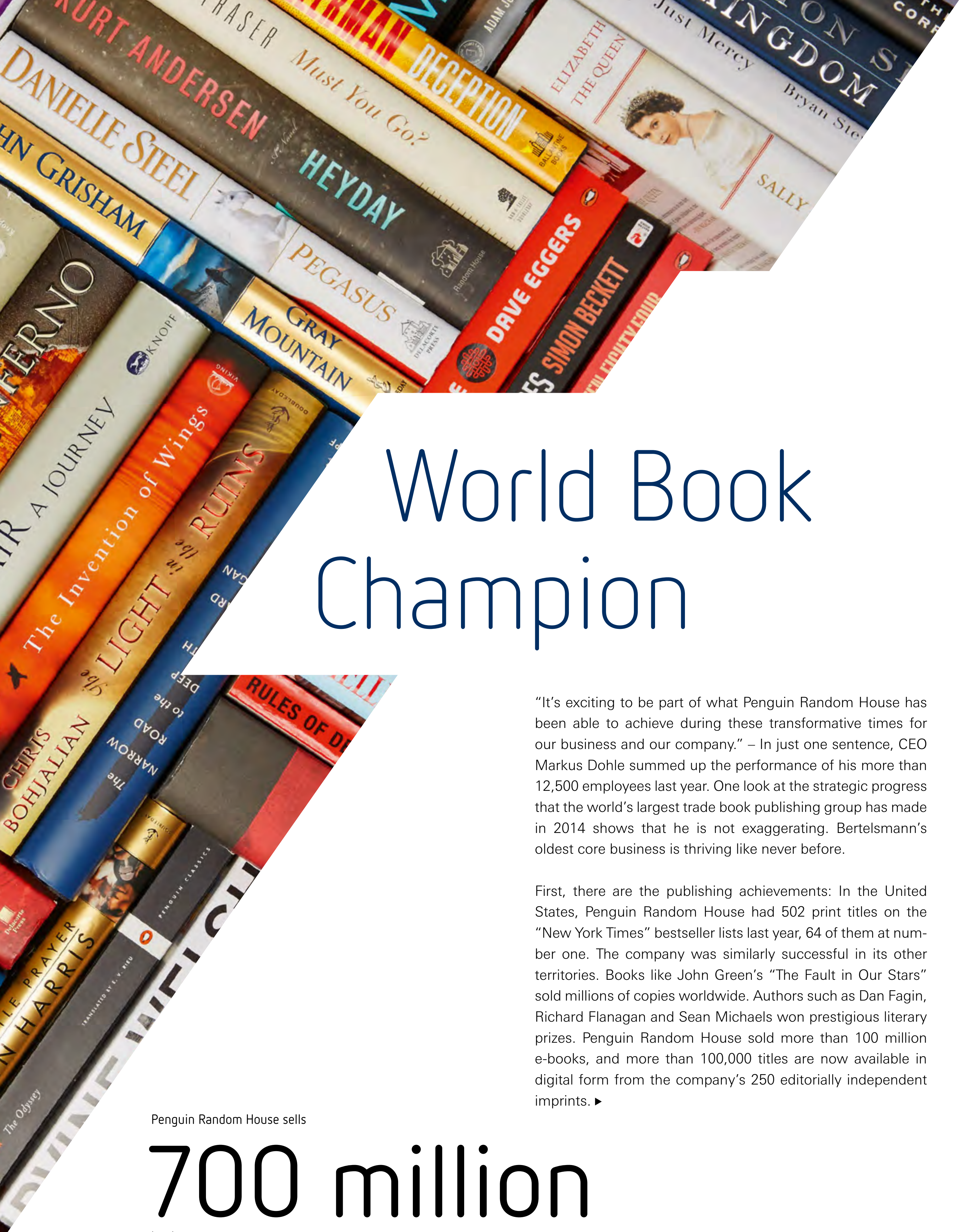
fast-growing

Bertelsmann relies on the innovative power of creativity – it stands at the heart of value creation. No other media company today has a more diverse range of creative content. At the same time, the Group offers solutions for a wide range of business processes to clients from all over the world. Bertelsmann strengthens these core businesses through targeted investments and acquisitions and by seizing opportunities for consolidation. The Group responds to trends and new customer requirements, for example by offering digital additions to television programming or topic-specific media platforms. At the same time, Bertelsmann champions the protection of intellectual property, including in the digital domain.



Penguin Random House

Successful integration of the new Penguin Random House logo and associated brand architecture



World Book Champion

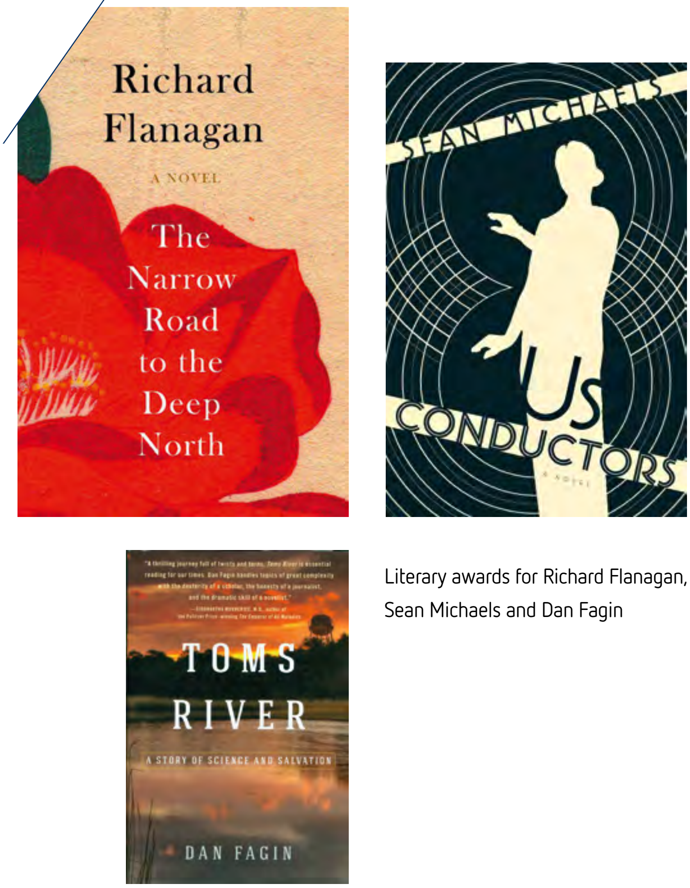
"It's exciting to be part of what Penguin Random House has been able to achieve during these transformative times for our business and our company." – In just one sentence, CEO Markus Dohle summed up the performance of his more than 12,500 employees last year. One look at the strategic progress that the world's largest trade book publishing group has made in 2014 shows that he is not exaggerating. Bertelsmann's oldest core business is thriving like never before.

First, there are the publishing achievements: In the United States, Penguin Random House had 502 print titles on the "New York Times" bestseller lists last year, 64 of them at number one. The company was similarly successful in its other territories. Books like John Green's "The Fault in Our Stars" sold millions of copies worldwide. Authors such as Dan Fagin, Richard Flanagan and Sean Michaels won prestigious literary prizes. Penguin Random House sold more than 100 million e-books, and more than 100,000 titles are now available in digital form from the company's 250 editorially independent imprints. ▸

Penguin Random House sells

700 million

books a year.



Literary awards for Richard Flanagan, Sean Michaels and Dan Fagin

- “Our bestseller performance and awards recognition are the best possible proof that we have in no way let the integration process distract us from the essentials of our creative publishing work,” explains Markus Dohle, highlighting Penguin Random House’s second major strategic focus last year: further integration and collaboration between Penguin and Random House, the trade book publishing businesses of Bertelsmann and Pearson that were combined in 2013. Here again several milestones recently have been achieved: “One year in and we are already reaping many of the benefits of a combined company, and more are on the horizon: upgraded systems, shared best practices, and improved services for our customers,” was Dohle’s assessment. He is convinced that “additional benefits will follow.”

The successful progression of the merger between Penguin and Random House also can be seen in the new visual identity that the company unveiled in mid-2014: “Presenting our new Penguin Random House wordmark side by side with each of our publishing-imprint and brand symbols powerfully communicates what makes our company so special: Our collective experience and global scale coupled with our local publishing teams giving diverse and important voices a platform and audience in their books,” says Dohle, commenting on the new brand architecture.

In addition to the ongoing integration, during the course of the year Penguin Random House also acquired the Spanish- and Portuguese-language publishing group Santillana Ediciones Generales, which significantly strengthened its presence in Latin America and made it number one in the Spanish-speaking literary market, a strategic growth region for Bertelsmann.

Whether digital or analog, in Latin America or the United States – all change aside, Dohle believes that one key success factor always remains the same for Penguin Random House: passion for content and the commitment to connect diverse voices, opinions and stories with as many readers as possible worldwide. “People inherently want to tell stories and share them with others. Giving them the opportunity to do this is the real core of the book publishing business. With Penguin Random House, we are creating a global player that is even better positioned to achieve this goal and to foster a universal passion for reading.”

Penguin Random House

RTL Group Strengthens the Broadcasting Business

RTL Group's families of channels continued to grow in 2014: On May 8 the German digital special-interest channel Geo Television was launched with a primetime documentary about the astrophysicist Stephen Hawking. The pay-TV channel is a collaboration with "Geo," the popular features magazine published by Gruner + Jahr. Geo Television – available in HD quality from launch – primarily shows nature, technology and world-history documentaries, ideally complementing Mediengruppe RTL Deutschland's exisiting pay-TV portfolio. RTL Kockica, the latest addition to the RTL family of channels in Croatia, is aimed at a rather younger audience. On its very first day on the air, the country's first free-to-air children's channel already beat its competitors in the battle for ratings. RTL CBS Extreme HD, the third new addition to RTL Group's family of channels, launched in Southeast Asia in 2014. "We've launched more new channels in the past three years than ever before, considerably strengthening our core business of broadcasting," explains Anke Schäferkordt, Co-CEO of RTL Group.

RTL Group also made progress on the second pillar of its broadcasting strategy – generating steadily higher non-advertising revenues. The company's aim is to receive a fair revenue share for its brands and programmes from the major distribution platforms – cable network operators, satellite companies and Internet TV providers – in the future, for new services such as high-definition TV channels, on-demand platforms and digital pay channels and eventually for the signal of the major free-TV channels, which form the basis of the platform operators' business.

G+J Successfully Launches New Magazines

Growth at the newsstand: Last year, Gruner + Jahr successfully established several new magazines on the market. For instance, the magazine "Flow," launched in late 2013, more than doubled its circulation last year – with a simultaneous increase in frequency of publication. The attention to detail and unusual design of the magazine for mindfulness, inspiration and paper lovers won it a Lead Award in 2014 – one of the most prestigious awards for print and online media in Germany.

At the same time G+J expanded its print portfolio last year: "Old values, new ideas" is the credo of "Salon," a new magazine for hospitality, dining and lifestyle. The high-end lifestyle magazine combines traditional values with modern design and targets a sophisticated readership.

G+J achieved another very successful launch with the new men's lifestyle magazine "Manual," which made its debut in July. The special thing about the publication is its distribution model, for which G+J signed a distribution agreement with H&M. The fashion chain guarantees a circulation of 150,000 copies, to be distributed specifically to male customers in more than 300 of its stores. The magazine is also available at railway-station bookshops and at airports. "Manual" – the "modern manual for men" – offers stories and practical topics for and about trend-savvy men.

Bertelsmann Fully Acquires Gruner + Jahr

The media called Bertelsmann's acquisition of full ownership of Gruner + Jahr a "coup." Since last November, Bertelsmann has owned 100 percent of the magazine subsidiary in which it previously owned a majority stake. Announcing the acquisition, Bertelsmann CEO Thomas Rabe said it was "a milestone in strengthening our core," adding that the deal was also a "clear commitment to journalism."

As the company with the most diverse range of media content in the world, he said that Bertelsmann offered G+J the ideal conditions for a continued successful development. For example, the new ownership structure facilitates the expansion of cooperation with other Bertelsmann companies.

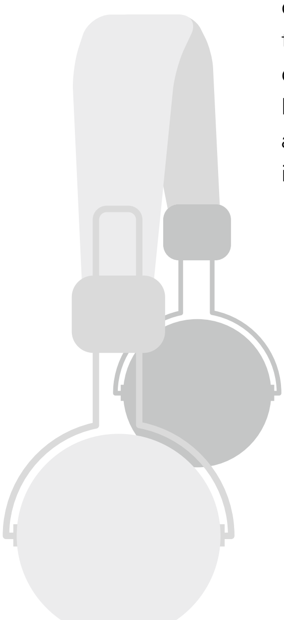
In order to simplify decision-making and coordination processes and lower administrative overheads, G+J changed its legal form to a GmbH & Co KG following the full acquisition in December 2014. This in no way affected the autonomous management of G+J by the Executive Board under Julia Jäkel, nor were there any changes for the employees.

At the same time, Bertelsmann announced investments in the future of its magazine subsidiary: "We fully support the transformation of Gruner + Jahr, and will continue to provide the necessary funds in future," said Rabe. "G+J was and will remain a core Bertelsmann business."

Corporate Investments
Corporate Center

Opening ceremony: Heidrun Streich (Sennheiser), Andreas Sennheiser, Achim Berg and Frank Schirrmeister (Arvato SCM Solution Group) (from left)

Logistics for the Perfect Sound



The Sennheiser Group has found an integrated full-service provider for its global logistics – Arvato. Since the beginning of last year, the Bertelsmann subsidiary has successively taken over warehousing and distribution tasks for the audio components manufacturer. After the successful launch of logistics activities in Europe, America and Asia have now also been added to its areas of responsibility – "a fantastic international cooperation," as Arvato CEO Achim Berg emphasized. Arvato specially built a 10,000 m² storage and distribution facility in Gütersloh in order to take on the contract. Some 60 Arvato employees send out several thousand shipments a day from here. The overall Sennheiser portfolio includes more than 3,000 different products.

arvato
BERTELSMANN

SENNHEISER

10,000
m² warehouse and distribution hall

3,000 different products

One-Stop Gravure and Offset at Prinovis

Be Printers and Prinovis CEO Bertram Stausberg

Since the beginning of this year, two offset presses have broadened the range of services at the Prinovis site in Dresden. Previously, only gravure printing was done here, but after the set-up and testing of the two machines last year the plant is now the first Prinovis hybrid facility to offer both gravure and offset technology. "With these new presses, we create a strategically important complement to our core business of gravure printing," says Prinovis CEO Bertram Stausberg. For him, the acquisition of the two 48-page web offset presses constitutes is an "important step in enhancing the competitiveness of the Dresden site and the Prinovis Group." It now offers its customers new products that combine both printing processes. The first offset order was a brochure for the mail-order company Klingel with a print run of over 500,000 copies.

BE PRINTERS

The new machines print

5.4 million

DIN A4 pages per hour.

Thomas Rabe in London

Creative Highlight of 2014: Bertelsmann Conference in London

Thomas Rabe aimed to make 2014 "The Year of Creativity and Innovation." In an article for the "Frankfurter Allgemeine Zeitung" Bertelsmann's Chairman & CEO wrote: "I am convinced that the era of digitization is not the era of technology, but the era of creativity." He said there is no other company that combines such creative diversity under one roof as Bertelsmann.

This was made especially clear in September last year at a three-day creative conference in London: 300 top executives and creative people from Bertelsmann came together and took the opportunity to discuss the conditions and processes of creativity. "Creativity is at the heart of everything we do," said Rabe in his speech. In addition to creative people associated with Bertelsmann such as E. L. James, Jamie Oliver, Beth Ditto, Will.i.am and Simon Cowell, there were a number of renowned external guest speakers, including poets, political strategists, neuroscientists and designers.

Corporate Investments
Corporate Center

TV chef Jamie Oliver and singer Beth Ditto at Bertelsmann's Creativity Conference

Achievements: Strengthening the Core

digital

international

fast-growing

Bertelsmann reaches more than 500 million people a day with its offerings.

RTL GROUP

- RTL Group reaches 103 million TV households across Europe.
- The broadcasting group operates 52 TV channels and 29 radio stations in the eight most attractive markets in Europe (Germany, France, Netherlands, Belgium, Luxembourg, Spain, Hungary and Croatia) and in Southeast Asia.
- Three new channels were launched in 2014: RTL Kockica in Croatia, Geo TV in Germany and RTL CBS Extreme HD in Southeast Asia.
- About 90 percent of RTL Television's program lineup consists of its own formats.

Penguin Random House

- Penguin Random House is the world's largest trade book publisher, with 250 imprints on five continents.
- It publishes over 15,000 new titles each year.
- It sells about 700 million books per year.
- Penguin Random House publishes the works of more than 70 Nobel Prize laureates.
- Its top-selling book in 2014 was John Green's YA novel "The Fault in Our Stars," which sold more than ten million copies in hardcover and e-book formats.
- A total of 502 titles were placed on the "New York Times" bestseller lists in 2014, 64 of them at number one.
- Prominent awards in 2014 included the Pulitzer Prize for Dan Fagin with "Toms River" (nonfiction) and the Man Booker Prize for Richard Flanagan's "The Narrow Road to the Deep North."

G+J

- G+J has a presence in around 20 countries with a total of 500 magazine, digital and other media offerings.
- Two new magazines were launched: "Salon" and "Manual."
- The market-leading position in France has expanded: Prisma Media had the highest circulation and reach among France's magazine publishers, along with strong websites.
- G+J journalists won more than 130 awards for their work in Germany and abroad in 2014.

arvato BERTELSMANN

- Services are provided for 150 million customers worldwide in 30 languages.
- Arvato ships 700 million packages a year.
- Arvato initiates approximately 300 million contacts with consumers per year for major clients.
- About 200 million calls are made annually at its service centers worldwide.
- Arvato services 40 million consumers across Europe in customer loyalty systems.
- A total of 600,000 individual books or packages of books are shipped by Arvato per day.
- Around 750 million books and 2 billion brochures are printed per year.

BE PRINTERS

- Be Printers prints 1.6 million tons of paper a year at its printing plants.
- The new offset presses in Dresden print 5.4 million A4 pages per hour. The paper runs through the presses at 54 km/h.
- 265 million printed products were produced at the Hicksville plant in the United States alone in 2014.
- The US printers renewed a five-year printing contract with their sister company Penguin Random House.

02

Digital Transformation

digital

international

fast-growing

Bertelsmann's business areas are also transforming as a result of digitization and changes in media use. The company shapes this transformation with a clear focus on customers' needs and requirements. Be it TV content on every available end device, from TV sets to smartphones to tablets; more than 100,000 e-books in German, English and Spanish; apps and portals tying in to established magazines or topics or digital services – Bertelsmann is reinventing itself, attracting new customer groups and opening up new distribution channels. The transformation to digital is a long-term endeavor that is of crucial importance to the future of the company.


spot

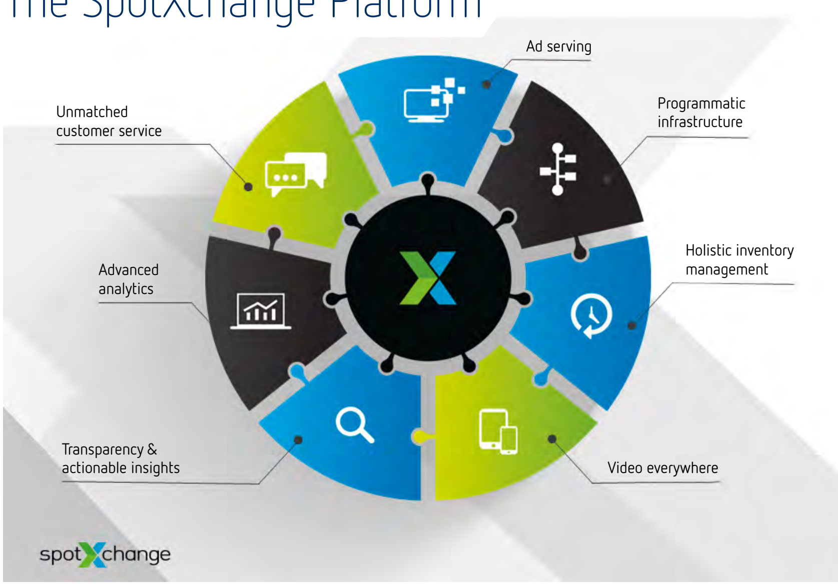
The NASDAQ for Online Commercials

“Programmatic advertising,” “supply-side platforms,” “real-time bidding” – specialized terms like these are often bandied about among RTL Group’s digital experts, but even more so since last year. The reason is the new subsidiary SpotXchange, in which RTL Group secured a majority stake in September 2014 – a strategic milestone on the path of transformation of what is now Europe’s most digital TV company.

“Following our investments in nonlinear TV services and in multichannel networks on YouTube, RTL Group has already become the leading European media company in terms of online video views,” said Co-CEOs Anke Schäferkordt and Guillaume de Posch, explaining the rationale behind the acquisition of SpotXchange. “The logical next step in our strategy is a structural move into the area of digital monetization.” ▸

▸ This is precisely where the Denver-based US company comes into play: Founded in 2007, SpotXchange is a platform for programmatic selling of online video advertising. Its advertising marketplace with an exclusive focus on video brings together online advertisers and publishers. Every time an online user visits a website, data about them is transmitted to SpotXchange. In milliseconds, SpotXchange identifies advertisers for whom this particular user could be of interest, offering them the chance to immediately advertise. The advertisers bid on this advertising slot and the highest bidder wins, resulting in their advertising being shown to the user instantly. Since the entire process runs in the background in a split second, users only see the result: advertising that is tailored to their interests.

The SpotXchange Platform



SpotXchange processes more than

3 billion

auctions each day.

"Basically, SpotXchange is a kind of NASDAQ for online commercials," says Guillaume de Posch. Each day, SpotXchange processes 3 billion such auctions – and the number is rising. Online video advertising is currently one of the fastest growing segments of digital advertising; experts expect average annual growth rates of 42 percent in automated sales of online video advertising.

This also pays off financially: In the first half of 2014, SpotXchange doubled its net revenues year on year, and the company's development for the full year is also impressive. "This has been an incredible year for SpotXchange as we've experienced tremendous growth in revenue, made huge steps toward global expansion and continued to develop our programmatic video technology," says SpotXchange CEO Mike Shehan. "We're excited to see what 2015 has in store for us."

RTL Group Expands Its MCN Networks

More than 5 billion online video views per month – and rising – are a testament to RTL Group's rapid progress in the digital domain. In 2014, the Bertelsmann division continued to grow its successful multichannel networks (MCN) – companies that aggregate YouTube videos of various genres and sell them to advertisers. Last December, RTL Group acquired a majority stake in the US company StyleHaul that specializes in fashion and lifestyle videos (see interview on page 34).

More than

5 billion

online video views per month

In addition, RTL Nederland launched its own MCN focusing on music, entertainment and sports with RTL Group's subsidiary BroadbandTV – another MCN that greatly expanded its reach last year – as its technical partner. Overall, RTL Group is now the world's second-largest player in the YouTube ecosystem, excluding pure music services.

Interview with
Stephanie Horbaczewski, Founder & CEO of StyleHaul

StyleHaul has been majority owned by RTL Group for several months now. How has your work changed since then?

RTL Group has been one of our investors since 2013, just like Bertelsmann Digital Media Investments. So there's been close interaction with Bertelsmann and RTL Group for some time now – and it has probably intensified further in recent months. We feel very comfortable under the Bertelsmann umbrella. RTL Group is the perfect owner for StyleHaul.

Why is that?

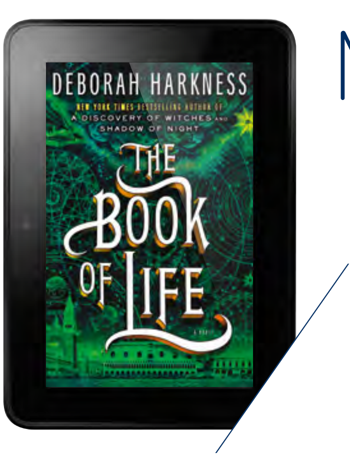
There's a perfect synergy between RTL Group and StyleHaul. RTL Group's infrastructure and reach will help us to internationalize our business easier and faster, especially in Europe – and, increasingly, in Asia too. Beyond that, the collaboration with Fremantle Media is especially rewarding as you look at the content partnership. By the same token, RTL Group benefits from our digital expertise and StyleHaul's strong online community. In short: it's a mutually beneficial partnership.

Is this true only for StyleHaul or do you believe that startups and large corporations can benefit from each other in general?

I think it is contingent on the companies. In this particular instance, yes, there is a mutual benefit. The wealth of experience at large corporations is helpful for young companies. For example, before the acquisition, our colleagues at RTL Group were active partners for us as we explored new opportunities for growth and also supported us with implementation. At the same time, everyone on the RTL Group side was always open to ideas from StyleHaul and gave our teams the space to develop our strategic growth plan and new and innovative ideas.

RTL GROUP

Penguin Random House: More than 100,000 E-books



E-book champion: Penguin Random House expanded its e-book portfolio in 2014 to more than 100,000 titles. Simultaneously with their release in print, more novels and nonfiction books, as well as a wide range of backlist titles, can now be digitally downloaded; this took place more than 100 million times worldwide last year. Last year, 31 Penguin Random House titles topped the "New York Times" e-book bestseller ▸

▸ list, including John Grisham's "Gray Mountain" and "The Book of Life" by Deborah Harkness. In Germany, Verlagsgruppe Random House's e-books publishing program saw double-digit percentage growth. The digital world is also becoming increasingly important for Penguin Random House for marketing and philanthropic purposes: Around Christmas, for example, the publisher ignited one of the largest conversations ever about books as gifts on Twitter with the #GiveaBook campaign.

New Digital Formats from Gruner + Jahr

Gruner + Jahr is on its way to becoming Germany's leading provider of digital magazines. The Bertelsmann subsidiary developed numerous new e-mags and apps in the past year, including ones for the magazines "Häuser," "Beef!," "Essen & Trinken" and Europe's largest lifestyle magazine, "Schöner Wohnen." The renowned "National Geographic" brand celebrated its 15th anniversary in Germany with a grand anniversary edition as well as a completely revised e-mag. The digital magazines were very popular and regularly scored top ten slots in the App Store and Newsstand rankings. In the high-sales weeks around Christmas, publications like "Schöner Wohnen," "Essen & Trinken," "Stern," "National Geographic" and "Geo" sometimes occupied the entire top five of the Apple Newsstand download charts. In Newsstand's "Popular Science" category, the "Geo" e-mag stayed at number one for the entire fourth quarter. "Essen & Trinken" and the "Geo" and "Stern" e-mags also ranked in the five top-grossing apps.

Apart from this, G+J also invested in video with a production campaign. More than 300 videos, featuring protagonists like the chefs Rike Dittloff and Fabio Haebel, are now part of the portfolio and are used on websites, YouTube channels – such as the Chefkoch channel – and in combined content concepts such as print/DVD bundles.

At the same time, G+J invested in various additional digital businesses related to the company's defined Communities of Interest. For instance, G+J's homegrown start-up Roomido, a community for home and furnishings, was able to significantly expand its network of experts. June 2014 also saw the debut of G+J's own developed e-commerce portal, Tambini. This full-service site for themed events has everything parents need to make their children's birthday parties a success.

In ad sales, G+J successfully consolidated its position as a relevant marketer with holdings in the digital companies Trnd and Veeseo, with more offers in cross-media and international performance marketing and with Prisma Media's acquisition of a stake in the video inventory marketer Advideum. G+J EMS was also, once again, the leading marketer of mobile ads in Germany in 2014.

App for GenZ's Future: Successful Launch of Blicksta

blicksta
Zukunft auf einen Blick

More than

25,000

students on the platform

Two awards in three months: Launched last summer, the Medienfabrik career guidance platform Blicksta won two prestigious awards in 2014. In December, the Arvato subsidiary's project won the coveted "HR Innovation of the Year" prize at the HR Excellence Awards. Earlier, the platform had already been named Innovation of the Year at the European Digital Communication Awards. The principle behind Blicksta is simple: It provides young students aged 15 to 19 with information that is relevant to them, based on interests, type of school, graduation qualifications and region. Additionally, it links pupils at schools and potential employers on its platform, where they can interact with each other.

In this way, companies, universities and organizations can find students who suit their institutions. The pupils for their part, gain authentic insights into the employment marketplace and receive guidance with their career planning. "Until now, there was no innovative tool in student marketing that is designed for the long term as well as being individual, mobile and holistic. Blicksta changed that," says Gero Hesse, managing director of Medienfabrik. Six months after its launch, at the end of 2014, more than 25,000 students were already registered on the innovative platform. Blicksta's founding partners include the Arvato subsidiary as well as Coca-Cola, Deutsche Telekom, the Zentralverband des Deutschen Handwerks (German Confederation of Skilled Crafts) and universities such as the Bucerius Law School.

arvato
BERTELSMANN

HUMAN RESOURCES
EXCELLENCE
AWARDS

DIGITAL COMMUNICATION
AWARDS 2014
WINNER

Tolino: Market Leader and New Models

The e-reader Tolino continued its success story last year, much to the delight of its operating partnership, comprised of Der Club Bertelsmann, Hugendubel, Thalia, Weltbild and Deutsche Telekom. According to figures from the Association for Consumer Research (GfK), in the third quarter of 2014, the alliance surpassed its competitor Amazon in e-book sales market share in Germany – a trend that was further strengthened by its new partnership with the book wholesaler Libri, announced at the Frankfurt Book Fair last year.

That collaboration underlines that the Tolino ecosystem is an open e-reading system which now is available to all German booksellers. It is also expanding geographically: Since last year, the Tolino system has also been available in Belgium (in collaboration with Standaard Boekhandel) and Italy (through the online bookseller IBS). In addition, the Tolino hardware made technical progress in 2014: The partners launched the waterproof e-reader Tolino Vision 2 and the Tolino Tab 8 just in time for Christmas.

Corporate Investments
Corporate Center

1.5 million

e-book titles are available for the Tolino system.

Bertelsmann Funds Expand Their Portfolio

Last year, all over the world, Bertelsmann invested in promising startups that pursue innovative business models. Overall, the Group used its international funds to expand its portfolio of holdings to more than 90 young companies. Together, the funds form one of the largest and most active digital corporate venture groups. Bertelsmann's diverse corporate venture activities earned it accolades from the industry. The US trade magazine "Global Corporate Venturing" ranked Bertelsmann as the second most influential corporate venture company in the media sector, highlighting in particular the internationality of Bertelsmann's fund activities. Apart from Bertelsmann Digital Media Investments (BDMI) for investments in startups in the digital domain in the United States and Europe, the company also invests in China via Bertelsmann Asia Investments (BAI), and other strategic investment funds are in place for the growth regions of India and Brazil as well as for education (University Ventures Fund).

Most of the investments in startup companies are made by the BDMI fund (47 holdings). Last year, BDMI made a total of eight new investments and sold its holdings in nine startups, including its shares in the multichannel network StyleHaul, which was acquired by RTL Group. "Apart from the successful investment, we also fulfilled one of our core tasks in this case: To scout out strategically relevant lines of business fields at an early stage and intelligently network young companies that operate in them with Bertelsmann's divisions," says Urs Cete, managing director of BDMI. "We managed to do this perfectly with RTL Group and StyleHaul. We are proud of our role in making this partnership happen." Cete himself was also acknowledged several times in investor rankings last year.

BAI was more active than ever before in 2014: The China investment fund invested in a total of 11 companies last year (see pages 55ff.). Bertelsmann also expanded its business portfolio in other strategic growth regions. For instance, last year in Brazil, the Group invested in three education technology companies via a new fund jointly established with the renowned Brazilian investment company Bozano Investimentos.

Bertelsmann made several investments in India, including in the education services provider iNurture and in Pepperfry, one of the leading digital marketplaces for furniture.

Bertelsmann also continued its commitment to University Ventures Fund (UVF) and in 2014 participated in the newly launched UVF II, which, like its predecessor, invests in innovative companies in the education sector. Last year, UVF II investments included the Ponce School of Medicine – the first US MD-granting medical school to be a private enterprise – and the US startup Galvanize.

Corporate Investments
Corporate Center

New BDMI investments in 2014

Achievements: Digital Transformation

digital

international

fast-growing

RTL GROUP

– The innovative online marketer SpotXchange auctions 88 million ad impressions a day – and rising.
– RTL Group's digital channels collectively recorded 36.4 billion video views in 2014.
– They currently receive more than five billion online video views per month – and rising.
– The RTL Group multichannel networks BroadbandTV, StyleHaul and Divimove operate 32,000 YouTube channels, generating over 4 billion video views a month – and rising.
– Fremantle Media is the world's most-watched TV production company online: its 210 YouTube channels record 9 billion views a year.
– RTL Group owns StyleHaul, the largest multichannel network for beauty, fashion and lifestyle: more than 60 million unique viewers, over 230 million subscribers and one billion video views per month.
– RTL Group is now the world's number two in the YouTube ecosystem (not including music-video services) with its multichannel networks and Fremantle Media's YouTube channels, and number four in online video with all of its platforms.

Penguin Random House

– Penguin Random House is the digital frontrunner, selling more than 100 million e-books in 2014.
– The e-book catalogs of the Group's various publishers now include more than 100,000 titles.
– The international portal DKfindout offers more than 300 animations, 300 audio files, 9,000 photos, 100 videos and 3,000 items to help satisfy children's thirst for knowledge.
– After it was launched in December 2014, some 2,000 people called the "Penguin Hotline" in the first week alone to get book recommendations from hundreds of volunteers.

G+J

– G+J offers some 80 e-mag projects for its brands.
– With Urbia, Eltern, Roomido and Chefkoch, G+J has created strong Web communities: In December alone, Chefkoch.de, Europe's largest food community, received 88 million hits.
– Video campaign: Professional chefs such as Rike Dittloff and Fabio Haebel passed on their knowledge in over 300 videos – embedded on websites, YouTube channels and combined print-digital concepts.
– Popular apps: The stern.de app was downloaded 260,000 times in 2014 and more than 500,000 times overall since its launch. The gala.de app was downloaded 110,000 times in 2014.

arvato BERTELSMANN

– Arvato works closely with major tech companies such as Google and Microsoft and telecom companies like Vodafone.
– Service provider for retailers: Arvato makes e-books available on various sales platforms, generating sales of 12 million digital titles in 2014.

Corporate Investments
Corporate Center

– Bertelsmann brings together more than 6,500 channels on Twitter, Facebook, Google+ and YouTube in its Social Cloud.
– There are more than 720 million followers across all Bertelsmann social media channels.
– Through various funds, Bertelsmann has holdings in more than 90 startups and high-growth companies with digital business models worldwide.
– Some 1.5 million e-book titles are available for the Tolino system.
– In the third quarter of 2014, dealers involved with the Tolino initiative jointly led the German e-book sales market for the first time, with a 45 percent market share.

03

Growth Platforms

digital

international

fast-growing

Over the next few years, Bertelsmann plans to expand its lines of business and systematically add fast-growing sectors. These include, for example, the education business, which is driven by the growing worldwide demand for accredited academic degrees. In the long term, education will be expanded into a third revenue pillar, alongside media and services. Music rights constitute another promising line of business: Bertelsmann actively manages music-publishing and recording rights under the historic BMG brand, with a firm focus on the needs of artists in the digital age.

Welcome to Bertelsmann, Relias Learning!

In November 2014 Bertelsmann gave sets of books to around 300 new employees as a welcome present – a visible sign that they were now part of the creative Bertelsmann family. The new colleagues work for the US education provider Relias Learning – Bertelsmann's largest acquisition in the United States since the purchase of Random House in 1998.

"In Relias, we acquired the leading provider of e-learning solutions for employee training in the health sector," says Bertelsmann CEO Thomas Rabe, explaining the reason behind the transaction. He called the acquisition "a milestone" in the development of Bertelsmann's education business, one of the Group's strategic growth platforms. "Relias also expands our presence in the United States, the largest and most innovative education market in the world."

Specifically, the new Bertelsmann subsidiary, led by CEO Jim Triandiflou (see interview on page 45), currently offers more than 2,500 training courses to the employees of over 4,000 institutional clients on an online platform. Its main focus is senior care, behavioral therapy and care for people with disabilities. ▶

4,000
corporate customers

2,500
different online courses

25 million
online courses taken in 2014

▸ Around 2 million people rely on Relias's training courses, a figure that is set to rise over the next few years because staff training and professional development are increasingly happening online. So it's hardly surprising that Thomas Rabe also sees "significant potential" for Relias to grow in related sectors, as well as "through international expansion." Accordingly, the company perfectly meets Bertelsmann's strategic investment criteria of good growth prospects, global reach, a proven digital business model, scalability and low susceptibility to economic cycles.

The e-learning market in which Relias currently operates has a volume of almost US$20 billion and is growing by up to 15 percent annually. Experts estimate the worldwide market volume of the education sector at around US$5 trillion – and rising steadily, fueled by global megatrends including the requirements of a knowledge society, the necessity of lifelong learning, and demand from emerging countries. Only a small part of this market is currently covered by private providers.

These figures illustrate why educational activities are a declared growth area for Bertelsmann, one in which it will continue to invest. For Thomas Rabe, the goal is clear: "We are on our way to making the education business the third pillar of our portfolio, alongside media and services."

UDACITY

2.8 million

students from **119** countries

Educational Investment in Silicon Valley

In addition to the full acquisition of Relias Learning, Bertelsmann expanded its education business in the United States with a second strategic investment last year: In September, the international media company participated in a financing round of the online education provider Udacity. Founded in 2011 and led by the German computer scientist Sebastian Thrun, the company offers online professional development courses with a focus on technology and IT. Udacity's partners include well-known companies such as Google, Facebook and Coursera. Bertelsmann CEO Thomas Rabe says: "Participation in Udacity gives us access to one of Silicon Valley's most innovative and best-known e-learning providers."

Corporate Investments
Corporate Center

Interview with

Jim Triandiflou, CEO of Relias Learning

"Thanks to Bertelsmann, we think bigger"

What was last year like for Relias?

The year 2014 was fantastic. First, because Relias had a very successful year. We grew – organically and through two acquisitions – by 35 percent, passed the 4,000-customer mark and now employ about 300 people. By comparison: at year-end 2012, we had just 100 employees. At the same time, we continued working successfully on the quality and excellence of our content in 2014. That includes the development of "Relias Connect," a social media platform on which our customers can communicate with one another. "Relias Connect" creates a tremendous sense of community among Relias customers and lets us get to know them even better. This helps us in making the most fitting solutions and highest quality content available to them.

Content is the core of Bertelsmann's business. Is this one reason why Relias is such a good fit with the Group?

Definitely. I still remember very well when Thomas Rabe visited us at the end of the year – exactly one day after he had met the Spanish king in Gütersloh. That just shows what league Relias is playing in now thanks to Bertelsmann. On the day of the acquisition, our Bertelsmann colleagues showed us a video here in Cary to present the Group, highlighting the company's creative and globally renowned content. We were all thrilled to be part of such a creative powerhouse.

Has anything specifically changed about your work since Relias became part of Bertelsmann?

We think bigger – in everything we do! For example, when we talk about business expansion and growth, thanks to Bertelsmann, we are now talking about internationalization, about Europe, Latin America, China. That's a wonderful thing that probably would be inconceivable without Bertelsmann. Our strategic perspective on many things has changed completely.

What are your plans for 2015 and the years ahead?

Of course we want to continue to expand the business. In the areas in which we operate, about 20 percent of the training is currently carried out digitally, while 80 percent is still analog – so there is a lot of room for growth there. Our goal is to be the world's leading provider of e-learning. High-quality learning content will continue to remain essential to success in this, because our mission remains the same as it has been for years: to use our teaching content to support people in helping other people.

Corporate Investments
Corporate Center

A Successful Year for BMG

Beatsteaks

13
Grammy Awards 2014

10
Echo Music Awards

Billy Corgan of
The Smashing Pumpkins

Music is sounding an increasingly positive note at Bertelsmann: BMG continued to grow during the past year and now holds the rights to more than 2.5 million songs and recordings. As well as a number of renowned artists and songwriters such as Dave Stewart, The Strokes, Faith Evans, The Smashing Pumpkins, Simply Red, Wayne Hector, M.I.A., Beatsteaks, Kraftklub, The BossHoss and Casper, who placed the management of their music rights in the hands of BMG in 2014, several acquisitions contributed to the company's growth. The Bertelsmann subsidiary, which was founded in

Dave Stewart

2008, acquired, among others, the publishing catalogs of Hal David and Montana as well as Dutch music publisher Talpa Music. BMG grew its master-rights business through the acquisitions of catalog specialist Union Square and Skint/Loaded Records as well as renowned rock labels Vagrant Records and Infectious Music.

Business was particularly good in Germany, where BMG was the most successful music publisher of the year. The artists and writers of the Bertelsmann music-rights subsidiary were involved in nearly one in five of the Top 100 singles, including the number-one hits "Auf Uns" by Andreas Bourani and "When the Beat Drops Out" by Marlon Roudette. Overall, BMG more than doubled its market share in Germany over the previous year on year. "We have demonstrated definitively that just six years after launch, BMG can compete with even the biggest and most established industry players," says BMG CEO Hartwig Masuch. The work of BMG artists and authors won numerous accolades during the reporting period, including 13 Grammys and 10 Echo music awards.

M.I.A.

Corporate Investments
Corporate Center

The BossHoss

Acquisition in the United States: Fremantle Media Buys 495 Productions

495 Productions produces some of the most successful reality shows on US television – and since last year has done so under the RTL Group umbrella. In April, RTL Group's production arm Fremantle Media, one of Bertelsmann's strategic growth platforms, acquired a majority stake in the company based in Burbank, California. "This deal will allow us to expand our share of the valuable US cable market and will complement and diversify our existing portfolio of content and clients," says Cecile Frot-Coutaz, CEO of Fremantle Media.

The purchase is of particularly great strategic relevance for Fremantle Media North America: The company now has production capacity for all audiences and channel customers – families, men and women, major networks, cable channels and syndication platforms.

495 Productions achieved its breakthrough in 2009 with the reality show "Jersey Shore," which was broadcast on MTV and went on to become the most successful format in the channel's history. Other popular 495 Productions formats include "Party Down South," "Tattoo Nightmares" and the MTV dating show "Friendzone." Besides MTV, 495 Productions also works with US channels such as VH1, Fox, National Geographic and the History Channel.

Europe's Number One in Online Fashion Retail

Arvato was just ten days into 2014 when it announced some important news: The Bertelsmann subsidiary was taking over key parts of the Netrada Group, headquartered in Hanover, and then combining the two companies' e-commerce businesses. As the fast-growing online-trading segment is one of Bertelsmann's defined growth platforms, the deal – one of the largest transactions in Arvato's history – was a perfect fit with the Group's strategy. "The e-commerce services market is showing an attractive, sustained development and enables high growth rates," said Arvato CEO Achim Berg at the time, adding that the transaction would make the Bertelsmann subsidiary more international and strengthen its growth momentum. In short, "a major expansion step," said Berg. One look at the figures proves his point: More than 3,000 employees work for Arvato in the combined unit, with their shared business activities generating revenues of approximately €300 million. Netrada alone operates more than 70 country web shops for 13 international fashion brands, so the acquisition turned the Bertelsmann subsidiary into Europe's leading service provider to the online fashion trade. Renowned brands like Esprit, Versace and C&A are now among its customers.

Thanks to its broad setup, Arvato can offer them more than many of its competitors can: "We are the logical partner when it comes to multichannel solutions for e-commerce, front- and back-end services, CRM solutions, forward and reverse logistics and financial services," says Berg. "We can also boost our customers' e-commerce business with innovative solutions and additional print products like catalogs."

OGLI e-Solutions Platform

Further E-Commerce Takeover

In October 2014 Arvato continued the international expansion of its e-commerce businesses and took over the logistics service provider Ogli, which operates in this sector in Turkey. The acquisition also strengthened the Bertelsmann subsidiary's position in this emerging market.

Takeover of Payment Services Provider Afterpay

Expansion of the growth business of financial services: In January, Arvato Financial Solutions acquired the Dutch payment services provider Afterpay. The Arvato subsidiary had already cooperated with the company for the previous two years. Afterpay handles settlement and risk management for defaults on online "pay after delivery" orders. In Europe, payment after delivery of the goods is still the most popular method of payment. Arvato Financial Solutions can now offer this payment method for certain countries in Europe, with a payment guarantee.

Achievements: Growth Platforms

digital

international

fast-growing

RTL GROUP

Growth Business TV Production

- RTL Group's production arm Fremantle Media produces 10,000 hours of television programming a year in 22 countries.
- It sells close to 20,000 hours of programming a year in more than 200 countries, and has over 300 formats on air or in production at any given time.

arvato BERTELSMANN

Growth Businesses Financial Services and E-commerce

- Arvato processes 70 million payments a year for corporate customers.
- Arvato carries out around 100 million credit checks per year.
- The Arvato subsidiary Netrada is Europe's leading e-commerce provider, operating more than 70 online shops for many international fashion brands.

Corporate Investments
Corporate Center

Growth Business Education

- Bertelsmann aims to generate revenues of €1 billion from education businesses in the medium term.
- The market size of the three education sectors in which Bertelsmann currently operates is:
  - · E-learning: nearly US$20 billion globally
  - · Universities specializing in health and human sciences: US$160 billion globally
  - · Services: US$1 billion in the United States

Relias Learning
… is posting annual growth of 20 to 25 percent,
… has revenue potential in the hundreds of millions of euros,
… is the US market leader in online training in the healthcare sector, with over 4,000 corporate customers and 25 million online courses accessed in 2014.

Udacity
… is one of Silicon Valley's most innovative e-learning providers, with 2.8 million students from 119 countries.

University Ventures
… has a portfolio of seven fast-growing education companies on the market.

Growth Business Music Rights

- BMG now holds 2.5 million music rights, including 600,000 master rights, making it number four worldwide.
- The company represents 70,000 songwriters and artists.
- In 2014, BMG artists won 13 Grammys and 52 nominations as well as 10 Echo awards and 19 nominations.
- BMG is Germany's most successful music publisher: In 2014, it had a cumulative 18 percent share of the singles charts.

04

Growth Regions

digital

international

fast-growing

Bertelsmann is stepping up its expansion in regions that offer long-term prospects with respect to economic development, purchasing power and media use. In the Group's view, these primarily include Brazil, China and India. Bertelsmann already has operations and Corporate Centers there and intends to expand its presence in the years ahead. As it expands its existing activities, Bertelsmann will also increasingly invest in the education and digital-media sectors in these three countries.

BAI | Bertelsmann Asia Investments

Partner, Sponsor, Networker

When investing in fledgling companies, one-off successes are not uncommon. Consistently achieving impressive progress, however, is much more difficult. The Bertelsmann Asia Investments (BAI) fund, through which Bertelsmann has been investing in promising young companies in its strategic growth region of China since 2008, managed the feat once again last year.

One look at the figures provides proof: BAI invested in no fewer than 11 new companies in 2014 – more than ever before. These include the Chinese flash-storage specialist Memblaze and the recruiting platform Lagou, whose growth BAI helped to finance twice within a few months. Since its establishment seven years ago, the fund, managed by Bertelsmann China boss Annabelle Long (see interview on page 57), has made more than 40 investments. ▸

BAI invested in

11

new companies in 2014.

Since 2014, an additional field of activity for Bertelsmann's startup experts in China has been very early-stage funding. Last October, the team set up an "angel fund" that focuses on providing early-stage financing for companies. The "BetaFund" also supports the startups with know-how and contacts – something that Bertelsmann Group Management Committee member Annabelle Long feels is as important as financial assistance. In 2014, Bertelsmann's fund brought together the CEOs of all the companies in its portfolio at the first "BAI CEO Summit" to facilitate this exchange of experience. All Bertelsmann companies in China benefit from this network, which gives them early-stage exposure to relevant digital trends as well as business models.

The experts also once again agreed that BAI does excellent work: In the summer of 2014, China's leading online tech magazine, "36kr," listed the Bertelsmann fund as one of the country's top ten investment funds.

Interview with

Annabelle Yu Long, Chief Executive Bertelsmann China Corporate Center and Managing Partner Bertelsmann Asia Investments

If you were to sum up Bertelsmann Asia Investments (BAI) in 2014 in just three words, what would they be?

"Busy, instructive, successful." Mind you, they could serve as the headline for most of the years we've been active here in China with Bertelsmann Asia Investments.

In your opinion, what were the highlights of the past year for BAI?

It's hard for me to narrow it down. So many wonderful things happened over the past year. One highlight was the launch of our BetaFund, which enables us to specifically support young companies during the very early stages of their development – not just financially, but also with contacts and knowledge, which is often more important at this stage. Another great experience was convincing nearly all the CEOs of our portfolio companies to join us for a two-day exchange. More generally, I am of course delighted to see how successfully many of "our" companies are developing.

How did the year go in general for Bertelsmann in China?

All of our divisions here in China made important strategic progress in their businesses. For example, in April, Penguin Random House received a license to sell books directly to customers. Gruner + Jahr has launched a Chinese version of "Geo" magazine, and Arvato now generates almost a third of its revenues with digital businesses. Beyond this, BMG's entry into the Chinese market was a real highlight, of course. Our colleagues quickly managed to sign a collaboration deal with the iconic music and entertainment company Giant Jump, and now BMG manages all of Giant Jump's music rights – worldwide, no less.

What are Bertelsmann's priorities in China for the current year?

We want to continue our successful course. In China, the largest middle class in the world is emerging and demand for media, lifestyle products and services is on the rise. That is precisely why the country is a strategic growth region for Bertelsmann. The prospering middle class in China wants to watch exactly the same TV shows, read the same books and listen to the same music as their counterparts in the rest of the world. And Bertelsmann has these shows, books and songs.

Corporate Investments
Corporate Center

Action Channels for Asia

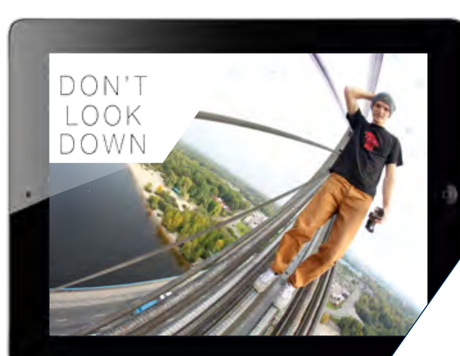
A milestone for RTL Group in South-east Asia: On March 27, RTL CBS Asia Entertainment Network celebrated the launch of the pay-TV channel RTL CBS Extreme HD. With a program mix of action series, extreme sports and action reality, the channel is primarily aimed at a male audience. Launched in Singapore, the channel can now also be received in Thailand, Malaysia, Indonesia and the Philippines. RTL CBS Extreme HD is the second pay-TV channel the joint venture of RTL Group and CBS Studios International has launched in Asia: In early 2013, the two companies launched the pay-TV channel RTL CBS Entertainment HD, which can now be watched in 15 Asian countries.

RTL CBS EXTREME HD

RTL CBS Entertainment HD is on air in

15

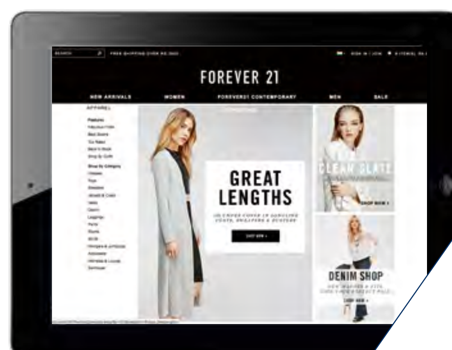
Asian countries.



Arvato Expands Its Operations in Asia

Arvato opens a logistics center in Hong Kong.

Arvato's logistics network in China is comprised of **45** distribution centers.



Arvato took various measures to strengthen its growth in Asia last year. In February 2014, for instance, the Bertelsmann subsidiary opened a new office building in the Clark business and tourist center north of Manila in the Philippines. Several hundred new employees were hired for this. English-language digital telephone and customer services for North America will initially be provided from the site, including various customer-relationship management programs.

Arvato opens a new site in the Philippines.

Arvato also expanded its services business in India last year, taking over customer support for the online fashion store Forever 21 in the middle of the year. The Arvato team assists the fashion chain's customers with queries pertaining to customer accounts, order status, returns and more. In addition, Arvato made further strategic progress in Asia in the second half of the year. At the beginning of September, the Bertelsmann subsidiary opened a new 14,000-square-meter logistics center in Hong Kong, which will be one of Arvato's most important Asian logistics hubs. A second distribution center has been operating in Bangkok, Thailand since the end of last year. Here, more than 30 employees provide logistics services to international clients in the high-tech and consumer-goods industries.

Ni Hao BMG!

Also signed with BMG: the pop duo Yu Quan

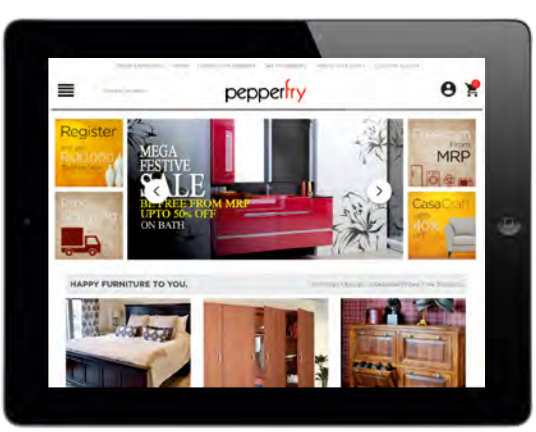
Six years after its launch, BMG is now entering the Chinese market. The Bertelsmann music-rights subsidiary's first step in this strategic growth region was to enter into a partnership with one of the country's leading music and entertainment companies, Giant Jump. The two companies signed an exclusive worldwide rights agreement under which BMG will exclusively manage all of Giant Jump's recording and music-publishing rights internationally. Dora Yi, Chief Investment Officer of BMG Greater China, says the company, which specializes in the complete marketing of artists, is "an ideal partner for BMG" and adds: "We look forward to working with them, developing new business models and delivering the value Chinese artists and rights owners deserve." Giant Jump's artist roster includes famous Chinese artists such as Yun Hao, Nic Li and many more. Yun Hao's "Dali," the theme song to the international-hit Chinese movie "Breakup Buddies," was played more than 10 million times in the first week after release.

BMG also completed another major transaction: The Bertelsmann subsidiary signed a deal with the Chinese e-commerce giant Alibaba that allows the popular platform to digitally distribute music rights held by BMG.

The theme song "Dali" was played more than

10 million

times in the first week.



Investments in India

Bertelsmann expanded its business operations in the strategic growth region of India last year. In May 2014, the company invested in the country's rapidly growing e-commerce sector by acquiring a stake in Pepperfry, one of the country's leading online marketplaces for furniture, used by more than a thousand vendors to sell their products. A month later, Bertelsmann bought a stake in the digital fund Nirvana, which invests in young startups in the digital domain. ▸

Bertelsmann India Investments

Shobhna Mohn, Executive Vice President Emerging Markets at Bertelsmann

"Altogether, Bertelsmann is now invested in three renowned funds in India and therefore has strong partners in the digital and education sectors, which are important to us," says Shobhna Mohn, Executive Vice President of Emerging Markets at Bertelsmann, explaining the strategic importance of the investment. In October 2014, Bertelsmann once again expanded its portfolio in India by investing in iNurture Education Solutions, a leading provider of higher education services. This holding addresses two strategic objectives: growth in India and in education.

Corporate Investments
Corporate Center

A New Educational Fund in Brazil

Securing early access to innovative Brazilian companies involved in education technology is the strategic assignment of the BR Education Ventures fund, set up by Bertelsmann in 2014. The fund, jointly operated with the renowned Brazilian investment company Bozano Investimentos and other partners, will invest in eight to ten portfolio companies.

Three investments were made last year in the startups Evolve, QMágico and Passei Direto. A total of up to 100 million Brazilian reals (approx. €30 million) is available for investment and, as the anchor investor, Bertelsmann holds roughly 30 percent in the fund. Fernando Carro, the Bertelsmann Group Management Committee member responsible for Latin America, says: "Both the education business as a global growth market and the emerging economic region of Brazil play a central role in Bertelsmann's growth strategy. With BR Education Ventures, we are taking the next step in the education sector in Brazil."

Fernando Carro, President Latin America and Spain of Bertelsmann

Corporate Investments
Corporate Center

Achievements: Growth Regions

digital

international

fast-growing

RTL GROUP

– Fremantle Media sold more than 1,500 hours of programming to Asia in 2014.
– 7 television shows were produced in China in 2014.
– RTL Group and its partner CBS plan to reach 113 million households in Southeast Asia with their joint venture, RTL CBS Asia Entertainment Network.

Penguin Random House

– Penguin Random House is India's largest publisher of English-language books.
– Strong in the Latin American book market: The publishing group became the number one in the Latin American market for Spanish-language literature.

arvato BERTELSMANN

– Arvato ships more than 80 million cell phones a year in China.
– Arvato's Chinese logistics network is comprised of 45 distribution centers.
– Every year, these centers supply more than 60,000 retail outlets in China with around 100 million products such as phones, accessories and marketing materials.
– In 2014, Arvato opened several new logistics centers in Europe and Asia.
– Arvato built new offshore locations and expanded existing ones in Asia and Africa in order to provide customer services solutions to international customers.
– Services businesses were expanded and new customers acquired in key growth markets such as Turkey and India.

Corporate Investments
Corporate Center

China

– Trend scout in China: Since its establishment seven years ago, the Bertelsmann Asia Investments (BAI) fund has made over 40 investments and achieved high value growth.
– In 2014 BAI invested in eleven new Chinese companies – more than ever before.
– Companies in which BAI owns a stake reach 500 million people a month.

India

– Bertelsmann has eight holdings in funds and young businesses in India. The focus is on up-and-coming companies in the education and digital sectors.
– Booming online marketplace for furniture: The Indian portal Pepperfry, co-financed by Bertelsmann, sells furniture and home accessories from over 6,000 registered vendors and delivers them to more than 150 cities across the country.

Brazil

– Bertelsmann is focusing its investment strategy in Brazil on the education sector.
– 100 million Brazilian reals are earmarked for investment in education technology in the BR Education Ventures fund, which is co-financed by Bertelsmann.

Bertelsmann Essentials

The Bertelsmann Essentials convey the goals and basic values of our company's employees, executives and shareholders and build on the Corporate Constitution. It is the responsibility of our executives to spread and epitomize these values and to serve as role models. The Bertelsmann Essentials reflect the common understanding of our corporate culture and are subject to constant review, revision and improvement.

Our Mission

Bertelsmann is a media, services and education company. We provide information, entertainment and media services to inspire people's daily lives. We aspire to make a valuable contribution to society. We strive to be leaders in our markets and achieve returns on capital employed that guarantee growth and continuity of our corporation. Our joint efforts focus on creative content and customer relations. We seek to provide working conditions that are equitable and motivating for our employees. We commit ourselves to ensuring the continuity and ongoing progress of our corporation.

Our Core Values

Creativity

We provide a home for artists, authors and creative talent in all of our fields of business, promoting their creative development and commercial success. We strive for the protection of intellectual property on a worldwide basis. We promote artistic freedom and freedom of thought, the protection of democracy and human rights and the respect of traditions and cultural values. Consequently, the content we provide reflects a wide range of viewpoints and opinions. Continuous innovation and improvement, guided by customer needs and interests, are the cornerstones of our success.

Entrepreneurship

The principle of decentralization is at the heart of Bertelsmann's management philosophy. It enables our employees to act with flexibility, responsibility, efficiency, and entrepreneurial freedom. Our operating businesses are run by managers who act as entrepreneurs: They enjoy considerable independence and bear full responsibility for the performance of their companies. Our executives act not only in the best interests of their individual businesses, but are also committed to the interests of the group as a whole.

Partnership

Our corporate culture is based on a mutually-beneficial partnership between our employees and the company. Motivated individuals who identify with the company and its values are the driving force behind quality, efficiency, innovation, and growth within our corporation. The hallmarks of our participatory leadership approach are mutual trust and respect as well as the principle of delegation of responsibilities. Our employees enjoy autonomy to the greatest extent possible. They receive comprehensive information and participate in decision making and our financial success. We are committed to the professional development of our employees and seek to provide long-term employment.

Citizenship

The continuity and development of Bertelsmann as an independent entity is ensured by the Bertelsmann Verwaltungsgesellschaft's (Bertelsmann Management Company) control of the majority of voting rights. In the view of our shareholders, the possession of property creates an obligation to the community. They believe that, in a market economy, a corporation derives its legitimacy from making a valuable contribution to society. The work of the Bertelsmann Stiftung – to which the majority of Bertelsmann shares has been contributed – is also guided by this principle. Our businesses are managed in accordance with the spirit and the letter of the law. They maintain high standards of ethical conduct and act responsibly toward society and the environment.

Our Commitment

We expect everyone at Bertelsmann to adhere
to this mission and these core values.

Corporate Responsibility

We want to act responsibly as entrepreneurs – in our business environment, toward our employees, in society and in our treatment of the environment. This is an integral part of Bertelsmann's corporate culture. For decades, social responsibility has been codified in the Bertelsmann Essentials as a goal and core value for all of our Group's employees, executives and shareholders. In accordance with the diversity of our businesses, we fulfill our responsibility in a decentralized way, depending on location, local relevance and expertise. We practice sustainable action along our value chains, staying close to the media and services business.

Our Economic Responsibility

Growth and continuity form the basis of our corporate responsibility. A prerequisite for this is generating profits in order to achieve a return on capital that can secure the company's growth and continuity. This is the only way to secure and create jobs. Our business conduct follows the principles of good corporate governance and is guided by ethical values.

Our Responsibility Toward Our Employees

The partnership between employees and management guides our thoughts and actions, for the benefit of everyone involved. Bertelsmann's shareholders, management and employee representatives share the following basic understanding: A corporate culture of partnership not only promotes satisfaction and identification with the company's and individual's tasks, but also constitutes one of the most important prerequisites for entrepreneurial success. We have therefore always attached particularly high importance to responsibility toward our employees.

The Bertelsmann corporate website contains extensive information on how Bertelsmann lives up to its corporate responsibility to employees and for the impact of our business on society and the environment.

www.bertelsmann.com/responsibility

Our Responsibility Toward Society

Media content is not just a commodity but also a cultural asset. This notion results in a special mandate: We contribute to a pluralistic media landscape with a wide diversity of creative entertainment, information and education programs. We also systematically address important social issues to raise public awareness about them. Responsible business conduct also guides our dealings as a services company. Our goal is to work with our customers to balance economic, environmental and social concerns in order to design sustainable processes. We actively campaign for and support a livable environment in our various locations. Appealing for donations in our media, promoting reading and media literacy and training young journalists form a thematic focus here.

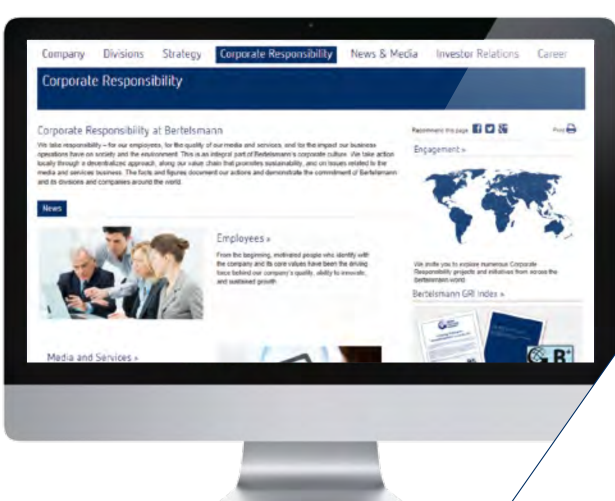
Our Environmental Responsibility

As an international media, services and education company, we depend on natural resources. This is true for the printing and publishing of books, magazines and brochures as well as for the production of movies and television, the manufacture of digital formats, and the provision of services and technology-based business solutions. Therefore, protecting the climate and ensuring an efficient use of energy and resources are among the overriding goals of our corporate responsibility. Cooperation in the Bertelsmann "be green team," our international environmental working group with representatives from all divisions and the regular production of a Group-wide carbon-footprint report form the basis for the strategic direction of our environmental efforts.

Corporate Responsibility

Strategic Development

In 2014, the Bertelsmann Group Management Committee dealt with the issue of corporate responsibility on two occasions. An internal stakeholder dialogue with the divisions provided important input for this. Education, freedom of the press, protection of media users and customers and ecological resource efficiency shaped the debate, alongside other key issues. The expansion of CR governance at Bertelsmann was also promoted, with the designation of senior CR contacts in the Bertelsmann divisions.

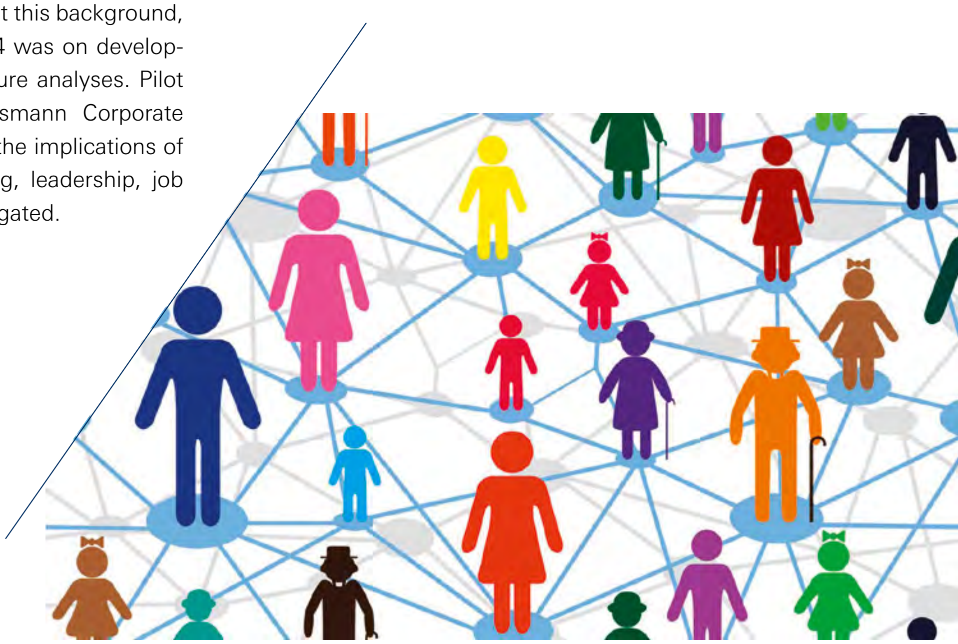


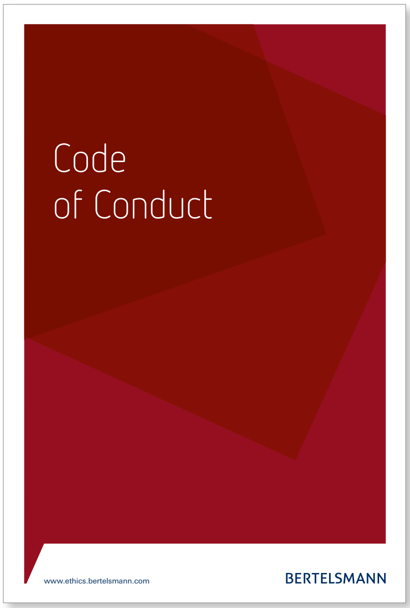
Transparency Online

The Bertelsmann corporate website creates transparency about responsible corporate practice at Bertelsmann and its companies. Since 2014, an interactive index in accordance with the guidelines of the Global Reporting Initiative (GRI) has supported targeted navigation through the corporate profile and the company's social and environmental performance indicators. Apart from this, in the past year alone, more than 200 corporate responsibility projects, initiatives and awards were communicated online. The digital information offered is supplemented by publications such as the annual Communication on Progress for the UN Global Compact and the divisions' various CR communication channels.

The Challenge of Demographic Change

Demographic change also presents great challenges for Bertelsmann, especially in Germany. Against this background, the focus of diversity management in 2014 was on developing strategic measures such as age-structure analyses. Pilot projects were initially run at the Bertelsmann Corporate Center in Gütersloh. Based on the results, the implications of demographic trends for HR policy, training, leadership, job design and health promotion will be investigated.





Our Commitment: Ethics & Compliance

Bertelsmann's "Ethics & Compliance" program represents the continuation of a form of corporate governance that has evolved and proven itself over decades, one that attaches great importance to abiding by the law and taking social responsibility. This program is primarily based on a compliance organization, monitoring of compliance risks, a Code of Conduct as a set of binding guidelines for law-abiding behavior, training and communication activities based on this and mechanisms for monitoring compliance with these standards.

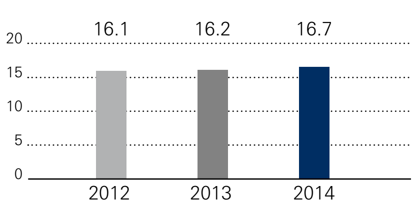
Financial Information

Combined Management Report

Financial Year 2014 in Review

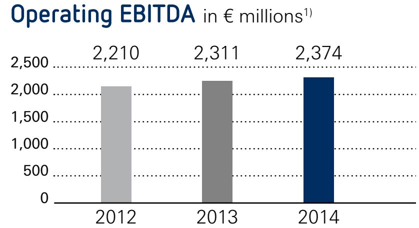
In financial year 2014, Bertelsmann posted positive business performance and made significant progress in its transformation into a faster-growing, more digital and more international Group. With the acquisition of Relias Learning, Bertelsmann entered the education business, which in the medium term is to be developed into a third pillar alongside media and services. Group revenues from continuing operations rose 3.1 percent to €16.7 billion (previous year: €16.2 billion), thus reaching a seven-year high. These were primarily attributable to the merger of Penguin and Random House as well as further acquisitions. Operating EBITDA increased by 2.7 percent to €2,374 million (previous year: €2,311 million). The EBITDA margin remained high at 14.2 percent (previous year: 14.3 percent). Increased earnings were generated by the book-publishing businesses in the United States and in the UK, the German television business and the music-rights business. This was contrasted by start-up losses for new businesses of €-83 million (previous year: €-58 million), structurally declining businesses and market-related lower earnings contributions from French businesses. Group profit of €573 million was below the previous year's figure of €885 million. The decline is attributable to costs for profit-improvement measures, scaling back the print and direct-marketing businesses, an impairment loss in the Hungarian TV business and the absence of positive special items from the previous year. Total investments, including acquired financial debt, in the reporting period were €1.6 billion (previous year: €2.0 billion). The net financial debt was €1,689 million (previous year: €681 million). For 2015, Bertelsmann expects positive business performance and continued progress in the implementation of its strategy.

Revenues in € billions[1)]



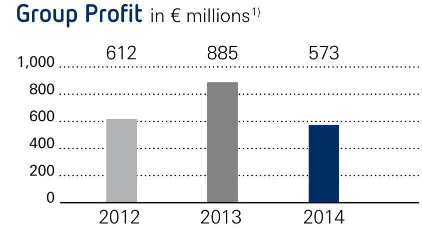
- Revenue growth of 3.1 percent
- Portfolio measures are key growth drivers
- Revenue losses due to structurally declining businesses, including scaling back, closure and sale

Operating EBITDA in € millions[1)]



- Operating EBITDA above previous year's high level
- EBITDA margin at 14.2 percent
- Positive performance of the book-publishing businesses; record earnings at Mediengruppe RTL Deutschland

Group Profit in € millions[1)]



- Group profit burdened by costs related to profitability program, scaling back and sale of print and direct-marketing businesses and an impairment loss in Hungary
- Previous year's figure benefited from positive special items
- Financial result up €66 million year on year

1) The figures from the previous year have been adjusted. Further details are presented in the "Prior Year Information" section on page 131. Figures for financial year 2012 have been adjusted.

Fundamental Information about the Group

In this Management Report, the Group is for the first time using the option to combine the Group Management Report and the Management Report of Bertelsmann SE & Co. KGaA. This Combined Management Report outlines the business performance, including the business result and the position of the Bertelsmann Group and Bertelsmann SE & Co. KGaA. Information about Bertelsmann SE & Co. KGaA in accordance with the German Commercial Code (HGB) will be detailed in a separate section. The Combined Management Report will be published instead of the Group Management Report within the Bertelsmann Annual Report.

Corporate Profile

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).

Bertelsmann SE & Co. KGaA is a capital-market-oriented but unlisted partnership limited by shares. As a Group holding company, it exercises central corporate functions such as the development of the Group's strategy, capital allocation, financing and management development. Internal corporate management and reporting follow the Group's organizational structure, which consists of the operating divisions plus Corporate Investments and the Corporate Center.

RTL Group is the leading European entertainment network, with interests in 52 television channels and 29 radio stations and content production throughout the world. The television portfolio of RTL Group includes RTL Television in Germany, M6 in France and the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia and Hungary, as well as participation in Atresmedia in Spain and RTL CBS Asia Entertainment Network in Southeast Asia. Fremantle Media is one of the largest international producers outside the United States. Combining the catch-up TV services of its broadcasters, the multichannel networks BroadbandTV and StyleHaul as well as Fremantle Media's more than 210 YouTube channels, RTL Group has become the leading European media company in online video. The publicly listed RTL Group S.A. is listed on the German MDAX index.

Penguin Random House is the world's largest trade book publisher, with nearly 250 editorially independent imprints across five continents. The best-known publishing brands include illustrious publishing houses such as Doubleday, Viking and Alfred A. Knopf (United States); Ebury, Hamish Hamilton and Jonathan Cape (UK); Plaza & Janés (Spain) and Sudamericana (Argentina) as well as the international book publisher Dorling Kindersley. Each year Penguin Random House publishes over 15,000 new titles and sells over 800 million books, e-books and audio books. More than 100,000 English-, German- and Spanish-language Penguin Random House titles are now available as e-books. Germany's Verlagsgruppe Random House, which includes illustrious publishing houses such as Goldmann and Heyne, is not part of Penguin Random House from a legal point of view, but is under the same corporate management and is part of the Penguin Random House operating division.

Gruner + Jahr is represented in over 20 countries with around 500 media activities, magazines and digital businesses. G+J Deutschland publishes well-known magazines such as "Stern," "Brigitte" and "Geo." Gruner + Jahr owns 59.9 percent of Motor Presse Stuttgart, one of Europe's biggest special-interest magazine publishers. Gruner + Jahr's largest foreign company is Prisma Media, a leading magazine publisher in France. Gruner + Jahr's publishing activities also include magazine, sales and marketing operations in Austria, China, Spain, the Netherlands and Italy.

Arvato provides solutions for customers from a wide range of industries in over 35 countries via the Customer Relationship Management (CRM), Supply Chain Management (SCM), Financial Solutions, IT Solutions, Digital Marketing, Print Solutions and Replication Services Solution Groups.

Be Printers is an international printing group that operates gravure and offset printing plants at 11 production locations in Germany, the UK (Prinovis), Spain and the United States. In addition to magazines, catalogs, brochures and books, the production portfolio of Be Printers includes digital communication services.

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.

Regulatory Environment

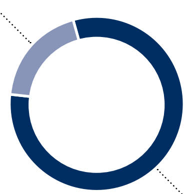
Bertelsmann has television and radio operations in several European countries that are subject to regulation. In Germany, for example, media are subject to oversight by the Commission on Concentration in the Media. Bertelsmann Group companies occupy leading market positions in many lines of business and may therefore have limited potential for growth through acquisition due to antitrust legislation.

As its profit participation certificates and bonds are publicly listed, Bertelsmann is required to comply in full with capital-market regulations applicable to publicly traded companies.

Shareholder Structure

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

Ownership Structure – Shares in percent



Strategy

Bertelsmann's primary objective is continuous growth of the company's value through a sustained increase in profitability (see the "Value-Oriented Management System" section).

Bertelsmann aims to achieve a faster-growing, more digital and more international Group portfolio. As well as investments in existing activities, new business segments that provide a broader overall revenue structure are being increasingly explored. The further development of the portfolio is subject to clear investment criteria. Businesses in which Bertelsmann invests should have long-term stable growth, global reach, stable and protectable business models, high market-entry barriers and scalability. In the medium term, the two main pillars at present, media content and services, will be supplemented by the education business. Group strategy comprises four strategic priorities, which again constituted the key work aspects for the Executive Board in 2014: strengthening core businesses, driving forward the digital transformation, developing growth platforms and expanding in growth regions.

In financial year 2014, Bertelsmann made significant progress in all four strategic priorities. Strengthening the core businesses resulted in the establishment of new TV channels and growing distribution revenues of platform operators within RTL Group, the acquisition of the Santillana trade-publishing companies by Penguin Random House as well as the full takeover of Gruner + Jahr. A number of structurally declining businesses were sold off, such as the US print business Brown Printing, the Italian print businesses and the club businesses in Spain, the Czech Republic and Slovakia. Furthermore, a decision was made to close the German-language club and direct marketing businesses by the end of 2015. At the same time, profit-improvement measures at divisional and Group level are helping to strengthen the core businesses. These include the ongoing integration of Penguin and Random House, the transformation program at Gruner + Jahr and the profitability improvement program at Arvato as well as the Group-wide "Operational Excellence" efficiency program for optimizing the business support functions, particularly in the Accounting, IT and HR departments. The expected earnings potential of these measures in the medium term is around half a billion euros in total.

As part of the digital transformation, RTL Group's digital businesses were significantly expanded through the expansion of existing nonlinear TV offerings, increasing the share of the multichannel network StyleHaul and through the majority shareholding in the online video advertising technology platform SpotXchange. Penguin Random House reinforced its leading market position in the e-books segment and Gruner + Jahr expanded its range of digital content and digital advertising marketing. Arvato grew its services for companies in the IT/high-tech sector and its e-commerce services.

In the growth platforms, the acquisition of the US online education provider Relias Learning marked an important step in developing the education business into the Group's third pillar. The RTL Group subsidiary Fremantle Media acquired the majority of the TV production company 495 Productions and Arvato acquired the e-commerce service provider Netrada, while BMG made various acquisitions, including the music publishers Talpa and Union Square as well as the rights catalogs of Montana and Hal David.

In the growth regions, the Bertelsmann Asia Investments fund expanded its shareholdings in leading digital companies in China. In India, Bertelsmann acquired shares in the e-commerce platform Pepperfry and the education provider iNurture. In Brazil, Bertelsmann established an education technology fund in conjunction with the Brazilian investment company Bozano Investimentos. In addition, the business activities of the divisions in the growth regions were further expanded.

Bertelsmann will push ahead with its transformation into a faster-growing, more digital and more international Group in 2015 in line with the four strategic priorities. Compliance with and achievement of the strategic development priorities are continuously examined by the Executive Board at divisional level through regular meetings of the Strategy and Business Committee and as part of the annual Strategic Planning Dialog between the Executive Board and the Supervisory Board. In addition, relevant markets and the competitive environment are analyzed on an ongoing basis in order to draw conclusions concerning the further development of the Group's strategy. The Executive Board is also supported by the Group Management Committee (GMC) on issues of corporate strategy and development. This Committee is composed of executives representing key businesses, countries, regions and selected Group-wide functions.

The Group's content-based and entrepreneurial creativity will remain very important for the implementation of its strategy. Bertelsmann will therefore continue to invest significantly in the creative core of the businesses. In addition, Bertelsmann needs to have qualified employees at all levels of the Group to ensure its strategic and financial success. This will also be supported by the Human Resources Board department, which was established on January 1, 2015.

Value-Oriented Management System

Bertelsmann's primary objective is continuous growth of the company's value through a sustained increase in profitability. In order to manage the Group, Bertelsmann has been using a value-oriented management system for many years, which focuses on revenues, operating earnings and optimum capital investment. For formal reasons, Bertelsmann makes a distinction between strictly defined and broadly defined operational performance indicators.

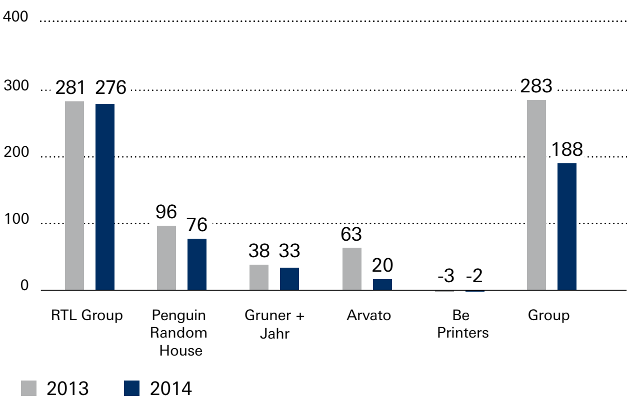
Strictly defined operational performance indicators, including revenues, operating EBITDA and Bertelsmann Value Added (BVA), are used to directly assess current business performance and are correspondingly used in the outlook. These are distinguished from performance indicators used in the broader sense, which are partially derived from the above-mentioned indicators or are strongly influenced by these. These include the EBITDA margin and the cash conversion rate. The financial management system, with defined internal financing targets, is also part of the broadly defined value-oriented management system. Details of the expected development of performance indicators used in the broader sense are provided as additional information and are not included in the outlook.

Strictly Defined Operational Performance Indicators

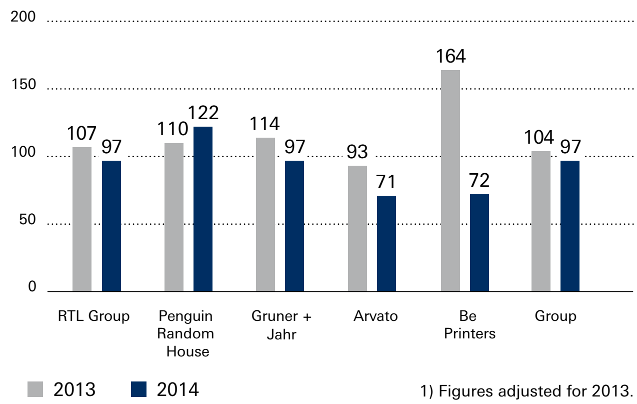
In order to control and manage the Group, Bertelsmann uses revenues, operating EBITDA and BVA as performance indicators. Revenue is used as a growth indicator of businesses. In financial year 2014, Group revenues rose 3.1 percent to €16.7 billion (previous year: €16.2 billion). In view of the Bertelsmann Group's growth strategy and the associated expansion of its investment activity, operating EBITDA has been used as a performance indicator since the start of the 2014 financial year for determining the profitability of the operating businesses. Operating EBITDA is determined as earnings before interest, tax, depreciation and amortization and is adjusted for special items. This makes it a meaningful performance indicator for determining a sustainable operating result. In the reporting period, operating EBITDA of €2,374 million was above the previous year's high level (previous year: €2,311 million).

Bertelsmann uses BVA for assessing the profitability of operations and return on invested capital. BVA measures the profit realized above and beyond the appropriate return on invested capital. This form of value orientation is reflected in strategic investment, portfolio planning and the management of Group operations and, together with qualitative criteria, forms the basis for measuring the variable portion of management compensation. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated on the basis of operating EBITDA and is used, in turn, to calculate BVA. NOPAT is calculated on the basis of operating EBITDA and is used, in turn, to calculate BVA. The NOPAT is determined by firstly deducting depreciation, amortization and impairment losses and adjusting for special items. After subsequent modifications and deduction of a flat 33 percent tax the resulting figure is the NOPAT. Cost of capital is the product of the weighted average cost of capital (WACC) and the level of capital invested. The uniform WACC after taxes is 8 percent. Invested capital is calculated on the

BVA in € millions
Strictly Defined Operational Performance Indicator



Cash Conversion Rate in percent[1]
Broadly Defined Performance Indicator



1) Figures adjusted for 2013.

basis of the Group's operating assets less non-interest-bearing operating liabilities. The present value of operating leases is also taken into account when calculating the invested capital. BVA in financial year 2014 fell to €188 million compared with the previous year's figure of €283 million, despite the improved operating earnings performance overall. This development stems in particular from the acquisitions made in the reporting period as well as from the first-time inclusion for the full year of the transactions from the previous year, which resulted in an increase in invested capital. The compensating effects of earnings contributions from the acquired businesses are only expected to be felt in subsequent years as a result of their growth profile. The BVA at RTL Group was slightly down on the previous year. The decline in BVA at Penguin Random House is primarily attributable to the increase in invested capital. The BVA of Gruner + Jahr was reduced by a lower earnings contribution in the reporting period. At Arvato the BVA was adversely impacted by the declining earnings and simultaneous increase in invested capital. The BVA of Be Printers improved slightly.

Broadly Defined Performance Indicators

In order to assess business development, other performance indicators are used that are partially derived from revenues and operating EBITDA or are strongly influenced by these figures.

The cash conversion rate serves as a measure of cash generated from business activities and is calculated as the ratio of operating free cash flow to operating EBIT. Operating free cash flow does not reflect interest, tax or dividend payments to non-controlling interests, is lowered by operating investments such as replacement and expansion investments as well as changes in working capital, and is adjusted for special items. The Group aims to maintain a cash conversion rate of 90 to 100 percent as a long-term average. The cash conversion rate in financial year 2014 was 97 percent (previous year: 104 percent) and therefore within the target corridor.

The EBITDA margin is calculated as the ratio of operating EBITDA to revenues, which is used as an additional criterion for assessing the business performance. In the financial year 2014, the EBITDA margin of 14.2 percent was in line with the previous year's high level of 14.3 percent.

Bertelsmann's financial management and controlling system is defined by the internal financial targets outlined in the "Net Assets and Financial Position" section. These financing principles are pursued in the management of the Group and are included in the broadly defined value-oriented management system.

The nonfinancial performance indicators (employees, corporate responsibility and innovations) are not included in the broadly defined value-oriented management system. As they can only be measured to a limited extent, it is not possible to make any clear quantifiable statements concerning interrelated effects and value increases. For this reason, the nonfinancial performance indicators are not used for the management of the Group.

Nonfinancial Performance Indicators

Employees

At the end of the financial year, the Group had 112,037 employees worldwide (previous year: 111,099). In 2014, there were 1,312 people (previous year: 1,304) serving in trainee positions in Bertelsmann companies in Germany.

Implementing and developing a partnership-based corporate culture is one of the top priorities of human resources (HR) strategy. This is why the Employee Survey has been an important management tool at Bertelsmann for many years. In the reporting period, the Group focused on implementing the measures derived from the employee survey in 2013. Across the Group there was a greater emphasis on the topic of strategy, i.e., its implementation and communication as well as developing measures for optimizing talent management. The identification of high-potential employees throughout the divisions and their targeted development is an essential prerequisite for economic success and the implementation of strategy. This resulted in a core initiative in 2014 to pilot talent pools at senior management level that specifically prepare participants to take over various top positions within the Group. The aim is to expand talent management to other target groups in the medium to long term. The multiple-award-winning employer initiative "Create Your Own Career" and the associated careers website have also been revised in order to better position Bertelsmann in the talent market.

Continuous employee training is vital to a company's economic success. This prompted Bertelsmann to introduce peoplenet, an IT platform that makes it easier for employees to access all training courses and programs offered at Group, divisional and individual company level. By the end of 2014, peoplenet was available to some 40,000 employees in Germany. The aim is to roll out peoplenet to all Group companies worldwide.

The international HR Country Coordination Meetings were also redesigned in order to encourage the interdivisional exchange of personnel. The HR managers of those businesses with the largest number of employees in a particular region meet regularly to discuss, among other things, the implementation of divisional or Group-wide HR initiatives. The Bertelsmann Group Dialog Conference is another forum that promotes continuous and constructive dialog between employer and employee representatives. The topic of "demographic change" has now been on the agenda at the conference in Berlin on two occasions. Consequently, in 2014, diversity management in Germany again focused on developing strategic measures and pilot projects such as age structure analyses.

Bertelsmann has been one of the pioneers in profit sharing since 1970. Thus, a total of €101 million was distributed to employees worldwide in 2014 thanks to the positive operating results for the previous year.

Corporate Responsibility

Taking responsibility for employees and for the impact of corporate businesses on society and the environment is an integral part of Bertelsmann's corporate culture. For decades, the Bertelsmann Essentials have specified corporate responsibility as one of their main goals and as a basic value for all of the company's employees, executives and shareholders.

Since 1974, the Group has regularly published an account of its commitments and activities in addition to the financial performance targets. To satisfy the growing demands of its stakeholders in relation to social and ecological topics, Bertelsmann publishes facts and figures about corporate responsibility and compliance on its website. In 2014, an online index based on the principles of the Global Reporting Initiative was published. Since 2008, the Company has participated in the UN Global Compact and, as part of annual progress reporting, provides information about the measures that have been realized and those that are planned.

In accordance with the partnership-based principle of delegating responsibility, specific corporate responsibility projects are implemented in a decentralized way in the individual divisions. Key action areas are employee responsibility, promoting local media literacy and social commitment aid as well as appeals for aid and donation through the media, responsibility for content and environmental and climate protection.

Across the Group, the GMC addressed the topic of corporate responsibility. An internal stakeholder dialog conducted with the divisions made an important contribution to this. The systematic process, involving many high-ranking executives worldwide, is an important component in the analysis of key corporate responsibility topics at Bertelsmann.

Innovations

Businesses traditionally invest in research on and development of new products in order to ensure their long-term competitiveness. The media sector has a similar imperative to create innovative media content and media-related products and services in a rapidly changing environment. This means that rather than traditional research and development activities, the Company's own innovative power is particularly important to Bertelsmann. The long-term success of the Group depends heavily on using flexible business models, investing in growth markets and integrating new technologies. Innovative expertise is also a key driver of Bertelsmann's organic growth.

Bertelsmann relies on innovation and growth in core operations and new business fields. The key factors of Bertelsmann's innovation management include continuously following cross-industry trends and observing new markets. At a Group level, Bertelsmann works with the divisions to continuously identify and implement innovative business strategies. Alongside market-oriented activities, support is given to Group-wide initiatives that actively promote knowledge transfer and collaboration. At regular innovation forums, such as the first State-of-the-Art Forum entitled "Creativity and Innovation," held in London in 2014, executives meet with internal and external experts to examine success factors for innovation and creativity.

RTL Group's innovation management is focused on three core topics: developing and acquiring new, high-quality TV formats; using all digital means of distribution; and expanding diverse forms of marketing and monetization. Further developing nonlinear and mobile TV services is a particular priority. Besides the popular ad-financed catch-up TV services, such as RTL Now in Germany and 6Play in France, RTL Group's TV channels are also working to establish pay models in the on-demand business. Fremantle Media produces content specifically for digital platforms and operates its own YouTube channels. RTL Group strengthened its position in the aggregation and marketing of online videos on global platforms such as YouTube, especially with the acquisition of the majority shareholding in the US multichannel network StyleHaul. In addition, the acquisition of a majority shareholding in the US company SpotXchange, one of the largest global marketplaces for online video advertising, represents a big step forward. Online video advertising is the fastest-growing segment in digital advertising at this point, driven by programmatic video advertising. Synergy Committees are used for exchanging information and knowledge at RTL Group.

Penguin Random House is focusing on a variety of innovative initiatives – from supply-chain enhancements to metadata analysis – as well as the integration of Penuin and Random House. Penguin Random House benefits from its scale and reach as well as the creative and innovative potential of its publishing and sales teams and releases around 15,000 new titles per year. In digital, the company is introducing new applications, enhanced e-books, and so-called verticals to bring together communities of readers around shared interests. The Penguin Hotline, a book-gift recommendation service in the United States, and My Independent Bookstore, a recommendation and discovery website in the UK, are two examples of how Penguin Random House is fostering a passion for reading and using new ways to discover and nurture authors as well as enabling them to reach the widest possible audience.

Gruner + Jahr is further expanding its publishing business along all media-based platforms and value chains. This includes, in particular, the revision of existing brands as well as the establishment of new brands, the launch of new titles, the transformation into digital media formats and channels, and the establishment and expansion of complementary additional business in the defined target groups (Communities of Interest). Furthermore, in advertising marketing, G+J has successfully strengthened its position and has expanded its business through participations in Trnd (word-of-mouth marketing) and Veeseo (content recommendations), further offers in cross-media marketing and international performance marketing and through the Prisma Media participation in Advideum. G+J EMS has also resumed its position as the leading mobile advertising company.

Arvato adapted its internal structures in 2013 and organized itself into seven Solution Groups (CRM, SCM, Financial Solutions, IT Solutions, Digital Marketing, Print Solutions and Replication). Since then, the Solution Groups have been responsible for Arvato's global development in the respective business segments. Their primary aim is to develop and market innovative services. Arvato is also increasing its innovative power by investing in new technologies, establishing an Innovation Sponsoring Program and taking over companies and businesses in fast-growing service segments. In 2014, for example, it acquired the leading European e-commerce service provider Netrada and took over the IT outsourcing company for a key German customer, including BSI-certified employees and high-security research centers, from a competitor.

Be Printers focused on the innovation topics of technology and product portfolio in 2014. At the end of the year, the gravure printing subsidiary Prinovis installed two offset printing presses at its location in Dresden. Thanks to this investment, the company can offer a wider range of printing formats and speeds and is responding to the trend toward smaller print runs and customer demands for greater flexibility. The creative agency mbs developed a system for virtually supported photo shoots for catalogs. In the United States, the offset printing subsidiary Be Printers Americas significantly expanded its product portfolio. Using high-quality finishing processes, the company manufactured growing volumes of packaging and inserts for customers in the health-care, home-entertainment, cosmetics and confectionery segments in 2014 in addition to its core product, book printing.

Report on Economic Position

Corporate Environment

Overall Economic Developments

The global economy continued its moderate growth in 2014. Real global gross domestic product (GDP) grew by 3.3 percent compared with a rise of 3.3 percent in 2013. This growth was mainly driven by robust economic development in a number of advanced economies, notably in the United States and in the UK. While the economy has recently expanded somewhat faster in the threshold countries, the overall economic trend remains sluggish.

In the euro zone, the growth dynamic slowed slightly over the course of the year. This is primarily attributable to moderate growth in investments and exports. According to the Statistical Office of the European Union, real GDP increased by 0.9 percent in 2014, having fallen 0.5 percent in 2013.

After a strong start to the year, the economic situation in Germany slowed during the summer half-year and stabilized toward the end of the year as a result of strong domestic demand. According to the Federal Statistical Office, real GDP increased by 1.6 percent in 2014 compared with a rise of 0.1 percent in 2013. The French economy stagnated in the first half of 2014. Overall, real GDP grew by 0.4 percent in 2014 compared to 0.3 percent in 2013. In the UK, the robust economic development continued in 2014. Real GDP grew by 2.6 percent compared to 1.7 percent in the previous year.

In the United States, the economic recovery has stabilized over the last few months. According to the US Bureau of Economic Analysis, real GDP in the United States in 2014 rose by 2.4 percent compared with 2.2 percent in 2013.

Developments in Relevant Markets

The following analysis focuses on markets and regions of a sufficient size if their trend can be adequately aggregated and if they are strategically important from a Group perspective.

The European TV advertising markets largely grew in 2014. The German TV advertising market showed moderate growth, while the market in the Netherlands grew slightly and the French TV advertising market remained stable. The TV advertising markets in Southern and Eastern Europe showed moderate to strong growth, whereas the Belgian TV advertising market declined.

Overall, the English- and German-language book markets showed largely stable development in 2014. The book market in the United States grew slightly, thanks in particular to a strong development in the children's and teen book segments. In Spain, the persistently difficult overall economic environment adversely affected the book market. The global growth of e-books continued, with Germany in particular recording significant growth, while growth in the United States and the UK decelerated.

The magazine markets in Germany and France in 2014 were characterized by declining advertising business and moderately declining circulation business.

As a result of the trend toward outsourcing, the service markets for customer relationship management, supply chain management, financial solutions, IT solutions and digital marketing enjoyed very positive growth. However, the storage media markets fell significantly due to the increasing importance of digital means of distribution.

The European print markets for magazines, catalogs and promotional materials in 2014 continued to shrink and were dogged by persistent price and volume pressure. The book-printing market in North America remained stable.

The global music-publishing markets showed slight growth, while the recorded-music markets declined slightly.

As expected, the US education markets achieved strong growth in 2014, particularly in the e-learning, health & human sciences and education services segments.

Significant Events in the Financial Year

On May 30, 2014, Gruner + Jahr completed the sale of its US print business, Brown Printing Company, to Quad/Graphics, Inc.

On July 1, 2014, Penguin Random House fully acquired the Santillana Ediciones Generales publishing group from the Spanish media company Prisa.

On July 4, 2014, the General Meeting of Bertelsmann SE & Co. KGaA elected Murat Cetin to the company's Supervisory Board. As employee representative, he succeeds Horst Keil, who left the Board in May 2014.

On September 1, 2014, RTL Group took over 70.79 percent of SpotXchange. The US company operates one of the largest technology platforms for programmatic online video advertising.

On September 30, 2014, Be Printers completed the sale of its Italian print business as well as the calendar business.

Effective November 1, 2014, Bertelsmann acquired the remaining minority shares of 25.1 percent in Gruner + Jahr.

Effective November 3, 2014, Bertelsmann acquired the US online education provider Relias Learning from the private equity company Vista Equity Partners. The company offers training on an online platform for employees in the health-care sector, including elder care and other health-care professions. The acquisition of Relias Learning will help to develop the education business as a third pillar in addition to media and services.

In its meeting on November 28, 2014, the Supervisory Board approved two personnel changes in the Bertelsmann Executive Board. Since January 1, 2015, Immanuel Hermreck, formerly Corporate HR Head, has been a member of the Executive Board with responsibility for the recently created Human Resources Board department. Chief Financial Officer Judith Hartmann left Bertelsmann effective January 31, 2015. Executive Board Chairman Thomas Rabe took over responsibility for the Board's finance department on an provisional basis.

On December 1, 2014, RTL Group acquired control of StyleHaul and now holds 97 percent of the company. StyleHaul is the leading multichannel network on YouTube for fashion, beauty and lifestyle.

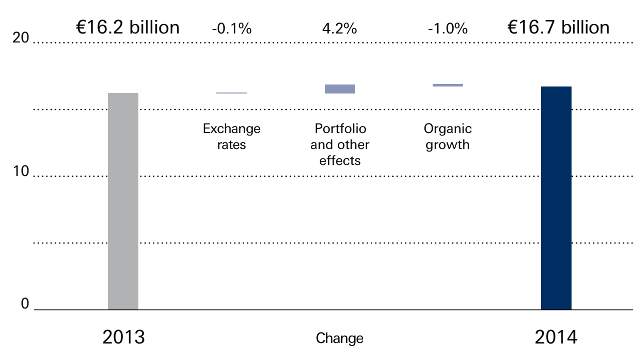
Results of Operations

The following analysis of earnings performance relates to continuing operations as of December 31, 2014. Please refer to the "Performance of the Group Divisions" section for a more detailed picture of the earnings situation.

Revenue Development

Group revenues from continuing operations rose 3.1 percent in financial year 2014 to €16.7 billion (previous year: €16.2 billion). The key drivers of the revenue growth were the transactions implemented since 2013. Revenues were boosted in particular by the full-year inclusion of Penguin Random House for the first time and the acquisitions of BMG, Gothia and Netrada. This was counteracted by strategic divestments such as the sale of Brown Printing and the Italian print business of Be Printers. The exchange rate effects were -0.1 percent; portfolio and other effects were 4.2 percent. Organic growth was therefore -1.0 percent.

Revenue Breakdown



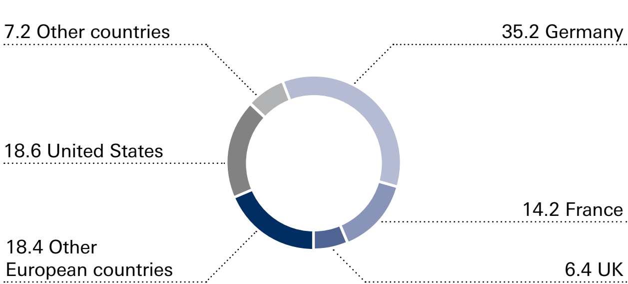
Revenues by Division

in € millions			2014			2013
	Germany	International	Total	Germany	International	Total
RTL Group	2,155	3,653	5,808	2,036	3,788	5,824
Penguin Random House	279	3,045	3,324	262	2,392	2,654
Gruner + Jahr	886	861	1,747	919	1,095	2,014
Arvato	2,214	2,448	4,662	2,004	2,384	4,388
Be Printers	375	621	996	414	708	1,122
Corporate Investments	190	320	510	232	314	546
Total divisional revenues	6,099	10,948	17,047	5,867	10,681	16,548
Corporate Center/Consolidation	(236)	(136)	(372)	(244)	(125)	(369)
Continuing operations	5,863	10,812	16,675	5,623	10,556	16,179

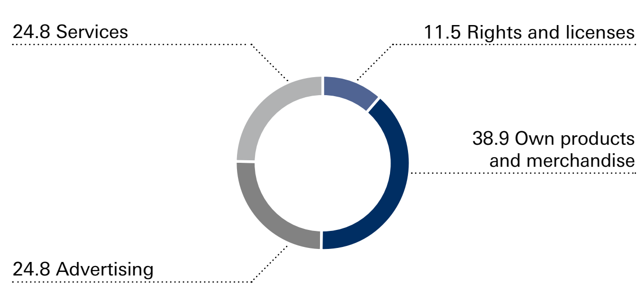
Revenues at RTL Group fell marginally to €5,808 million (previous year: €5,824 million) in the reporting period. This was primarily attributable to lower revenues in France, at Fremantle Media and at UFA Sports. Penguin Random House increased its revenues by 25.2 percent to €3,324 million (previous year: €2,654 million). The strong increase is primarily attributable to its first-time inclusion for the full year. Penguin Random House also generated higher organic revenues as a result of successful new releases, particularly in the United States. Revenues at Gruner + Jahr were down 13.3 percent to €1,747 million (previous year: €2,014 million). The sharp decline mainly resulted from the sale of Brown Printing. The decline in the advertising business in France, Germany, Austria and China could only be partially offset by the revenue growth from digital businesses. Arvato increased its revenues year on year by 6.2 percent to €4,662 million (previous year: €4,388 million), mainly through acquisitions. Be Printers saw its revenues decline by 11.2 percent to €996 million (previous year: €1,122 million), mainly due to the sale of the Italian print business and the continuing structural decline of print businesses in general. The revenue for Corporate Investments, at €510 million, was 6.6 percent down from the previous year's figure of €546 million. The decline in the club and direct-marketing businesses was largely compensated by the first-time inclusion of BMG for the full year and by organic growth in the music-rights business.

The changes in the geographical distribution of revenues reflect the progress made in the transformation of the Group portfolio. The proportion of revenues generated in Germany increased to 35.2 percent compared with 34.8 percent in the previous year. The revenue share generated by France amounted to 14.2 percent (previous year: 15.5 percent). In the UK, the revenue share was 6.4 percent (previous year: 6.0 percent). The share of total revenues generated by the other European countries amounted to 18.4 percent compared with 19.3 percent in the previous year. The revenue share generated by the United States increased to 18.6 percent (previous year: 17.5 percent), and the other countries achieved a revenue share of 7.2 percent (previous year: 6.9 percent). This means that the share of total revenues generated by foreign business was 64.8 percent (previous year: 65.2 percent). Year on year, there was a slight change in the ratio of the four revenue streams (own products and merchandise, advertising, services, rights and licenses) to overall revenue.

Consolidated Revenues by Region in percent



Revenues by Category in percent



Results Breakdown

in € millions	2014	2013
Operating EBITDA by division		
RTL Group	1,334	1,324
Penguin Random House	452	363
Gruner + Jahr	166	193
Arvato	384	397
Be Printers	64	92
Corporate Investments	44	20
Total operating EBITDA by division	2,444	2,389
Corporate Center/Consolidation	(70)	(78)
Operating EBITDA from continuing operations	2,374	2,311
Amortization/depreciation, impairments/reversals of intangible assets and property, plant and equipment not included in special items	(605)	(548)
Special items	(619)	(46)
EBIT (earnings before interest and taxes)	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
attributable to: Earnings attributable to Bertelsmann shareholders	163	513
attributable to: Earnings attributable to non-controlling interests	410	372

Operating EBITDA

Bertelsmann achieved an operating EBITDA of €2,374 million in financial year 2014 (previous year: €2,311 million). The EBITDA margin of 14.2 percent remained in line with the previous year's high level of 14.3 percent.

Operating EBITDA of RTL Group increased to €1,334 million (previous year: €1,324 million). The German TV business recorded strong year-on-year growth while the earnings contributions from Fremantle Media, the French radio business and the Hungarian television business declined. Penguin Random House achieved an operating EBITDA of €452 million (previous year: €363 million). The strong increase is primarily attributable to the merger and to a strong bestselling performance in the United States and UK. Operating EBITDA of Gruner + Jahr was down year on year from €193 million in the previous year to €166 million. This was primarily attributable to the sale of Brown Printing. Arvato achieved an operating EBITDA of €384 million (previous year: €397 million). Earnings growth in the SCM and Financial Solutions Solution Groups was contrasted by start-up losses and increasing margin pressure in CRM. Operating EBITDA at Be Printers declined to €64 million (previous year: €92 million) as a result of the persistently declining print market. At Corporate Investments, operating EBITDA increased to €44 million compared with €20 million in the previous year. The improved earnings are mainly attributable to the full acquisition and growth of BMG.

Special Items

The special items are primarily attributable to the strategic measures implemented in financial year 2014. The scaling back of structurally declining businesses continued and led to restructuring costs and impairment losses in print businesses and in the club and direct-marketing businesses. In addition, capital losses resulted from the sale of the Italian print business of Be Printers. Profit-improvement measures to strengthen the core businesses resulted in expenses at divisional and Group level. These include the integration costs at Penguin Random House, the costs of the transformation program at Gruner + Jahr and burdens from the implementation of the profitability improvement program at Arvato. An impairment loss was recognized in the Hungarian television business resulting from a new tax on advertising revenues imposed by the Hungarian parliament.

Special items in the reporting period totaled €-619 million (previous year: €-46 million). They consist of impairments and reversals on impairments totaling €-101 million (previous year: €44 million), fair value remeasurement of investments of €24 million (previous year: €110 million), proceeds from sale of participations totaling €-155 million (previous year: €111 million), restructuring expenses and other special items totaling €-340 million (previous year: €-297 million). In the reporting period, there were adjustments to carrying amounts on assets held for sale in the amount of €-47 million (previous year: €-14 million).

EBIT

Operating EBIT, which was used as an operational performance indicator up until the previous year, was €1,769 million (previous year: €1,763 million). After adjustment for special items of €-619 million (previous year: €-46 million), EBIT was €1,150 million. The increase of €567 million compared to the previous year's figure of €1,717 million is primarily attributable to the increased overall charges related to special items.

Group Profit or Loss

The financial result increased by €66 million to €-295 million year on year. The deviation was primarily attributable to lower interest expenses as a result of the repayment of financial debt at a comparatively high interest rate at the start of the reporting period. The decline in tax expense from €-413 million in the previous year to €-286 million is primarily attributable to non-period income from current and deferred income taxes. This produced after-tax earnings from continuing operations of €569 million (previous year: €943 million). Taking into account the after-tax earnings from discontinued operations of €4 million (previous year: €-58 million), this resulted in a Group profit of €573 million (previous year: €885 million). The decline compared to the same period in the previous year can be attributed to higher overall charges related to special items. The share of Group profit held by non-controlling interests came to €410 million (previous year: €372 million). The share of Group profit held by Bertelsmann shareholders was €163 million (previous year: €513 million). At the Annual General Meeting of Bertelsmann SE & Co. KGaA, an unchanged year-on-year dividend payout of €180 million will be proposed for financial year 2014 (previous year: €180 million).

Net Assets and Financial Position

Financing Guidelines

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

In accordance with the Group structure, the capital allocation is made centrally by Bertelsmann SE & Co. KGaA, which provides the Group companies with liquidity and manages the issuance of guarantees and letters of comfort for them. The Group consists largely of a single financial unit, thereby optimizing capital procurement and investment opportunities.

Bertelsmann utilizes a financial-control system employing quantitative financial targets concerning the Group's economic debt and, to a lesser extent, its capital structure. One of the financial targets is a dynamic leverage factor calculated as the ratio of economic debt to operating EBITDA and limited to the defined maximum of 2.5. Economic debt is defined as net financial debt plus provisions for pensions, profit participation capital and the net present value of operating leases. Like operating EBITDA, economic debt is modified for calculation purposes.

As of December 31, 2014, the Group had a leverage factor of 2.7, above its self-imposed maximum value of 2.5 (December 31, 2013: 2.0). A further reduction of the discount rate led to a significant increase in pension provisions and similar obligations to €2,698 million as of December 31, 2014 (December 31, 2013: €1,941 million). As of December 31, 2014, economic debt increased to €6,039 million from €4,216 million in the previous year. The increase is attributable not only to

Financial Targets

	Target	2014	2013
Leverage factor: Economic debt/Operating EBITDA[1]	< 2.5	2.7	2.0
Coverage ratio: Operating EBITDA/Financial result[1]	> 4.0	7.5	5.9
Equity ratio: Equity as a ratio to total assets (in percent)	> 25.0	38.9	40.9

1) After modifications.

increased pension provisions and similar obligations but also to a continued high level of investment activity in the reporting period. Consequently, the net financial debt increased to €1,689 million by the end of the year (previous year: €681 million). The previous year's figure also includes proceeds from the placement of RTL Group shares.

Another financial target is the coverage ratio. This is calculated as the ratio of operating EBITDA (after modifications) to financial result and is supposed to be above 4. In the reporting period the coverage ratio was 7.5 (previous year: 5.9). The Group's equity ratio was 38.9 percent (December 31, 2013: 40.9 percent), which remains significantly above the self-imposed minimum of 25 percent.

Financing Activities

In the reporting period, a bond due in January 2014 and promissory notes due in February and March 2014 were paid from existing liquidity when they became due. In addition, Bertelsmann took advantage of the low interest level in financial year 2014 to raise some long-term capital. In October 2014, a benchmark bond with a ten-year term and an issue volume of €500 million was successfully placed. The bond was listed in Luxembourg and has a fixed coupon of 1.75 percent. In November 2014, another bond for €100 million with a variable interest rate and a five-year term was issued by means of a private placement.

Rating

Bertelsmann has been rated by the rating agencies Moody's and Standard & Poor's (S&P) since 2002. The agency ratings facilitate access to the international capital markets and are therefore a key element of Bertelsmann's financial security. Bertelsmann is rated by Moody's as "Baa1" (outlook: stable) and by S&P as "BBB+" (outlook: stable). Both credit ratings are in the investment-grade category and meet Bertelsmann's target rating. Bertelsmann's short-term credit quality rating is "P-2" from Moody's and "A-2" from S&P.

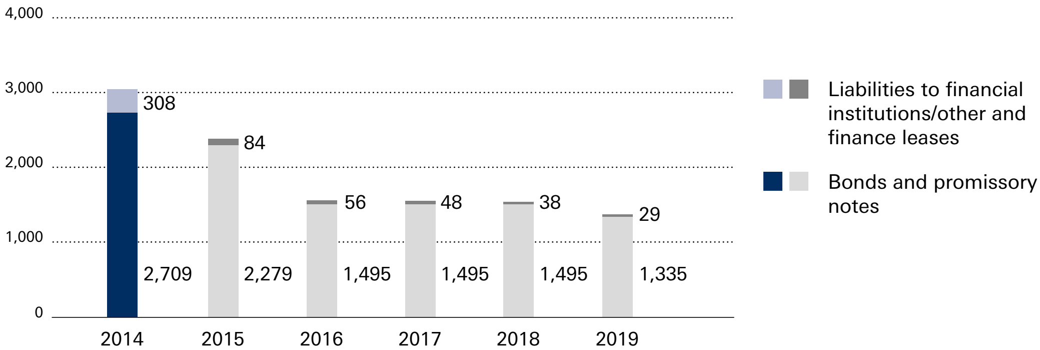
Credit Facilities

As well as its existing liquidity, the Bertelsmann Group has access to liquidity via a syndicated loan. This forms the backbone of the strategic credit reserve; Bertelsmann can utilize this to draw down up to €1.2 billion of revolving funds in euros, US dollars and pounds sterling. In July 2014, the syndicated loan previously with a term through to 2018 was renewed early for a further year, namely until 2019.

Bonds and Promissory Notes of Bertelsmann SE & Co. KGaA

Issue volume in € millions	Carrying amount 12/31/2014 in € millions	Maturity	Type	Nominal interest in percent
500	430	October 6, 2015	Bond	3.625
1,000	785	September 26, 2016	Bond	4.750
60	60	May 4, 2019	Promissory note	4.207
100	100	November 18, 2019	Floating-rate note	3-mon.-EURIBOR + 40 Bp.
750	741	August 2, 2022	Bond	2.625
500	496	October 14, 2024	Bond	1.750
100	98	June 29, 2032	Bond	3.700

Maturity Structure of Financial Debt in € millions



Cash Flow Statement

The total earnings before interest and taxes is the starting parameter for preparing the Bertelsmann cash flow statement. In the reporting period, Bertelsmann generated net cash from operating activities of €1,523 million (previous year: €1,779 million). The Group's long-term operating free cash flow adjusted for non-recurring items was €1,711 million (previous year: €1,826 million). The deviation compared to the previous year's figure is attributable, among other things, to a higher overall level of funds tied up within net current assets. The cash conversion rate was 97 percent (previous year: 104 percent), within the target corridor (cf. "Value-Oriented Management System" section). The cash flow from investing activities was €-1,523 million (previous year: €-1,004 million). This included investments in intangible assets and fixed and financial assets of €-758 million (previous year: €-811 million). The purchase prices for consolidated investments (net of acquired cash and cash equivalents) were €-820 million (previous year: €-501 million). Proceeds from the sale of subsidiaries and other business units and disposal of other fixed assets were €90 million (previous year: €379 million). Cash flow from financing activities was €-1,434 million (previous year: €-663 million). The outflow of €-1,048 million was attributable to the repayment of financial debt. This was offset by inflows from the issuance of bonds. Dividends paid to the shareholders of Bertelsmann SE & Co. KGaA came to €-180 million (previous year: €-180 million). Dividends to non-controlling interests and payments to partners in partnerships came to €-585 million (previous year: €-445 million). This includes the purchase price for the acquisition of the 25.1 percent share in Gruner + Jahr ranged in the low triple-digit millions. As of December 31, 2014, Bertelsmann had cash and cash equivalents of €1.3 billion (previous year: €2.7 billion).

Group Cash Flow Statement (Summary)

in € millions	2014	2013
Cash flow from operating activities	1,523	1,779
Cash flow from investing activities	(1,523)	(1,004)
Cash flow from financing activities	(1,434)	(663)
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 at 1/1	2,715	2,625
Cash and cash equivalents at 12/31	1,331	2,715
Less cash and cash equivalents included with assets held for sale	(2)	(10)
Cash and cash equivalents at 12/31 (according to the Group balance sheet)	1,329	2,705

Off-Balance-Sheet Liabilities

The off-balance-sheet liabilities include contingent liabilities and other financial commitments, almost all of which result from operating activities conducted by the divisions. Off-balance-sheet liabilities decreased year on year. The off-balance-sheet liabilities in place as of December 31, 2014, had no significant negative effects on the Group's net assets, financial position and results of operation for the past or the future financial year.

Investments

Total investments including financial debt acquired of €23 million (previous year: €676 million) amounted to €1,601 million in financial year 2014 (previous year: €1,988 million). Investments according to the cash flow statement amounted to €1,578 million (previous year: €1,312 million). As in previous years, the majority of the €334 million investment in property, plant and equipment (previous year: €289 million) stemmed from Arvato. Investments in intangible assets came to €248 million (previous year: €404 million) and were primarily attributable to RTL Group for investments in film rights and to BMG for the acquisition of music catalogs. The sum of €176 million was invested in financial assets (previous year: €118 million). Purchase prices for consolidated investments (less acquired cash and cash equivalents) totaled €820 million in the reporting period (previous year: €501 million) and were primarily attributable to the acquisitions of Relias and Santillana and to the majority shareholdings in SpotXchange and StyleHaul.

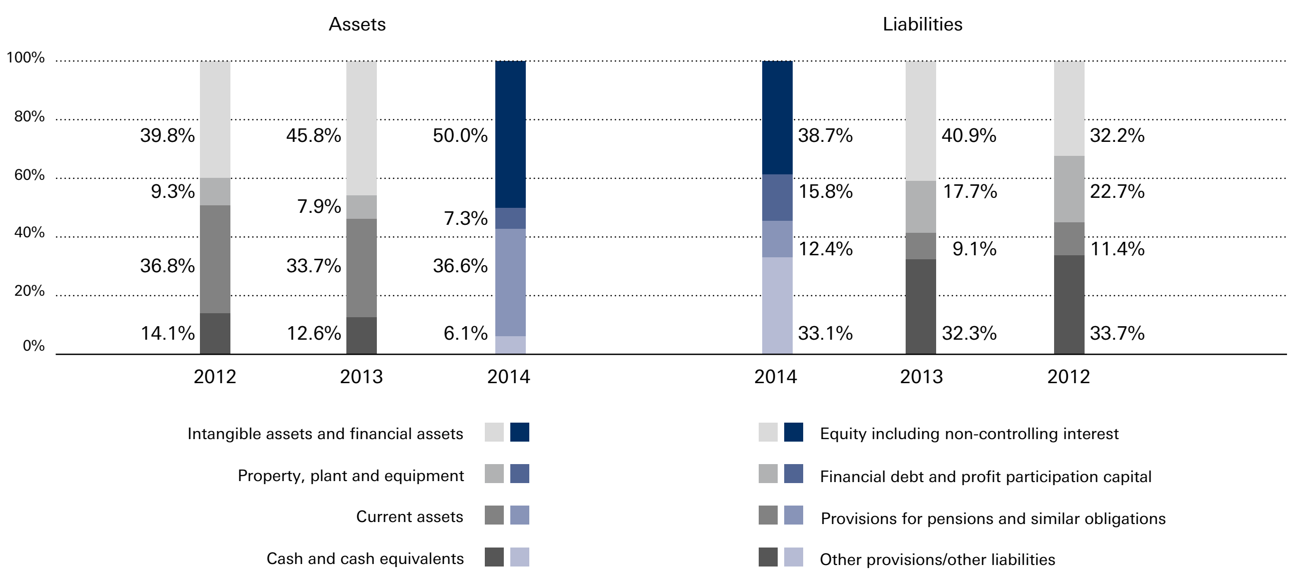
Investments by Division

in € millions	2014	2013
RTL Group	468	262
Penguin Random House	121	(36)
Gruner + Jahr	62	46
Arvato	246	298
Be Printers	29	25
Corporate Investments	656	679
Total investments by division	1,582	1,274
Corporate Center/Consolidation	(4)	38
Total investments	1,578	1,312

Balance Sheet

Total assets increased to €21.5 billion as of December 31, 2014 (previous year: €21.4 billion). The increase is primarily attributable to acquisitions which led to an increase in intangible assets. Cash and cash equivalents decreased to €1.3 billion (previous year: €2.7 billion). The decline is mainly attributable to the repayment of financial debt in financial year 2014. Equity declined to €8.4 billion (previous year: €8.8 billion), which is primarily attributable to a remeasurement of provisions for defined pension plans. As a result of the decline, the equity ratio decreased from 40.9 percent in the previous year to 38.9 percent. Equity attributable to Bertelsmann SE & Co. KGaA shareholders fell to €6.5 billion (previous year: €6.9 billion). Provisions for pensions and similar obligations increased significantly to €2,698 million

Balance Sheet



(previous year: €1,941 million) due to a further reduction of the discount rate. Gross financial debt decreased from €3,386 million to €3,018 million as of December 31, 2014, due to the repayments of long-term debt reported in the section "Financing Activities." Apart from that, the balance sheet structure remained largely unchanged from the previous year.

Profit Participation Capital

Profit participation capital had a par value of €301 million as of December 31, 2014, which is unchanged from the previous year. If the effective interest method is applied, the carrying amount of profit participation capital was €413 million as of December 31, 2014 (previous year: €413 million). The 2001 profit participation certificates (ISIN DE0005229942) account for 94 percent of par value of profit participation capital, while the 1992 profit participation certificates (ISIN DE0005229900) account for the remaining 6 percent.

The 2001 profit participation certificates are officially listed for trading on the Regulated Market of the Frankfurt Stock Exchange. Their price is listed as a percentage of par value. The lowest closing rate of the 2001 profit participation certificates in financial year 2014 was 277.30 percent in January; their highest was 313.40 percent in July.

Under the terms and conditions of the 2001 profit participation certificates, the payout for each full financial year is 15 percent of par value, subject to the availability of sufficient Group profit as well as net income at the level of Bertelsmann SE & Co. KGaA. These conditions were met in the past financial year. Accordingly, a payout of 15 percent of the notional value of the 2001 profit participation certificates will be made for financial year 2014.

The 1992 profit participation certificates, approved for trading on the Regulated Market in Frankfurt, only have a limited cash trade due to their low volume. Payouts on the 1992 profit participation certificates are based on the Group's return on total assets. As the return on total assets for financial year 2014 was 4.93 percent (previous year: 6.49 percent), the payout on the 1992 profit participation certificates for financial year 2014 will be 5.93 percent of their notional value (previous year: 7.49 percent).

The payout distribution date for both profit participation certificates is expected to be May 6, 2015. Under the terms and conditions of the profit participation certificates, the auditors appointed by Bertelsmann SE & Co. KGaA are responsible for verifying whether amounts to be distributed have been calculated correctly. The auditors of both profit participation certificates provide confirmation of this.

Performance of the Group Divisions

RTL Group

The leading European entertainment network reported near-stable revenues in financial year 2014, with operating profit up slightly year on year. RTL Group's revenues decreased by 0.3 percent to €5.8 billion (previous year: €5.8 billion). A recovery in most European advertising markets was offset by lower revenues in France, at the production arm Fremantle Media and at UFA Sports. Operating EBITDA increased during the reporting period by 0.8 percent to €1.3 billion (previous year: €1.3 billion). Lower contributions to earnings from RTL Radio in France, RTL Hungary and Fremantle Media were more than compensated for by significant growth in the German television business. The EBITDA margin was 23.0 percent during the reporting period (previous year: 22.7 percent). RTL Group employed 11,768 people at year-end (December 31, 2013: 11,491 employees).

In 2014, with the exception of Belgium, European TV advertising markets recorded stable to positive development. Germany in particular recorded distinct growth, which benefited RTL Group as well. Mediengruppe RTL Deutschland once again posted record revenues and earnings. In addition to increasing advertising revenues, growing platform revenues also contributed to this. The flagship channel RTL Television remained the clear market leader in the main target group, but recorded lower ratings than last year against the background of public service broadcasters' coverage of the major events of the Olympics and the soccer World Cup.

In France, Groupe M6 revenues were down from the previous year due to declining advertising revenues and the sale of the e-commerce retailer Mistergooddeal, which was only partially compensated for by the acquisition of the "Best of TV" home shopping service. Operating earnings rose slightly. With the increasing fragmentation of the broadcasting landscape, the flagship channel M6 recorded a slight decrease in audience ratings and advertising market share and responded with a programming offensive.

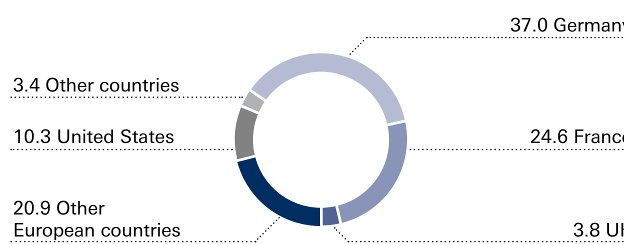
RTL Nederland achieved slightly higher revenues and stable operating EBITDA. Here, too, although the broadcast of the World Cup by public service broadcasters led to lower ratings, RTL Nederland was able to maintain its considerable lead.

Fremantle Media's revenues and operating earnings declined, especially due to lower income from the "American Idol" format and the cancellation of the "X Factor US" format. The company increased its investment in the production of original web content.

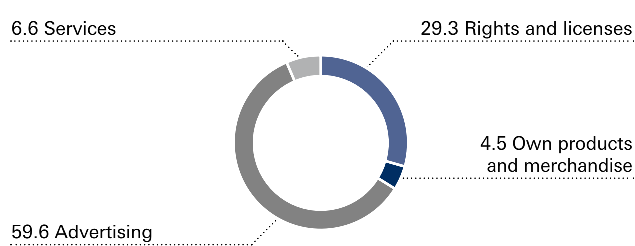
RTL Group strengthened its core business in 2014 by launching new channels (RTL Kockica in Croatia, Geo TV in Germany and RTL CBS Extreme HD in Southeast Asia), and acquiring the production company 495 Productions in the United States. The group expanded its digital business, in particular with the acquisition of StyleHaul, the leading multichannel network (MCN) for fashion, beauty and lifestyle on YouTube. The acquisition of a majority stake in SpotXchange, a globally leading and fast-growing technology platform for programmatic online video advertising, enables RTL Group to offer innovative services in the field of online ad sales. RTL Group's video-on-demand services, multichannel networks, mobile applications and websites generated 36.4 billion online video views in the reporting period (previous year: 16.8 billion), reflecting strong growth.

Following the introduction of a new tax on advertising revenue in Hungary, there were impairment losses of in total €95 million on TV activities there. Special items are not included in operating EBITDA.

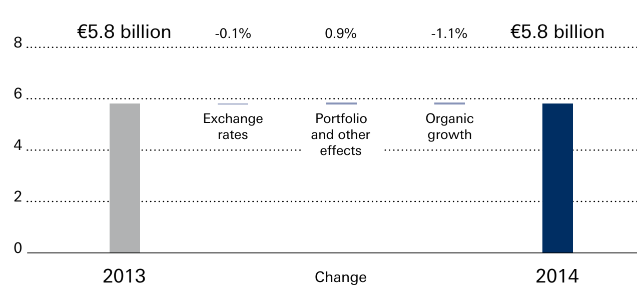
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Penguin Random House

The world's leading trade book publisher, Penguin Random House, delivered a strong performance in its first full year after the merger. Revenues increased by 25.2 percent to €3.3 billion (previous year: €2.7 billion), primarily due to portfolio effects. Operating EBITDA rose by 24.5 percent to €452 million (previous year: €363 million), driven by numerous major bestsellers, especially in the field of children's books, as well as tie-ins to popular movies and TV series and the outstanding performance of its US division. Significant progress was made with the company's integration in 2014: organizational structures, processes and functions were merged or reshaped without negatively impacting operations. The EBITDA margin was 13.6 percent (previous year: 13.7 percent). At year-end the publishing group, whose shares – except for the German business, which is wholly owned by Bertelsmann – are 53 percent owned by Bertelsmann and 47 percent by Pearson, employed 12,812 people (December 31, 2013: 11,838 employees).

During the reporting period, Penguin Random House acquired the Spanish- and Portuguese-language publishing activities of Santillana Ediciones Generales, including the Brazilian publisher Objetiva, establishing the group as the market leader in Spanish-speaking Latin America.

The year's biggest seller was John Green's young-adult novel "The Fault in Our Stars," which sold more than 10 million copies in print and e-book formats worldwide. Total worldwide sales of book tie-ins inspired by the Disney movie "Frozen" exceeded 17 million copies during the period. Movie tie-ins for "Gone Girl" by Gillian Flynn, "Unbroken" by Laura Hillenbrand and "The Lego Movie" and television tie-ins for "A Song of Ice and Fire" by George R. R. Martin and "Outlander" by Diana Gabaldon all sold millions of copies in multiple formats.

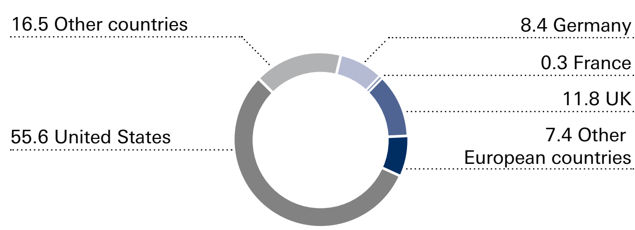
In the United States, Penguin Random House placed 502 print titles on the "New York Times" bestseller lists, 64 of them at number one. In addition to children's and movie tie-in books, adult titles such as "Gray Mountain" by John Grisham, "The Invention of Wings" by Sue Monk Kidd, and "Make It Ahead" by Ina Garten were successful. Penguin Random House Canada publications also dominated the 2014 national bestseller lists. Penguin Random House UK experienced a solid year despite a difficult market environment: Its publishers placed 43 percent of the top ten titles on the "Sunday Times" bestseller lists. "Girl Online" by YouTube star Zoe Sugg, aka Zoella, was Britain's fastest-selling debut novel ever. Other successful titles included "The Fault in Our Stars" by John Green and "Diary of a Wimpy Kid: The Long Haul" by Jeff Kinney.

Verlagsgruppe Random House in Germany recorded a stable year, placing 358 titles on the "Spiegel" bestseller lists. Top-selling titles were "Der Distelfink" by Donna Tartt and "Krähenmädchen" by Erik Axl Sund. The publishing group increased its e-book sales and audio downloads. Penguin Random House Grupo Editorial was able to more than offset weaknesses in the difficult book market in Spain with strong sales in Latin America. Grupo's leading bestsellers were "El juego de Ripper" by Isabel Allende and "El umbral de la eternidad" by Ken Follett.

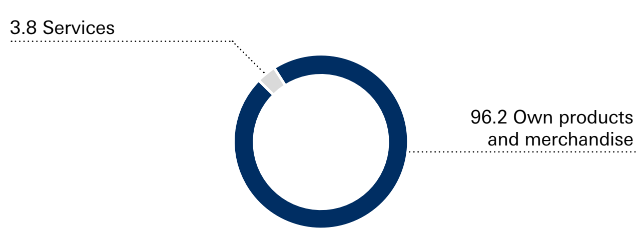
Penguin Random House expanded its digital business in all markets; its e-book portfolio grew to more than 100,000 titles in the reporting period. In 2014, the group's publishers sold more than 100 million e-books worldwide.

Penguin Random House authors won many of the world's most prestigious literary awards in 2014, including the Pulitzer Prize for Dan Fagin with "Toms River" (nonfiction), and the Man Booker Prize for Richard Flanagan's "The Narrow Road to the Deep North."

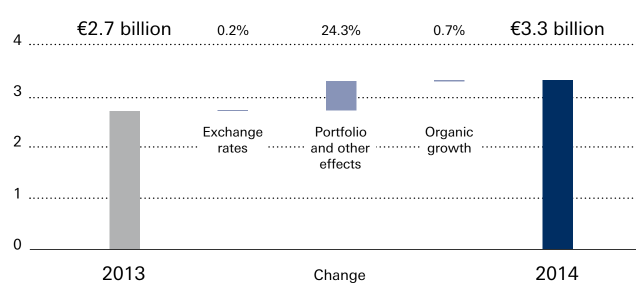
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Gruner + Jahr

Revenues at Gruner + Jahr declined in the 2014 financial year, primarily due to deliberate divestments and falling ad and circulation revenues. Revenue was down by 13.3 percent to €1.7 billion (previous year: €2.0 billion). Operating EBITDA dropped 14.0 percent to €166 million (previous year: €193 million). Excluding the sold printing operations, operating EBITDA was largely stable despite increased investment in the company's transformation to digital. The EBITDA margin was 9.5 percent (previous year: 9.6 percent). G+J employed 8,168 people at year-end (December 31, 2013: 10,556 employees). In November 2014, Bertelsmann's acquisition of the remaining 25.1 percent of shares in Gruner + Jahr made it a wholly owned subsidiary of Bertelsmann SE & Co. KGaA. At the end of December, Gruner + Jahr changed its legal form to become a GmbH & Co. KG.

Against a backdrop of significant declines in advertising revenues, slightly lower circulation revenues, and the sale of the specialized publisher G+J Entertainment Media, G+J Germany recorded a fall in revenues. Continued heavy investment in the expansion of digital activities also impacted operating earnings. In August 2014, Gruner + Jahr's management initiated a comprehensive efficiency program to reduce costs in Germany by €75 million in the medium term, adjust corporate structures and drive the digital transformation forward. The print portfolio was expanded with the launch of two new magazines, "Salon" and "Manual." G+J developed numerous new e-mags and digital applications for its titles and successfully expanded its digital business. G+J Media Sales maintained its high market share. The digital marketing agent EMS and performance marketer Ligatus grew dynamically. Gruner + Jahr strengthened its marketing expertise with the acquisition of Veeseo and Trnd. DPV was strategically realigned and moved closer to the G+J brands. At the same time, digital sales were intensively expanded.

In France, Prisma Media improved its leading position among the country's major magazine publishers despite a decline in advertising and circulation revenues in a shrinking market. Revenues remained stable, but earnings were down. In the digital domain, Prisma Media recorded significant growth and made a considerable contribution to earnings. Its strong market position was expanded with a stake in the video marketer Advideum.

In Austria, Verlagsgruppe News's advertising and sales revenues remained under strong pressure during the reporting year. In June 2014, there was a change in leadership at the publishing group. G+J's withdrawal from the Eastern European markets was completed with the sale of shareholdings in Adria Media Zagreb in Croatia.

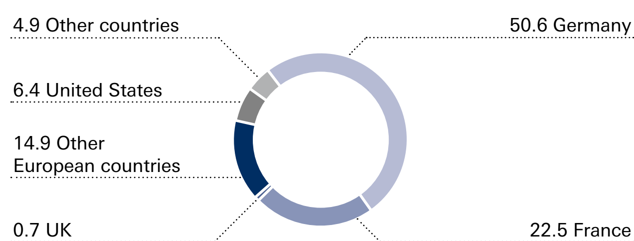
In Spain, the business saw a slight recovery. Gruner + Jahr's operations in the Netherlands were stable, while its businesses in China declined significantly against a backdrop of decreasing advertising revenues. G+J pulled out of India, due to a lack of strategic prospects, by selling all of its shares in Networkplay Media, Seventynine and Maxposure.

Dresdner Druck- und Verlagshaus achieved slight organic increases in revenues and earnings by expanding its additional regional offerings. Motor Presse Stuttgart recorded a slight decline in revenues, but thanks to cost-cutting measures its earnings were higher. The company grew its digital activities.

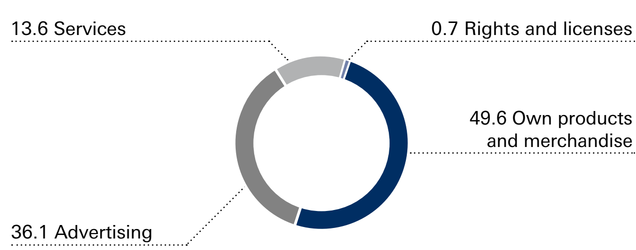
During the reporting period, G+J sold Brown Printing in the United States as part of its transformation.

In 2014, as in past years, numerous G+J journalists and authors won awards for their work.

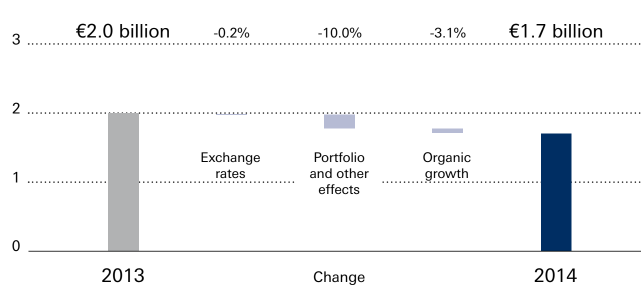
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Arvato

The international technology services provider Arvato recorded rising revenues and a decline in operating result in the 2014 financial year. Revenues grew both through acquisitions and organically, increasing by a total of 6.2 percent to €4.7 billion (previous year: €4.4 billion). Due to start-up losses for new businesses and innovations and increasing pressure on the margins of some businesses, operating EBITDA declined by 3.3 percent to €384 million (previous year: €397 million). The EBITDA margin was 8.2 percent compared to 9.0 percent in the previous year. Arvato employed 70,653 people at year-end (December 31, 2013: 66,303).

At Arvato the financial year was marked by, among other things, the introduction of a new organizational structure designed to strengthen innovation, effectively increase the company's growth momentum and promote global collaboration. The businesses have since been organized into Solution Groups and by country.

During the reporting period, Arvato registered significant revenue growth in the Supply Chain Management Solution Group in particular, where the company was successful with innovative e-commerce and SCM solutions for international customers in the Internet, high-tech, healthcare and automobile sectors. The acquisition of the e-commerce service provider Netrada contributed significantly to this increase in revenues. The acquisition turned Arvato into the leading European provider of integrated e-commerce services in the fashion and lifestyle sectors.

In the Financial Solutions segment, Arvato further advanced the internationalization of its businesses and strengthened its position as one of the leading providers in the fast-growing business-information and financial-services market. In particular, the operations in northern Europe were expanded and gained market share. Arvato strengthened its services in the field of risk management solutions with the acquisition of the Dutch financial-services company AfterPay.

During the reporting period, revenues from the Customer Relationship Management Solution Group showed a positive development in Germany, UK, Spain and North America, were stable in China and declined in France. In Asia and Africa, Arvato established or expanded new offshore sites for providing customer-services solutions to international customers. The German service-center network was strengthened by the acquisition of several locations with more than 1,000 employees. In the UK, losses were incurred in connection with a new contract in the public sector.

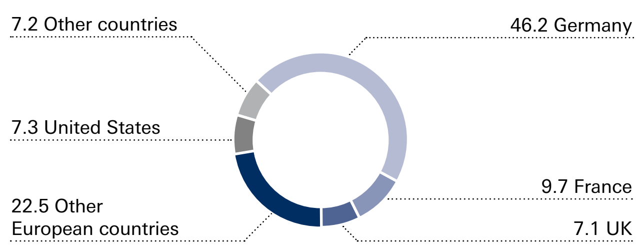
Demand for IT solutions related to application development and systems integration continued unbroken in 2014. Accordingly, Arvato was further able to increase its revenues from IT solutions, gaining new major customers such as Rheinmetall and McKesson. This initially involved high set-up costs, which impacted earnings in this business segment.

Arvato's integrated print businesses remained stable overall. Storage media replication revenues declined as expected; in Spain, Arvato discontinued its replication operations at the beginning of the year.

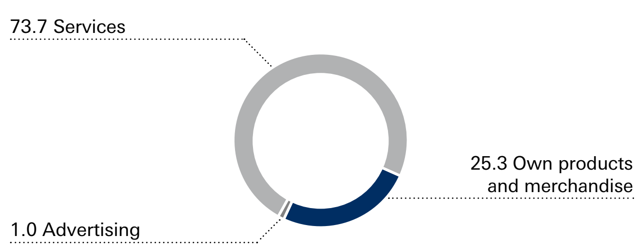
In Europe, Arvato's businesses showed varying performance. While revenue performance was good in Germany, Scandinavia, the Netherlands and Ireland and satisfactory in Spain, the UK and Poland, the service businesses in France were unable to match the previous year's level. Revenues in the North American market declined due to portfolio adjustments. In key growth markets such as Turkey and India, the services businesses were expanded and new customers were acquired. In China, Arvato's development was almost stable.

Arvato won prestigious awards in various countries around the world for its bespoke and innovative customer solutions.

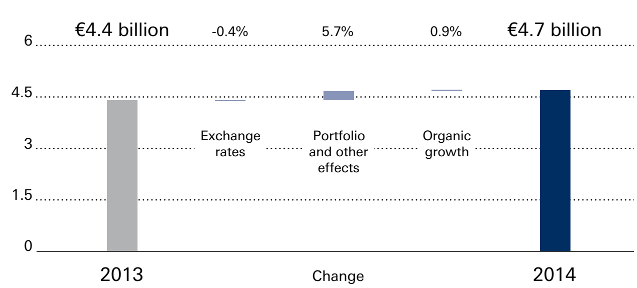
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Be Printers

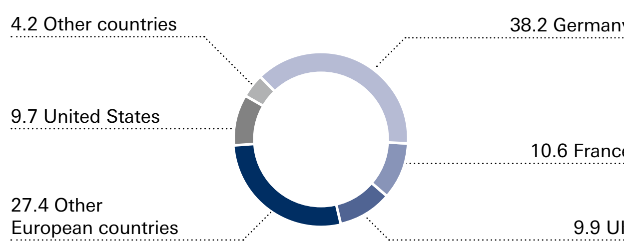
The gravure and international offset printing activities pooled in Bertelsmann's Be Printers division recorded declining revenues and operating results in financial year 2014. Reasons included continuing overcapacity and the resulting price erosion in the European gravure-printing market, as well as the sale of business units. The technological shift toward more offset and digital printing and shrinking print runs in the magazine sector and printed advertising also impacted the revenues of the European businesses. The performance of Be Printers' book-printing operations in the United States was stable. Be Printers' revenues were down by 11.2 percent in 2014 to €1.0 billion (previous year: €1.1 billion). Operating EBITDA decreased by 30.4 percent to €64 million (previous year: €92 million). The EBITDA margin was 6.4 percent, after 8.2 percent in the previous year. Be Printers employed 4,108 people at year-end (December 31, 2013: 6,201 employees).

In 2014, Be Printers focused on boosting competitiveness with regard to quality and cost in order to maintain its position in declining markets. Closing the Prinovis printing plant in Itzehoe and focusing on the company's geographic core markets contributed to this, as did expanding the product range – for example, the hybrid offer of gravure and offset at Prinovis. By making this investment at its Dresden location, Prinovis expanded the site's product range toward offering small print runs, additional formats and shorter timelines. Production at Itzehoe was discontinued as planned on April 30, 2014. In Ahrensburg, the staff adopted a "Future Package" that safeguards employment and lowers costs. In the United States, Be Printers expanded its market access with innovative print products for the home entertainment, cosmetics, health and confectionery sectors. Be Printers sold its printing plants and calendar business in Italy as well as its shareholding in a Colombian printing plant.

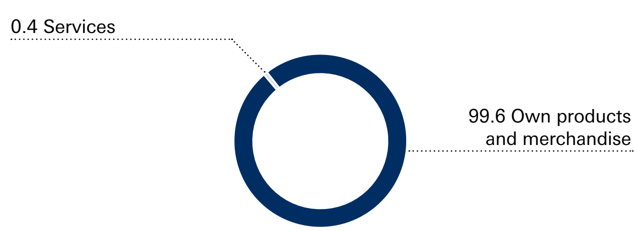
During the reporting period, Be Printers renewed its contracts with major European customers such as the Otto Group, the media groups Klambt, Axel Springer and Funke and G+J España. Be Printers' US printers secured the continued utilization of its capacity in book printing with the conclusion of a new five-year contract with the trade book publisher Penguin Random House.

Be Printers carried out a substantial write-down of Prinovis during the financial year. Special items are not included in operating EBITDA.

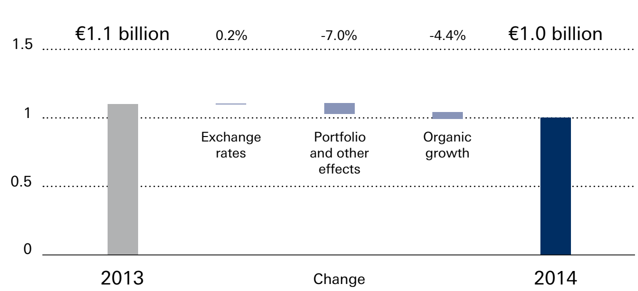
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Corporate Investments / Corporate Center

The Corporate Investments division, which comprises all of Bertelsmann's operational activities at Group level, reported lower revenues in 2014 but, at the same time, a strong increase in operating result. Revenues fell by 6.6 percent to €510 million (previous year: €546 million). Dynamic growth in the music-rights subsidiary BMG partly compensated for declines from the scheduled downscaling of the club and direct-marketing business. Operating EBITDA soared by 120 percent to €44 million (previous year: €20 million) thanks to BMG's positive performance. The EBITDA margin was 8.6 percent after 3.7 percent in the previous year. At year-end, 3,908 employees worked for Corporate Investments (December 31, 2013: 4,146 employees).

In 2014 Bertelsmann made significant progress in developing the new education line of business. In November, the Group acquired the US company Relias Learning, a fast-growing, leading e-learning provider in the healthcare sector. In addition, Bertelsmann acquired a minority stake in the US education provider Udacity. During the reporting period, the University Ventures I and II funds, in which Bertelsmann is the anchor investor, made further investments in high-growth companies in the education sector, including the Ponce School of Medicine in Puerto Rico and the innovative US startup Galvanize.

In 2014 the music-rights subsidiary BMG grew both organically and through the targeted acquisition of catalogs and companies, including the music publisher Talpa Music in the Netherlands, the labels Vagrant Records in the US and Infectious Music in the UK and the Skint/Loaded, Hal David and Montana music-rights catalogs, as well as the marketing specialist Union Square Music. BMG signed new contracts with well-known artists and bands, including Beatsteaks, Kraftklub, Casper and The BossHoss in Germany; Dave Stewart, The Strokes, The Smashing Pumpkins and Faith Evans in the US; and Simply Red, Simple Minds, Sigma, M.I.A. and the composer Wayne Hector in the UK. In Germany, BMG ended the year as the country's most successful music publisher, with a cumulative 18 percent share of the singles charts. The company's artists and writers won numerous Grammy and Echo Awards. At the beginning of 2014, BMG opened an office in Beijing.

During the reporting period, the Bertelsmann Digital Media Investments (BDMI) and Bertelsmann Asia Investments (BAI) funds in China, Bertelsmann India Investments (BII) and the Corporate Center in Brazil expanded their investment portfolios to a total of 92 investments. BAI made new investments in 11 companies. New investments in India included online marketplaces for furniture and real estate. In Brazil, Bertelsmann invested in an education fund focused on technology. BDMI managed a successful exit with the sale of the multichannel network StyleHaul to RTL Group.

The club and direct-marketing businesses were further downscaled or closed during the reporting period. Bertelsmann announced the closure of Der Club Bertelsmann and all its remaining branches in Germany by the end of 2015. The successful Tolino e-reader, co-marketed by Der Club, will be continued and developed further. In Spain, Bertelsmann's remaining 50 percent share in Círculo de Lectores was sold to the former joint-venture partner Planeta. The sale of the club business in the Czech Republic and Slovakia to a Czech investor, agreed upon last year, was completed in March 2014. The Ukrainian club activities came under strong pressure against the background of the conflict in eastern Ukraine. The direct-sales organization Inmediaone was discontinued on June 30, 2014.

The Corporate Center department, which is comprised of all of the Group's Corporate Centers around the world, supported key transactions during the year. It also managed the systematic continuation of the multiyear "Operational Excellence" program, which aims to optimize business support processes in HR, finance/accounting, IT and procurement. The focus of its work also included the organization of a Management Meeting and a "Creativity Conference" with renowned artists and speakers in London. The Corporate Center supported the establishment of a new Board seat for HR-related matters focused on talent management and management development, to which Immanuel Hermreck was appointed at the turn of the year.

General Statement by Company Management on the Economic Situation

Overall, Bertelsmann's businesses showed a solid performance in financial year 2014. Bertelsmann made significant progress in the strategic transformation of the Group into one with a faster-growing, more digital and more international portfolio. As well as closing structurally declining businesses, the Group focused on developing new businesses that offer high growth potential.

In the reporting period, Group revenues rose 3.1 percent to €16.7 billion (previous year: €16.2 billion). The expected strong increase in revenues at Penguin Random House was achieved as a result of the first-time inclusion in the Group financial statements for the full year (outlook in 2013 Annual Report: significantly above previous year); there was also strong bestseller performance. By contrast, a weak market development in France and the continued scaling back of a number of structurally declining businesses, particularly in the printing segment, had a negative impact on Group revenues. In view of the strategic disposals, the overall moderate revenue growth was below expectations (outlook in 2013 Annual Report: strong increase). Operating EBITDA of €2,374 million (previous year: €2,311 million) was moderately above the previous year (outlook in 2013 Annual Report: stable development). As expected, operating EBIT reached a stable level of €1,769 million, compared to €1,763 million (outlook in 2013 Annual Report: stable to slightly above previous year; adjusted outlook in 2014 Interim Report: stable to slightly below previous year). At €188 million, the BVA used for Group management was well below the previous year's figure of €283 million (outlook in 2013 Annual Report: strongly declining BVA). The expected development reflects the transaction-based strong increase in invested capital.

In financial year 2014, the Executive Board continued to focus primarily on the transformation of the Group, based on the four strategic priorities: strengthening core businesses, driving forward the digital transformation, developing growth platforms and expanding into growth regions. Strengthening the core businesses resulted in the establishment of new TV channels by RTL Group and the acquisition of the Santillana trade publishing companies as well as the full takeover of Gruner + Jahr. In addition, the company sold off structurally declining businesses such as the US print business Brown Printing, the Italian print businesses of Be Printers and the club businesses in Spain, the Czech Republic and Slovakia. Furthermore, a decision was made to close the German-language club and direct marketing businesses by the end of 2015. The Group pushed ahead with the digital transformation on all levels, achieving this through expanding existing non-linear TV offerings at RTL Group and through acquisitions such as SpotXchange and StyleHaul. Penguin Random House reinforced its leading market position in the e-books segment with a catalog that now numbers over 100,000 titles and Gruner + Jahr expanded its range of digital content and digital advertising marketing. Arvato grew its services for companies in the IT/high-tech sector and its e-commerce services. Bertelsmann's growth platforms were strengthened in particular through the acquisition of the US online education provider Relias Learning. Furthermore, the RTL Group subsidiary Fremantle Media acquired the majority of the TV production company 495 Productions and Arvato acquired the e-commerce service provider Netrada, while BMG made various acquisitions, including the music publishers Talpa and Union Square as well as the rights catalogs of Montana and Hal David. In the growth regions, the Bertelsmann Asia Investments fund expanded its shareholdings in leading digital companies in China. In India, Bertelsmann acquired shares in the e-commerce platform Pepperfry and the education provider iNurture. In Brazil, Bertelsmann established an education technology fund in conjunction with the Brazilian investment company Bozano Investimentos.

Bertelsmann's net assets and financial position are very solid despite the high level of investment activity. As of December 31, 2014, the cash and cash equivalents reported at €1.3 billion represent an adequate liquidity situation. The ratings agencies Moody's and S&P rated Bertelsmann as "Baa1" and "BBB+" respectively, with a stable outlook. Overall, Bertelsmann ended financial year 2014 with a satisfactory performance and has a solid financial basis.

Significant Events After the Balance Sheet Date

After December 31, 2014, no notable events occurred.

Risks and Opportunities

Risk Management System

The purpose of the Bertelsmann risk management system (RMS) is the early identification and evaluation of, as well as response to, internal and external risks. The internal control system (ICS), an integral component of the RMS, monitors the effectiveness of the risk response measures that have been implemented. The aim of the RMS is to identify, at an early stage, material risks to the Group so that risk response measures can be taken and controls implemented. Risks are possible future developments or events that could result in a negative deviation from outlook or objective for Bertelsmann. In addition, risks can negatively affect the achievement of the Group's strategic, operational, reporting and compliance-related objectives.

The risk management process is based on the internationally accepted frameworks of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Enterprise Risk Management-Integrated Framework and Internal Control-Integrated Framework, respectively) and is organized in subprocesses of identification, assessment, management, control and monitoring. A major element of risk identification is a risk inventory that lists significant risks year by year, from the profit-center level upward, and then aggregates them step by step at the division and Group levels. This ensures that risks are registered where their impact would be felt. There is also a Group-wide reassessment of critical risks every six months and quarterly reporting if no risk event occurred. Ad hoc reporting requirements ensure that significant changes in the risk situation during the course of the year are brought to the attention of the Executive Board. The risks are compared against risk response and control measures to determine the so-called net risk. Both one-year and three-year risk assessment horizons are applied to enable the timely implementation of risk response measures. The basis for determining the main Group risks is the three-year period, similar to medium-term corporate planning. Risk assessment is the product of the estimated negative impact on the free cash flow should the risk occur and the estimated probability of occurrence. Risk monitoring is conducted by Group management on an ongoing basis. The RMS, along with its component ICS, is constantly undergoing further development and is integrated into ongoing reporting to the Bertelsmann Executive Board and Supervisory Board. Corporate and Divisional Risk Management Committee meetings are convened at regular intervals to ensure compliance with statutory and internal requirements.

The auditors inspect the risk early-warning system for its capacity to identify developments early on that could threaten the existence of Bertelsmann SE & Co. KGaA according to section 91 (2) of Germany's Stock Corporation Act (AktG), then report their findings to the Supervisory Board. Corporate Audit conducts ongoing reviews of the adequacy and functional capability of the RMS in the Penguin Random House, Arvato and Be Printers divisions as well as the Corporate Investments and Corporate Center segments. The risk management systems of RTL Group and Gruner + Jahr are evaluated by the respective internal auditing departments of those divisions and by external auditors. Any issues that are identified are promptly remedied through appropriate measures. The Bertelsmann Executive Board defined the scope and focus of the RMS based on the specific circumstances of the company. However, even an appropriately designed and functional RMS cannot guarantee with absolute certainty that risks will be identified and controlled.

Accounting-Related Risk Management System and Internal Control System

The objectives of the accounting-related RMS and ICS are to ensure that external and internal accounting is proper and reliable in accordance with applicable laws and that information is made available without delay. Reporting should also present a true and fair view of Bertelsmann's net assets, financial position and results of operation. The following statements pertain to the Group financial statements (including the "Notes to the Group Financial Statements" and "Combined Management Report" sections), interim reporting and internal management reporting.

The ICS for the accounting process consists of the following areas. The Group's internal rules for accounting and the preparation of financial statements (e.g., IFRS manual, guidelines and circulars) are made available without delay to all employees involved in the accounting process. The Group financial statements are prepared in a reporting system that is uniform throughout the Group. Extensive automatic system controls ensure the consistency of the data in the financial statements. The system is subject to ongoing development through a documented change process. Systematized processes for coordinating intercompany transactions serve to prepare the corresponding consolidation steps. Circumstances that could lead to significant misinformation in the Group financial statements are monitored centrally by employees of Bertelsmann SE & Co. KGaA and by RTL Group (for the preconsolidated subgroup), then verified by external experts as required. Central contacts from Bertelsmann SE & Co. KGaA and the divisions are also in continuous contact with local subsidiaries to ensure IFRS-compliant accounting as well as compliance with reporting deadlines and obligations. These preventive measures are supplemented by specific controls in the form of analyses by the Corporate Financial Reporting department of Bertelsmann SE & Co. KGaA and RTL Group (for the preconsolidated subgroup). The purpose of such analyses is to identify any remaining inconsistencies. The Group- and division-level controlling departments are also integrated into the internal management reporting. Internal and external reporting are reconciled during the quarterly segment reconciliation process. The further aim in introducing a globally binding control framework for the decentralized accounting processes is to achieve a standardized ICS format at the level of the local accounting departments of all fully consolidated Group companies. The findings of the external auditors and Corporate Audit are promptly discussed with the affected companies and solutions are developed. An annual self-assessment is conducted to establish reporting on the quality of the ICS in the key Group companies. The findings are discussed in Audit and Finance Committee meetings at the divisional level.

Corporate Audit and the internal auditing departments of RTL Group and Gruner + Jahr evaluate the accounting-related processes as part of their auditing work. As part of the auditing process, the Group auditor also reports to the Audit and Finance Committee of the Bertelsmann SE & Co. KGaA Supervisory Board about any significant vulnerabilities of the accounting-related ICS that were identified during the audit and the findings regarding the risk early-warning system.

Major Risks to the Group

Bertelsmann is exposed to a variety of risks. The major risks to Bertelsmann identified in the risk reporting are listed in order of priority in the table below. In line with the level of possible financial loss, the risks are classified as endangering, considerable, significant, moderate or low for the purposes of risk tolerability. The risk inventory carried out did not identify any risks that would be classified as considerable or endangering.

Given the diversity of the businesses in which Bertelsmann is active and the corresponding diversity of risks to which the various divisions are exposed, the key strategic and operational risks to the Group identified below are broken down by business segment. Risks from acquisitions and information-technology risks were identified as the primary risks and are therefore described separately. This is followed by an outline of legal and regulatory risks and financial-market risks. These risks are largely managed at the corporate level.

Strategic and Operational Risks

The global economy continued its moderate growth in 2014. In 2015, global growth should gradually accelerate. Although uncertainty over general economic developments has eased, Bertelsmann's business development is still dogged by certain risks. Assuming the continuing normalization of the overall economic situation, Bertelsmann expects stable development of Group revenues for 2015. In addition to the risk associated with economic development, other significant Group risks include pricing and discounting risks, customer risks, supplier relationship risks and any loss of audience and market share as well as risks from changes in the market environment. How these risks develop depends, among other things, to a large extent on changes in customer behavior due to factors such as the digitization of media, the development and implementation of products and services by current and future competitors, bad debt losses as well as default and interference along the production chains in individual sectors, such as IT. The integration risks associated with the Penguin Random House merger and employee-related risks are moderate risks for Bertelsmann.

Overview of Major Risks to the Group

		Risk Classification				
Priority	**Type of risk**	Low	Moderate	Significant	Considerable	Endangering
1	Pricing and discounting			■		
2	Customer risks			■		
3	Supplier risks			■		
4	Audience and market share			■		
5	Changes in market environment			■		
6	Cyclical development of economy			■		
7	Integration risks, Penguin Random House		■			
8	Employee-related risks		■			
9	Legal and regulatory risks		■			
10	Financial market risks	■				

Risk classification (potential financial loss in three-year period): low: < €50 million, moderate: €50–100 million, significant: €100–250 million, considerable: €250–500 million, endangering: > €500 million.

■ Existing risks

For RTL Group, the ongoing digitization presents the risk of an increasing fragmentation of the markets as audiences will have more choice (for example through online platforms) and at the same time the market entry barriers are reduced. The possible consequences of this are decreasing audience and advertising market shares and therefore, ultimately, lower revenues. RTL Group is countering the risk, in particular by continuously revising and developing the channels and program strategies, for example, by establishing complementary families of channels and constantly adapting these to international program trends. Increasing competition in the area of program acquisition and TV production with the risk of potential cost increases could also impact RTL Group's ability to generate revenues. To reduce this risk, long-term contracts are signed with major content providers and the program share of own productions is being expanded. Furthermore, economic development directly impacts the TV advertising markets and therefore RTL Group's revenue. This risk is being countered by focusing on developing non-advertising revenue streams, e.g., distribution revenues from platform operators. To reduce the risk of customer losses, active customer relationship management is established.

The significant risk for Penguin Random House is the risk of increasing margin pressure due to falling e-book prices and changes in terms of sale. In order to address this risk Penguin Random House is negotiating intensively with its customers and is monitoring market price developments. Penguin Random House also faces bad-debt risks, which are minimized through careful management of account balances and mitigated by credit insurance coverage. Aside from this, the merger of the two companies remains a major risk, in particular the process of integrating the companies' IT systems. Management has established work streams to deliver the integration plans and is closely monitoring progress through an integration management office. On the physical side of the business, the overall trend toward greater digital sales could threaten the long-term viability of certain customers, thus leading to decreased store sales, and will likely result in continued margin pressure. The risk minimization strategy for this includes continuous monitoring of customer relationships, increased e-book sales and online sales of physical books, as well as commercial efforts to improve market share. Finally, Penguin Random House continues to be subject to pricing demands from its suppliers and to the risk of a general economic downturn. Management controls these risks through careful management of supplier relationships and by maintaining a flexible cost structure that allows for a quick response in the event of an economic downturn.

For Gruner + Jahr, the risk of a deterioration of the overall market environment and resulting declines in advertising and circulation revenues represents the greatest risk. This is compounded by a changing market environment in which price pressure and declining revenues as a result of further concentration in the agency market and aggressive advertising conditions on the part of competitors cannot be ruled out. The risk remains that the growing importance of digital advertising options will lead to declining margins. Besides the risk of losing key customers, such as advertising customers switching to other media, there is the risk of rising costs on the supplier side. The risks are being countered by active cost and customer management, the development of new forms of offerings and price and quality improvements. Advertising restrictions discussed at the EU level (e.g., car advertising) could lead to declining advertising revenues.

Arvato sees itself as particularly exposed to risks from customer and supplier relationships as well as risks from a changing market environment. The establishment of a matrix organization focusing on Solution Groups as well as central key account management is helping to target customers effectively. The potential loss of key customers is also being countered through long-term contracts offering comprehensive service packages with simultaneously flexible cost structures as well as through integrated service elements. On the supplier side, key risks include the quality of goods and services purchased as well as the procurement costs if the increase can not be passed on to the customers. As a result of a simultaneous increase in dependency on a few suppliers, margin pressure is increasing in a number of segments. Countermeasures include entering into long-term contracts, an active exchange with existing suppliers and monitoring the supplier market. Competition is intensifying because competitors are expanding their value chains and are thus following Arvato's strategy. In addition, new competitors entering the market could intensify the competitive pressure and lead to lower margins. By constantly developing the range of services, the aim is to improve the competitive position and to increase customer loyalty through integrated solutions together with a trend toward higher value added. A worsening of the economic environment could result in declining revenues and thus lower margins, which would necessitate cost-cutting measures and capacity downsizing. Broad diversification across customers, sectors and regions helps to reduce this risk. The ongoing trend toward digitization entails further risks for individual customer segments of Arvato, particularly in manufacturing and distribution of physical media products. These risks are being addressed, for example, by developing business priorities, which comprise digital services. Furthermore, business segments that offer no strategic or economic prospects are being deliberately scaled back.

For Be Printers, customer risks, in particular greater dependence on a few major customers in structural terms, remain the most significant risks. This is being countered, in particular, by entering into more flexible customer contracts as well as taking out credit insurance and ensuring active debtor management. Furthermore, deterioration in the economic environment also may lead to declining circulations with a negative impact on earnings. In addition, price and margin pressure result from a market environment which is characterized by overcapacity as well as existing trends toward consolidation. There are further risks on the supplier side associated with rising raw-material prices – particularly for paper – that cannot be passed on to customers. These risk minimization strategies are based, in particular, on constantly optimizing cost structures and making them more flexible, the use of price-adjustment clauses and ongoing market monitoring.

Corporate Investments is comprised of the fund activities and strategic-growth segments of music rights and education as well as the Group's remaining club and direct-marketing businesses. From a Group perspective, the identified risks are of minor importance.

Finally, it should be noted that because of demographic change, risk reporting is placing a greater emphasis on employee-related risks. These include, for example, a shift in the age distribution of the workforce, challenges in recruiting qualified personnel and the departure of top executives. This risk applies to all divisions. Countermeasures include further training measures and health programs, more extensive recruiting measures and interdivisional talent development.

Acquisition-Related Risks

As well as organic growth, the Group's development strategy includes targeted acquisitions of promising businesses. Acquisitions completed in 2014 present opportunities as well as risks. The choice of the right investment projects and the allocation of investment funds already involve risks, which are taken into account by strict investment criteria. Integration into the Group requires one-time costs that are usually offset by increased benefits in the long-term thanks to synergy effects. In this context, there are risks in that the integration costs may be higher than expected or the predicted level of synergies may not materialize. The integration processes are therefore being permanently monitored by management.

Information Technology Risks

For a global media company like Bertelsmann, the reliability and security of information technology is crucial and can often give the company a competitive edge. The ability to provide and process information in a timely, comprehensive, error-free and confidential way is crucial to Bertelsmann's success. Challenges arise, on the one hand, from the many non-standardized internal processes as well as from external potential risks such as cyber-attacks, which have dramatically increased in the market and competitive environment. The widespread use of cloud-based IT solutions and the significant growth of mobile solutions present further challenges. In 2014, Bertelsmann responded to the stricter regulatory conditions by introducing an information security management system (ISMS, based on industry standard ISO 27001) across the Group. The management system includes regular and structured monitoring of compliance with the regulations as well as systematic recording of information security risks and deriving appropriate measures.

Legal and Regulatory Risks

Bertelsmann, with its worldwide operations, is always exposed to a variety of legal and regulatory risks ranging from litigation to varying interpretations of tax-assessment criteria. These risks are being continuously monitored by the relevant departments within the Group.

In November 2008, RTL II filed legal actions against IP Deutschland, a wholly owned subsidiary of RTL Group, and Seven One Media ("SOM") as a result of the 2007 proceedings of the German Federal Cartel Office against the discount scheme agreements ("share deals") offered by IP Deutschland and SOM. RTL II's claim is currently limited to access to information, on the basis of which the claimants want to prove that they suffered damages from these discount schemes. The court of first instance in Düsseldorf decided to order an expert report.

Foreign investments in media companies in the People's Republic of China are subject to restrictions. In order to comply with local legal provisions, some of the Bertelsmann participations in China are held by trustees. Bertelsmann has agreements with these trustees with respect to the securing of Bertelsmann's rights. This type of structure is common for investments in China and has been tolerated by the Chinese authorities for many years. However, a basic risk exists that it will not be possible to safeguard such structures through Chinese courts if the People's Republic should change its policies toward foreign investment and, for example, no longer recognize offshore investments in general or in the media area in particular. In addition, it cannot be ruled out that Chinese authorities or courts in the future will interpret existing provisions differently from the previous practice. In the event that legal violations can be proven, in an extreme case, Bertelsmann could be exposed to considerable fines and the revocation of business licenses, leading to immediate closure of participations in China. This would affect Arvato and Gruner + Jahr as well as Bertelsmann Asia Investments (BAI). In the past, however, such extreme measures by the Chinese authorities have only been reported in exceptional cases.

Aside from the matters outlined above, no further significant legal and regulatory risks to Bertelsmann are apparent at this time.

Financial Market Risks

As an international corporation, Bertelsmann is exposed to various forms of financial market risk, especially interest-rate and currency risks. These risks are largely controlled centrally on the basis of guidelines established by the Executive Board. Derivative financial instruments are used solely for hedging purposes. Bertelsmann uses currency derivatives mainly to hedge recorded and future transactions involving foreign currency risk. Some firm commitments denominated in foreign currency are partially hedged when they are made, with the hedged amount increasing over time. A number of subsidiaries are based outside the euro zone. The resulting translation risk is managed based on economic debt in relation to operating EBITDA (leverage factor). Bertelsmann's long-term focus is on the maximum leverage factor permitted for the Group. Foreign-currency translation risks arising from net investments in foreign entities are not hedged. Interest-rate derivatives are used centrally for the balanced management of interest-rate risk. The cash-flow risk from interest-rate changes is centrally monitored and controlled as part of interest-rate management. The aim is to achieve a balanced ratio of different fixed interest rates by selecting appropriate maturity periods for the originated financial assets and liabilities affecting liquidity and through the ongoing use of interest-rate derivatives. The liquidity risk is regularly monitored on the basis of the planning calculation. The existing syndicated loan, as well as appropriate liquidity provisions, form a sufficient risk buffer for unplanned payments. Counterparty risks exist in the Group in invested cash and cash equivalents and in the default of a counterparty in derivatives transactions. Financial transactions and financial instruments are restricted to a rigidly defined group of banks with an excellent credit rating. Existing risks from investing cash and cash equivalents are continuously monitored. Financial investments are generally made on a short-term basis so that the investment volume can be reduced if the credit rating changes (see also further explanatory remarks on "Financial Risk Management" in section 25 of the notes).

Overall Risk

The overall risk position is at the previous year's level. The top ten Group risks have remained unchanged since the previous year, although the relevance of the individual risks has changed. While risks resulting from changes in the market environment are rated lower, the significance of pricing and discounting risks has increased. The continuing digital transformation of businesses is already largely anticipating technological changes, so that the risks connected with this are being increasingly reflected in other operating risks such as pricing and discounting risks. As a result of the diversification of Group businesses, there are no concentration risks stemming from dependency on individual business partners or products in either procurement or sales. The Group's financial position is solid, with liquidity needs currently covered by existing liquidity and available credit facilities.

No risks endangering Bertelsmann's continued existence were identified in financial year 2014, nor are any substantial risks discernible from the current perspective that could threaten the continued existence of the Group in the future.

Opportunity Management System

An efficient opportunity management system enables Bertelsmann to secure its corporate success in the long term and to exploit potential in an optimum way. Opportunities are possible future developments or events that could result in a positive deviation from outlook or objective for Bertelsmann. The opportunity management system, like the RMS, is an integral component of the business processes and company decisions. During the strategy and planning process, significant opportunities are determined each year from the profit center level upward, and then aggregated step by step at the division and Group levels. By systematically recording them on several reporting levels, opportunities that arise can be identified and exploited at an early stage. This also creates an interdivisional overview of Bertelsmann's current opportunities. A review of major changes in opportunities is conducted at the divisional level every six months. In addition, the largely decentralized opportunity management system is coordinated by central departments in the Group in order to derive synergies through targeted cooperation in the individual divisions. The interdivisional experience transfer is reinforced by regular meetings of the Group Management Committee.

Opportunities

While the above-mentioned opportunities associated with positive development may be accompanied by corresponding risks, certain risks are entered into in order to be able to exploit potential opportunities. This link to the key Group risks offers strategic, operational, legal, regulatory and financial opportunities for Bertelsmann.

Strategic opportunities can be derived primarily from the Group's four strategic priorities. Strengthening core businesses, driving forward the digital transformation, developing growth platforms and expanding in growth regions constitute the most important long-term growth opportunities for Bertelsmann (see the "Strategy" section). In particular, there are general opportunities for exploiting synergies as a result of the portfolio expansions. There are individual operational opportunities in addition to the possibility of more favorable economic development and the potential for efficiency improvements.

For RTL Group, a better-than-expected development of the TV advertising market as well as increasing audience and advertising market shares are major opportunities. Furthermore, the rapidly changing digital environment is opening up opportunities as the media landscape fragments. High-quality content can be distributed across multiple platforms nationally and internationally. New revenue streams could be generated by exploiting the existing TV content across multiple platforms and by creating native digital content. With the expansions of its presence in the digital space, RTL Group could increase online video advertising sales on all screens and TV platforms and establish pay models in the on-demand business. In this context new advertising sales could emerge through the offering of new interactive forms of advertising parallel to linear TV use and a more effective targeted advertising in the digital environment. As an established content producer with a global presence, RTL Group could further expand its digital distribution through multichannel networks and digital streaming platforms.

The combination of Penguin and Random House has enhanced the publishing opportunities for Penguin Random House overall. With a significantly larger market share, the publishing group could further increase its leading market position, attract exceptional writing talent and publish more bestselling debut publications. As the world's largest trade book publisher, Penguin Random House also has opportunities to invest more heavily than its competitors. Especially in emerging and multilingual markets, the group could take advantage of a growing demand and offer products to the widest possible readership. The increasing digitization of the book markets offers opportunities for new product development and more efficient marketing channels. The development of new products and enhancements to existing offerings could make books more appealing for a wider audience. Moreover, building networks and tools for authors could support them to better connect with their readers.

For Gruner + Jahr, a better development of the advertising and sales markets represents significant opportunities. The initiated transformation from a magazine to a house of content is providing further opportunities. The new structure of G+J Germany integrates the printing and digital businesses, allowing it to implement product innovations faster and more efficiently. As well as expanding and developing the existing media brands, there are opportunities for growth, particularly in the development and expansion of digital activities. The development of digital formats such as websites, e-mags and apps are additional sources of revenue for Gruner + Jahr. There are also opportunities for generating other additional services, such as commerce and paid services, within the context of content offerings. In terms of marketing, G+J could gain new customers by designing customized forms of advertising in the online, mobile and video media channels. Developing new special advertising formats and implementing integrated campaigns could also help to attract potential new customers.

Arvato's new organizational structure in the form of a matrix enables it to exploit growth potential more effectively. A clear division into Solution Groups while taking into account the regional dimension, together with the introduction of a central key account management system, will increase Arvato's flexibility, innovative power, international presence and local expertise in the future. This will enable it to respond quickly and flexibly to customer requirements and market trends. There are potential business opportunities, primarily in the financial solutions and e-commerce business segments and in the growth markets, particularly China. The global e-commerce market will continue its dynamic growth over the next few years as a result of ongoing digitization. Arvato could participate significantly in this growth, primarily through the services offered by the SCM and Financial Solutions Solution Groups. A further growth opportunity from the digital transformation lies in providing support to customers with CRM solutions via multiple interaction channels throughout the consumer lifecycle. Establishing global Solution Groups can provide additional opportunities for acquiring new customers, particularly key international customers.

The Be Printers print businesses may decline less steeply through additional volumes of existing and new customers. This would provide opportunities from the targeted servicing of market segments that are still growing. Moreover, the prospect of further consolidation of the printing market could effectively strengthen Be Printers' market position.

Within Corporate Investments, potential music-catalog takeovers and other artist signings offer growth opportunities for BMG. In the long term, Bertelsmann plans to establish the education business as a third pillar alongside media and services. Entering the e-learning, medical-education and education-services business segments will open up opportunities in markets growing rapidly over the long term. The takeover of the US online education provider Relias Learning in 2014 offers additional organic growth potential through the expansion of the business activity to related market segments. For fund activities, there is also the opportunity to realize higher-than-expected profits thanks to increasing market valuations. In the club and direct-marketing businesses, lower restructuring costs could boost business performance.

The current innovation efforts detailed in the "Innovations" section offer further potential opportunities for the individual divisions.

Other opportunities could arise from changes to the legal and regulatory environment.

The financial opportunities are largely based on a favorable development of interest and exchange rates from Bertelsmann's point of view.

Outlook

Anticipated Overall Economic Development

Bertelsmann anticipates that economic conditions will develop as follows in 2015. In the forecast period, global growth should gradually accelerate. According to the Institute for the World Economy at the University of Kiel (IfW), global gross domestic product (GDP) will grow by 3.7 percent in real terms in 2015. Mainly, the overall continued expansive monetary policy and lower oil prices are helping to boost economic activity. The threshold countries will benefit from the strong demand in advanced economies, although structural problems will prevent any rapid return to high expansion rates.

The IfW estimates real economic growth of 1.1 percent in the euro zone in 2015. The development of individual EU member states will remain mixed. The IfW expects GDP for Germany to grow by 1.7 percent in real terms. It expects the growth rate in France to be 0.7 percent in real terms. In the UK, the positive growth trend is expected to continue in 2015; the IfW expects the economy to grow by 2.9 percent in real terms. For the United States, GDP is expected to rise by 3.2 percent in real terms in 2015 as a result of the continuing growth dynamic.

Anticipated Development in Relevant Markets

The worldwide media industry is primarily influenced by global economic developments and the resulting growth dynamic. The continued trend toward digitization of content and distribution channels, changes in media usage and the increasing influence of threshold countries will continue to present risks and opportunities in the years to come. Through the intended transformation of the Group portfolio in line with the four strategic priorities, Bertelsmann expects to benefit to an increasing extent from the resulting opportunities. Through its businesses, Bertelsmann operates in a variety of different markets and regions whose developments are subject to a range of factors and which do not respond in a linear fashion to overall economic tendencies. The following takes into account only those markets and regions that are large enough to be relevant for forecasting purposes and whose expected development can be appropriately aggregated and evaluated or which are strategically important from a Group perspective.

For 2015, slight growth is generally expected in the European TV advertising markets with the exception of France. The English-, German- and Spanish-language book markets are expected to show largely stable development. In the magazine business, the advertising and circulation 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 and the storage media markets are expected to continue to decline at a rate similar to the previous year. The European print markets for magazines, catalogs and promotional materials and the print market for books in the United States are expected to decline. In 2015, the global music-publishing market is forecast to show continued slight growth. The recorded-music market is expected to stabilize. For the US education markets, continuing significant growth in expected in the e-learning, health and human sciences and education-services segments.

Expected Performance

The global economy continues to gradually improve. However, economic prospects are still dogged by certain risks. The following expectations are therefore based on the assumption that the recovery of the overall economic situation will continue and that most of the forecasted market developments and the economic predictions of the research institutions will be realized.

For financial year 2015, Bertelsmann anticipates that stable business development will be driven by the slightly positive market expectations for the European TV advertising markets, with the exception of France, by stable book markets and by continuously growing service markets. The growth stimuli created through strategic portfolio expansions will have a positive impact on Bertelsmann’s growth profile over the next few years. The accelerated scaling back of structurally declining businesses – in particular, print, replication, clubs and direct marketing – will also help to mitigate their negative impact.

In addition to the assumed market developments, the predicted economic developments in the geographic core markets of Western Europe and the United States are the basis of the expected business development. With revenue and earnings share within the euro zone still expected to remain at around 75 percent, the extent of growth is above all based on the forecasted real and nominal economic development in this economic zone. The IfW therefore assumes that GDP in the euro zone will increase by 2.5 percent in nominal terms and by 1.2 percent in real terms for 2015. The OECD predicts that GDP in the euro zone will increase by 2.0 percent in nominal terms and by 1.1 percent in real terms for 2015. In view of these economic expectations and the dampening effects on growth from the continued scaling back of structurally declining businesses, Bertelsmann expects stable development of Group revenues for 2015. Operating EBITDA is expected to increase slightly in financial year 2015, also in view of the profit-improvement measures and the lower adverse effects from structurally declining businesses. As a result of the full-year inclusion of the acquisitions made in the reporting period, Bertelsmann anticipates that invested capital will increase again in financial year 2015. As a result of the growth profile of the acquired businesses, compensating effects from earnings contributions are not expected to be felt for some time. Consequently, a low overall return on investment and a strong fall in BVA are expected.

At present, the expected performance of any individual unit of key significance for the Bertelsmann Group is not expected to deviate significantly from that of the Group.

Depending on how the economy develops, Bertelsmann does not currently anticipate interest-rate changes to have any material impact on the average financing costs of medium- to long-term financing. The liquidity situation in the forecast period is expected to be sufficient.

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

Notes to the Financial Statements of Bertelsmann SE & Co. KGaA (in Accordance with HGB, German Commercial Code)

In addition to the Group reporting, the development of Bertelsmann SE & Co. KGaA is outlined below. Bertelsmann SE & Co. KGaA is a parent company and a management holding company of the Bertelsmann Group. Its tasks include management functions for the Bertelsmann Group as well as the management of its investments and financing. There are also service functions for individual divisions within the Corporate Center. It also bears the tax liability for most of the subsidiaries in Germany. The position of Bertelsmann SE & Co. KGaA is essentially determined by the business success of the Bertelsmann Group.

The annual financial statements of Bertelsmann SE & Co. KGaA, in contrast to the Group financial statements, have not been prepared in accordance with the International Financial Reporting Standards (IFRS) but in accordance with the regulations of the German Commercial Code (HGB) and the supplementary regulations of the German Stock Corporation Act (AktG).

Results of Operations of Bertelsmann SE & Co. KGaA

Results from investments for Bertelsmann SE & Co. KGaA fell to €899 million in the reporting period (previous year: €2,168 million). The decline is primarily attributable to the result of Bertelsmann Capital Holding GmbH, which holds the shares in RTL Group. The profit of Bertelsmann Capital Holding, which was transferred in the last financial year, was €899 million (previous year: €2,429 million). The high figure for the previous year included the special dividends of RTL Group and a book profit from the placement of RTL Group shares.

The increase in other operating income is mainly thanks to book profits from the sale of securities as well as fixtures, furniture and office equipment. The other operating expenses mainly consist of valuation allowances on Group receivables, exchange-rate losses and expenses for property rental and maintenance. The year-on-year increase primarily stems from increased foreign exchange losses. The financial result increased to €-130 million from €-232 million in the previous year. The deviation was primarily attributable to lower interest expenses as a result of the repayment of financial debt with a comparatively high interest rate at the start of the reporting period. The previous year's figure was also burdened by one-time expenses from the early repayment of financial debt.

The profit from ordinary activities fell by €1,179 million to €577 million (previous year: €1,756 million). The extraordinary income of €-86 million (previous year: €1 million) results from a debt waiver in respect of the subsidiary Societa Holding Industriale di Grafica S.p.A., Bergamo. After deduction of tax totaling €-69 million (previous year: €-49 million), the remaining net income came to €422 million (previous year: €1,708 million). Taking into account the retained profits of €272 million carried forward from the previous year and after the appropriation of €210 million to revenue reserves, net retained profits totaled €484 million (previous year: €1,190 million).

Net Assets and Financial Position of Bertelsmann SE & Co. KGaA

Tangible and intangible fixed assets increased to €319 million (previous year: €292 million). The increase is attributable to the purchase of two company aircraft which are leased to Bertelsmann Aviation GmbH. Financial assets increased to €13,337 million (previous year: €12,747 million) following an increase of €326 million in the carrying amount of the participation in Bertelsmann Capital Holding GmbH as a result of payments made by Bertelsmann SE & Co. KGaA in connection with the profit and loss transfer agreement between Bertelsmann Capital Holding GmbH and RTL Group Deutschland GmbH and also due to a contribution of €234 million to Bertelsmann UK Limited, London. Receivables and

Income Statement of Bertelsmann SE & Co. KGaA in Accordance with HGB (German Commercial Code)

in € millions	2014	2013
Results from investments	899	2,168
Other operating income	211	181
Personnel costs	(113)	(114)
Depreciation and amortization on intangible fixed assets and property, plant and equipment	(13)	(13)
Other operating expenses	(277)	(234)
Financial result	(130)	(232)
Result from ordinary activities	577	1,756
Extraordinary income	(86)	1
Income taxes	(69)	(49)
Net income	422	1,708
Retained profits	272	332
Appropriations to revenue reserves from net income	(210)	(850)
Net retained profits	484	1,190

Balance Sheet of Bertelsmann SE & Co. KGaA in Accordance with HGB (German Commercial Code) (Summary)

in € millions	12/31/2014	12/31/2013
Assets		
Fixed assets		
Tangible and intangible fixed assets	319	292
Long-term financial assets	13,337	12,747
	13,656	13,039
Current assets		
Receivables and other assets	2,696	1,736
Securities, cash	246	1,425
	2,942	3,161
Prepaid expenses	13	13
	16,611	16,213
Equity and liabilities		
Equity	8,694	8,452
Provisions	363	361
Financial debt	3,139	3,506
Other liabilities	4,415	3,894
Deferred income	–	–
	16,611	16,213

other assets are comprised of, in particular, receivables from affiliated companies. The year-on-year increase is primarily attributable to the loans granted to RTL Group Deutschland GmbH, Cologne, totaling €536 million, to Bertelsmann, Inc., Wilmington, totaling €335 million and to Bertelsmann UK Limited, London, totaling €119 million.

With the share capital remaining unchanged from the previous year, equity totaled €8,694 million as of December 31, 2014 (previous year: €8,452 million). Provisions amounted to €363 million (previous year: €361 million). Financial debt was reduced as a result of the measures described in the "Financing Activities" section. Other liabilities essentially include liabilities to affiliated companies which have increased year on year, among other things as a result of the increase in a loan from Bertelsmann Capital Holding GmbH to €4,415 million (previous year: €3,894 million).

Risks and Opportunities for Bertelsmann SE & Co. KGaA

As Bertelsmann SE & Co. KGaA is largely linked to the Bertelsmann Group companies, among other things through the financing and guarantee commitments as well as through direct and indirect investments in the subsidiaries, the situation of Bertelsmann SE & Co. KGaA in terms of risks and opportunities is primarily dependent on the risks and opportunities of the Bertelsmann Group. In this respect, the statements concerning the overall assessment of the risks and opportunities made by corporate management also constitute a summary of the risks and opportunities of Bertelsmann SE & Co. KGaA (see the "Risks and Opportunities" section).

Outlook for Bertelsmann SE & Co. KGaA

As the parent company of the Bertelsmann Group, Bertelsmann SE & Co. KGaA receives dividend distributions from its subsidiaries as well as income from services provided to them. Consequently, the performance of Bertelsmann SE & Co. KGaA is primarily determined by the business performance of the Bertelsmann Group (see the "Outlook" section).

Dependent Company Report (Statement in Accordance with Section 312 of Germany's Stock Corporation Act, AktG)

The Executive Board of Bertelsmann Management SE, as general partner of Bertelsmann SE & Co. KGaA, has submitted a voluntary report to the Supervisory Board of Bertelsmann SE & Co. KGaA in accordance with sections 278 (3) and 312 (1) of Germany's Stock Corporation Act, in which it outlines its relationships with affiliated companies for financial year 2014. The Executive Board hereby declares that Bertelsmann SE & Co. KGaA received adequate consideration in return for each and every legal transaction under the circumstances known at the time that the transactions were undertaken.

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					Bertelsmann shareholders' equity	Non-controlling interests	Total
			Other retained earnings	Cumulated other comprehensive income[1]						
				Currency translation differences	Available-for-sale financial assets	Cash flow hedges	Share of other comprehensive income of investments accounted for using the equity method			
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		Other operating activities (Corporate Investments)		Total divisions		Corporate Center		Consolidation		Continuing operations	
	2014	2013 (adjusted)	2014	2013 (adjusted)	2014	2013 (adjusted)	2014	2013 (adjusted)	2014	2013 (adjusted)	2014	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)

	Own products and merchandise		Advertising		Services		Rights and licenses		Continuing operations	
in € millions	2014	2013 (adjusted)	2014	2013 (adjusted)	2014	2013 (adjusted)	2014	2013 (adjusted)	2014	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 following table shows the fair values of the assets and liabilities of the acquisitions on their dates of initial consolidation:

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.

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 intangible assets: Other rights and licenses	Other intangible assets: Internally generated intangible assets	Other intangible assets: Advance payments	Other intangible assets: 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

in € millions	Atresmedia 12/31/2014	Atresmedia 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 consolida-tion 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

in € millions	12/31/2014 Acquisition costs	12/31/2014 Net carrying amount	12/31/2013 Acquisition costs	12/31/2013 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

in € millions	12/31/2014 Nominal amount of lease payments	12/31/2014 Discount amounts	12/31/2014 Present value	12/31/2013 Nominal amount of lease payments	12/31/2013 Discount amounts	12/31/2013 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

in € millions	Neither impaired nor past due on the reporting date	Not individually impaired as of the reporting date and past due by: < 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						Balance as of 12/31/2013
	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	
	At amortized cost	At cost	Fair value recognized in equity	Fair value recognized in profit or loss	Fair value recognized in profit or loss		
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					Balance as of 12/31/2013
	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	
	At amortized cost	Fair value recognized in profit or loss	Fair value recognized in profit or loss			
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	

Corporate Governance at Bertelsmann

The German Corporate Governance Code in the version dated May 14, 2014, specifies relevant standards for good and responsible corporate management and governance. Its recommendations and suggestions, in addition to the applicable provisions of law, form the basis for Corporate Governance at Bertelsmann. Bertelsmann SE & Co. KGaA is a capital market-oriented company but is unlisted. In view of this, Bertelsmann opts not to issue a formal declaration of compliance in accordance with Section 161 of the German Stock Corporation Law (Aktiengesetz).

Bertelsmann's legal form is that of a Kommanditgesellschaft auf Aktien (KGaA) [partnership limited by shares]. The statutory bodies of the KGaA are the General Meeting, the Supervisory Board and the general partner. The general partner serves as the management and representative body of the KGaA. In the case of Bertelsmann, this is Bertelsmann Management SE, a European stock corporation (Societas Europaea), represented by its Executive Board. Bertelsmann SE & Co. KGaA and Bertelsmann Management SE each have their own Supervisory Boards. The members of the Executive Board of Bertelsmann Management SE are appointed and monitored by the Supervisory Board of Bertelsmann Management SE (dual leadership structure). The Supervisory Board of Bertelsmann Management SE & Co. KGaA supervises the management of the business by Bertelsmann Management SE. The duties and responsibilities of the individual bodies are clearly defined in each case and are strictly separated from each other. The Bertelsmann boards are obliged to secure the continuity of the company and to enhance the enterprise value in the long term through responsible and sustainable corporate management.

Corporate Management: Transparent Structures and Clear Decision-Making Processes

The general partner, Bertelsmann Management SE, represented by its Executive Board, is responsible for independently managing the company. The duties consist of determining the corporate objectives, the strategic direction of the Group, Group management, management training, as well as corporate planning and financing. The Executive Board provides the respective Supervisory Boards with regular, prompt and comprehensive reports on all matters that are relevant to business development and strategy implementation, planning, financial and earnings position, as well as on the risk situation and risk management. It ensures compliance with the provisions of law and corporate guidelines within the Group. The Executive Board Chairman coordinates the cooperation between the Executive Board and the Supervisory Boards and has regular consultation meetings with the chairmen of the two Supervisory Boards. In addition, the Executive Board has established the Group Management Committee (GMC), which advises on important corporate strategy and development matters as well as other issues that affect the Group as a whole. This Committee, currently comprised of 14 members, is composed of all members of the Executive Board and executives representing key businesses, countries, regions and selected Group-wide functions.

The Supervisory Board of Bertelsmann SE & Co. KGaA supervises the management of the business by the general partner and uses its extensive information and control rights for this purpose. In addition, the Supervisory Boards advise the Executive Board on strategic matters and significant transactions. The Executive and Supervisory Boards work in close cooperation and are therefore able to reconcile the demands of effective corporate governance with the need for rapid decision-making. Fundamental matters of corporate strategy and their implementation are discussed openly and coordinated in joint sessions. Any significant measures to be taken by the Executive Board are subject to the approval of the Supervisory Board. The Bertelsmann SE & Co. KGaA and Bertelsmann Management SE shareholders exercise their rights and vote at the respective General Meetings. The General Meetings vote on matters such as amendments to the articles of association and the appropriation of net income and elect the members of the respective Supervisory Board. The members of the Executive and Supervisory Boards are obliged to serve the company's best interests in their work. For some time, the delegation of tasks to committees of experts has been an integral component of the Supervisory Board's work at Bertelsmann. It serves to increase the monitoring efficiency and advisory expertise of the Supervisory Boards. The Supervisory Board of Bertelsmann Management SE has formed a Personnel Committee and a Program Committee, and the Supervisory Board of Bertelsmann SE & Co. KGaA has formed an Audit and Finance Committee and the Working Group of Employee and Management Representatives. The tasks of a Nomination Committee were also assigned to the Personnel Committee, in which capacity it recommends to the plenary session of the Supervisory Board suitable candidates at the General Meeting. Rather than the Supervisory Board, the Program Committee decides on the approval of the Supervisory Board to enter into program supply deals, for example for feature films, series or sports rights. The Audit and Finance Committee of the Supervisory Board of

Bertelsmann SE & Co. KGaA is also regularly involved in the accounting process and monitors the effectiveness of the internal control system, risk management system and internal auditing system. It also monitors the compliance organization within the Group. These committees prepare the topics to be addressed during the plenary meetings of the Supervisory Boards. The committee chairs then report to the plenary meetings on the work performed. The Supervisory Boards' decision-making powers have been transferred to the committees to the extent permitted by law. The breadth and range of responsibilities and tasks delegated to these committees is continuously reviewed through various evaluation processes. The appropriate size of the Supervisory Boards and the experience and professional expertise of their members, who are drawn from a broad range of industries and areas of activity, are key factors in Bertelsmann's effectiveness and independence.

Diversity in Practice

At a global company like Bertelsmann, diversity is a key element for the Group's long-term economic success across its wide range of markets. This diversity is therefore reflected in the Group's management levels, among other areas. The five-strong Executive Board also includes one woman. The GMC has 14 members originating from six different nations. Over one-third of GMC members are female executives.

Bertelsmann aims to drive forward diversity at all levels of the company. Corresponding initiatives to strengthen diversity are being continuously developed. The diversity within the management positions is also reflected in the heterogeneous composition of the Supervisory Boards. Both Supervisory Boards are largely composed of professionally qualified and highly capable members with management experience, representing a broad range of backgrounds and lifestyles.

Achieving diversity is an important consideration of the Supervisory Boards when nominating candidates for election as new members of the Supervisory Board by the General Meeting. The Supervisory Boards already have a significant proportion of female members. The small nomination committee that is responsible for the selection process also has one female member. When nominating candidates for the Supervisory Boards, extensive consideration is always given to the aim of increasing the proportion of female members with suitable candidates; however, efforts to formally stipulate a mandatory minimum quota for women are not being undertaken. The same applies for stipulating the number of independent Supervisory Board members pursuant to the German Corporate Governance Code, as the Supervisory Board has always had what it considers to be a high proportion of independent members. Age limits for members of the Supervisory Board are regulated in the respective articles of association.

Closed Group of Shareholders

Three foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) indirectly hold 80.9 percent of Bertelsmann SE & Co. KGaA shares, with the remaining 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the Bertelsmann SE & Co. KGaA and Bertelsmann Management SE General Meetings. BVG is responsible for upholding the interests of the Bertelsmann Stiftung and of the Mohn family as indirect Bertelsmann SE & Co. KGaA shareholders, as well as ensuring the continuity of the company's management and Bertelsmann's distinctive corporate culture. BVG is controlled by a steering committee composed of three representatives of the Mohn family and three additional members who are not members of the Mohn family. Bertelsmann SE & Co. KGaA is a capital market-oriented company but is unlisted. Nevertheless, its corporate-governance activities closely follow the recommendations of the German Corporate Governance Code in the version dated June 14, 2014, which are directly applicable to listed companies and those with access to capital markets within the meaning of section 161, paragraph 1, clause 2 of the German Stock Corporation Act (Aktiengesetz). Exceptions relate primarily to those guidelines that, in the opinion of Bertelsmann SE & Co. KGaA, apply to publicly held enterprises with large numbers of shareholders or anonymous shareholders. The individual remuneration and incentives paid to the members of the Executive Board and Supervisory Boards are not made public; thus, no remuneration report is prepared.

Compliance

Corporate responsibility and ethical behavior toward employees, customers, business partners and government agencies are an integral part of our value system at Bertelsmann. Accordingly, Bertelsmann has always been fully committed to the principle of adhering to laws and internal policies on the prevention of legal risks and their consequences.

In order to ensure compliance, the Executive Board has established a compliance organization and the Ethics & Compliance program. It oversees this program and ensures that it is continuously improved so that it remains effective in preventing unlawful and unethical business conduct. The Supervisory Board Audit and Finance Committee monitors the effectiveness of the compliance organization and adherence to legal provisions as well as internal guidelines. Each year, the Corporate Compliance Committee (CCC) submits a compliance report about compliance within the Group to the Executive and Supervisory Boards. It also provides ad hoc reports to the Executive and Supervisory Boards in the event of any significant compliance violations. The CCC is responsible for the effectiveness of measures designed to ensure compliance as well as for promoting a culture of ethical and compliant conduct within the Bertelsmann Group. In particular, the CCC monitors investigations into compliance violations and the measures taken to prevent violations. The Ethics & Compliance Department is responsible for the day-to-day work to ensure compliance, implementing Board-mandated compliance initiatives and managing the whistleblowing system.

The Bertelsmann Ethics & Compliance program is based on the relevant standards for compliance management systems and contributes toward mitigating risks in various ways. Its basic elements include, in particular, the Bertelsmann Code of Conduct, risk analysis, advice, communication and training measures, whistleblowing systems and case management. It also includes additional measures in specific subject areas, such as anti-corruption or anti-discrimination.

The Executive Board has continuously developed and expanded Bertelsmann's compliance structure and organization over time, including during the financial year 2014. In particular, a new Code of Conduct training for employees has been developed and is currently being implemented. Compliance-relevant guidelines have also been developed, in particular concerning foreign trade law compliance and the internal Group procedures to be followed when investigating reports of compliance violations. A new Case Management System has been developed to ensure integrated case recording and documentation.

The Executive Board and CCC submitted the annual Compliance Report to the Supervisory Board. All reports of compliance violations received were investigated and appropriate actions were taken. The report also included suggestions for increasing the effectiveness of measures designed to ensure compliance.

Executive Board Supervisory Board

Report of the Supervisory Board

Christoph Mohn
Chairman of the Supervisory Board of Bertelsmann SE & Co. KGaA

In the reporting period, the Supervisory Board of Bertelsmann SE & Co. KGaA diligently fulfilled the duties incumbent upon it by law and under the articles of association and bylaws. Its members regularly advised and monitored the personally liable partner, Bertelsmann Management SE, represented by its Executive Board, in the task of managing and directing the company's operations. This report concerns the activities of the Supervisory Board of Bertelsmann SE & Co. KGaA. The activities of the Supervisory Board of Bertelsmann Management SE are not the subject of this report.

Advising and Monitoring the Executive Board of Bertelsmann Management SE

As part of its advisory and monitoring activities, the Supervisory Board of Bertelsmann SE & Co. KGaA was directly involved in important company decisions and transactions at an early stage and discussed and reviewed these at length on the basis of reports from the Executive Board.

The personally liable partner, represented by the Executive Board of Bertelsmann Management SE, provided the Supervisory Board with regular, prompt and comprehensive written and verbal reports on all significant issues of strategy, planning, business performance, intended business policies and other fundamental management issues. A wide range of topics and projects were presented for discussion at the meetings of the Supervisory Board. Reporting of the Executive Board concerned, but was not limited to, the position and development of the company, especially the current business and financial position, and material business transactions, particularly major planned investments and divestments. Instances where business performance deviated from official projections and targets were discussed in detail with the Supervisory Board, which reviewed these matters on the basis of the documentation submitted. The Supervisory Board obtained regular information concerning financial debt levels. The risk situation and risk management were also in focus of the Supervisory Board. The internal control system, risk management system and internal auditing system were the subjects of regular reports and discussions. The Supervisory Board also monitored and carefully followed corporate governance and compliance developments at Bertelsmann on an ongoing basis. The Executive Board and the Supervisory Board report jointly on corporate governance and compliance at Bertelsmann on pages 194–196.

Supervisory Board Plenary Meeting

In the plenary meetings, the Supervisory Board of Bertelsmann SE & Co. KGaA regularly heard reports from the Executive Board on the current business and financial position of the Group and of the individual divisions as well as reports on Group planning and material business transactions, particularly major planned investments and divestments. These focused on the investments SpotXchange and StyleHaul in the United States to further the digital transformation of the RTL Group businesses; the further development of the education segment, in particular through the acquisition of Relias Learning; the acquisition of the remaining shares in Gruner + Jahr and also the divestments in the printing sector of Be Printers Print Italy and Brown Printing. Another focus was on the Group-wide "Operational Excellence" efficiency program for optimizing structures and processes.

The Supervisory Board was kept regularly informed of the status of the implementation of the Group's strategy. During a full-day meeting in summer 2014 with the Bertelsmann Management SE Executive Board, the Bertelsmann SE & Co. KGaA Supervisory Board discussed fundamental issues of strategic Group development and was able to form an opinion on the status of the transformation of the Group portfolio into a more rapidly growing and more digital and international portfolio. To the extent stipulated by law and the articles of association or bylaws, the plenary meeting made the necessary decisions. Thus, the annual and consolidated financial statements of Bertelsmann SE & Co. KGaA, as well as the proposal of the personally liable partner for appropriation of net income, were thoroughly reviewed and approved in the Supervisory Board's financial review meeting in March 2015.

In financial year 2014, the Supervisory Board met for four meetings and one strategy retreat together with the Executive Board. The Supervisory Board Chairman maintained ongoing contact with the Executive Board outside the framework of Supervisory Board meetings, in particular with the Executive Board Chairman, in order to stay abreast of the current business situation and significant transactions. All Supervisory Board members attended at least half of the Supervisory Board meetings convened. No potential conflicts of interest arose on the Supervisory Board. The Supervisory Board addressed the German Corporate Governance Code and Bertelsmann's compliance therewith. A joint report by the Supervisory and Executive Boards of Bertelsmann Management SE on corporate governance within the company is provided on page 194f. of this Annual Report. As a non-listed company, Bertelsmann does not issue a formal declaration of compliance as per section 161 of the German Stock Corporation Act.

Supervisory Board Audit and Finance Committee

Within its sphere of responsibility, the Supervisory Board of Bertelsmann SE & Co. KGaA established the Audit and Finance Committee to perform its tasks efficiently. The Audit and Finance Committee has six members, while the Chair of the Supervisory Board does not lead this Committee. The German Corporate Governance Code stipulates that the Chair of the Audit and Finance Committee is independent for the purposes of the Code requirements and has special knowledge and experience in the application of accounting standards and internal control procedures. In particular, and in accordance with its mandate, the Audit and Finance Committee discussed issues of corporate financing, financial planning and development, fiscal policy, improvement of the internal control system, compliance within the Group, in particular the compliance structure, as well as any negative deviations of business performance from budgeted performance. The Committee also focused on the Executive Board's Operational Excellence project, the goal of which is to optimize the structures and processes of the support functions of finance, IT and human resources at Bertelsmann. A further focus was the auditing of the annual financial statements and the consolidated financial statements in March 2015. In this role, the Committee also addressed the independence of the auditor and the additional services performed by the latter. The Audit and Finance Committee discussed the provisional findings from the audit of the annual financial statements in depth in a conference call with the auditor before the actual financial review meeting. The 2014 Interim Report was extensively discussed with the Committee prior to publishing in August 2014. In the reporting period, the Committee also thoroughly examined the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, and it also requested regular reports from the Head of Corporate Audit and Consulting. The Audit and Finance Committee of Bertelsmann SE & Co. KGaA met four times and held one conference call during the reporting period 2014.

Working Group of Employee Representatives on the Supervisory Board

In addition to the Audit and Finance Committee, the Supervisory Board also established the Working Group of Employee Representatives on the Supervisory Board. This Committee facilitates the Executive Board's dialog with employee representatives on the Supervisory Board about corporate-culture issues and current topics of general significance for employees as well as the preparation and discussion of matters that are relevant to the Supervisory Board. The creation of this Working Group is indicative of the special corporate culture at Bertelsmann, which promotes active partnership, and this idea has proven highly productive in practice. The meetings of this Working Group were chaired by Ms. Liz Mohn. The Working Group of Employee Representatives on the Supervisory Board met four times in financial year 2014.

Audit of the Annual and Consolidated Financial Statements

PricewaterhouseCoopers AG, Frankfurt, audited the annual and consolidated financial statements produced by the Bertelsmann Management SE Executive Board as well as the Bertelsmann SE & Co. KGaA Group management report, which is combined with the company's management report, for the financial year January 1 through December 31, 2014, each of which received an unqualified auditor's opinion. The annual financial statements were produced in accordance with HGB (German Commercial Code) and the consolidated financial statements of Bertelsmann SE & Co. KGaA were produced in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union in line with section 315a HGB. The Supervisory Board's Audit and Finance Committee mandated the auditor of the annual financial statements and consolidated financial statements in accordance with the Annual General Meeting resolution. The auditor performed the audit in observance of German accepted auditing principles established by the German Institute of Independent Auditors (IDW). The auditor was additionally instructed to audit the risk early-warning system at Bertelsmann SE & Co. KGaA, which it found to be satisfactory in terms of section 91 (2) AktG (German Stock Corporation Act). The auditor and Group auditor of the annual and consolidated financial statements promptly submitted financial statement documents and the audit reports to all members of the Supervisory Board by the specified deadline in advance of the financial review meeting. On March 27, 2015, the auditor attended the financial-review meetings of both the Audit and Finance Committees and the plenary session of the Supervisory Board and gave an extensive report and answered questions. He was able to confirm that, in the course of the audit, no significant weaknesses had been identified in the accounting-related internal control system. The Audit and Finance Committee discussed the annual financial statement documents and audit reports in detail. The findings of the auditor and Group auditor of the annual and consolidated financial statements were carefully reviewed in an internal audit of the annual and consolidated financial statements. The Audit and Finance Committee reported comprehensively to the plenary session of the Supervisory Board concerning the audit of the annual and consolidated financial statements and the audit reports.

The plenary session of the Supervisory Board reviewed the annual financial statements, consolidated financial statements and combined management report, taking into account the recommendations of the Audit and Finance Committee and those contained in the audit reports and following further discussion with the auditor. The Supervisory Board concurred with the audit findings. After its own final scrutiny of the annual and consolidated financial statements and the combined management report, the Supervisory Board – acting in accordance with the Audit and Finance Committee's recommendation – has raised no objections. The financial statements produced by the Bertelsmann Management SE Executive Board are thus approved. The Supervisory Board has furthermore reviewed the Bertelsmann Management SE Executive Board proposal as to the amount of net retained profits for appropriation to shareholders and concurs with said proposal. The amount of the dividend proposed by the Executive Board of Bertelsmann Management SE is appropriate, in the view of the Supervisory Board, in consideration of the economic environment, the company's economic situation and the interests of the shareholders.

Membership Changes in the Bertelsmann Management SE Executive Board and Supervisory Board

The business of Bertelsmann SE & Co. KGaA has been managed by its personally liable partner, Bertelsmann Management SE, represented by its Executive Board. The past financial year saw the following changes to the Executive Board of Bertelsmann Management SE: On November 28, 2014, Dr. Immanuel Hermreck was appointed as a member of the Executive Board of Bertelsmann Management SE with effect from January 1, 2015. The appointment of Dr. Judith Hartmann as a member of the Executive Board ended by mutual consent on December 31, 2014. The Supervisory Board would like to thank Dr. Hartmann for her excellent and successful work.

The reporting period saw the following changes to the Supervisory Board: With the end of the ordinary Annual General Meeting of Bertelsmann SE & Co. KGaA, the periods of office of Mr. Kai Brettmann, Mr. Helmut Gettkant, Mr. Horst Keil and Ms. Christiane Sussieck came to an end. In an extraordinary Annual General Meeting on July 4, 2014, Mr. Kai Brettmann, Mr. Murat Cetin, Mr. Helmut Gettkant and Ms. Christiane Sussieck were appointed as employee representatives as members of the Supervisory Board. The Supervisory Board would like to thank Mr. Horst Keil for his excellent, constructive and trusting cooperation. At present, all twelve members of the Supervisory Board of Bertelsmann Management SE are also members of the currently 17-strong Supervisory Board of Bertelsmann SE & Co. KGaA.

In 2014, the global economy showed moderate growth. Most European TV markets recovered slightly after largely declining in the previous year. The English- and German-language book markets showed stable development, with a significant increase in the share represented by e-books in Germany. The magazine markets in Germany and France were characterized by declining advertising and circulation business, while the service markets continued to grow. The European print and global storage media markets continued to decline. The music markets for publishing rights grew slightly. Overall, the Group achieved a good operating result and an adequate return on sales with moderate revenue growth. In this connection the Supervisory Board is pleased to note that the share represented by growth businesses continued to increase in financial year 2014 as well.

The Supervisory Board expresses its deep gratitude and appreciation for the good work of the Executive Board in financial year 2014 and would like to thank all executives and employees for their commitment and achievements.

Gütersloh, March 27, 2015

C. Mohn

Christoph Mohn
Chairman of the Supervisory Board

Supervisory Board

Christoph Mohn
Chairman
Chairman of the Reinhard Mohn Stiftung
Managing Director, Christoph Mohn Internet Holding GmbH
- Bertelsmann Management SE (Chairman)

Liz Mohn
Chairwoman of the Board of
Bertelsmann Verwaltungsgesellschaft mbH (BVG)
Vice Chairwoman of the Executive Board,
Bertelsmann Stiftung
- Bertelsmann Management SE

Prof. Dr.-Ing. Joachim Milberg
Vice Chairman
Chairman of the Supervisory Board, BMW AG
- Bertelsmann Management SE (Vice Chairman)
- BMW AG (Chairman)
- Festo AG (Vice Chairman) (until April 25, 2014)
- Deere & Company

Prof. Dr.-Ing. Werner J. Bauer
Former Executive Vice President of Nestlé AG,
Chief Technology Officer, Head of Innovation,
Technology, Research and Development
- Bertelsmann Management SE
- GEA-Group AG
- Nestlé Deutschland AG (Chairman)
- Givaudan S.A., Vernier (since March 20, 2014)
- LONZA S.A.

Dr. Wulf H. Bernotat
Former Chairman of the Executive Board, E.ON AG
- Allianz SE
- Bertelsmann Management SE
- Deutsche Annington Immobilien SE (Chairman)
- Deutsche Telekom AG
- Metro AG

Kai Brettmann (until May 9, 2014) (since July 4, 2014)
Editorial Director Online, RTL Nord GmbH, Hamburg
Chairman of the RTL Group European Works Council
Chairman of the Mediengruppe RTL Deutschland Corporate
Works Council
Chairman of the Works Council of RTL Nord

Murat Cetin (since July 4, 2014)
Chairman of the Works Council, Arvato Direct Services
Dortmund GmbH
Chairman of the General Works Council, Arvato Services
CRM2

Helmut Gettkant (until May 9, 2014) (since July 4, 2014)
Chairman of Bertelsmann SE & Co. KGaA Corporate Works
Council (since May 14, 2014)
Vice Chairman of Bertelsmann SE & Co. KGaA
Corporate Works Council (until May 13, 2014)

Ian Hudson
Chairman of the Bertelsmann Management Representative
Committee of Bertelsmann SE & Co. KGaA (BMRC)

Horst Keil (until May 9, 2014)
Chairman of the Bertelsmann SE & Co. KGaA Corporate
Works Council

Dr. Karl-Ludwig Kley
Chairman of the Executive Board, Merck KGaA
- Bertelsmann Management SE
- BMW AG (Vice Chairman)
- Deutsche Lufthansa AG

Dr. Brigitte Mohn
Member of the Executive Board, Bertelsmann Stiftung
- Bertelsmann Management SE
- Phineo gAG
- Rhön-Klinikum AG

- Membership of statutory domestic supervisory boards.
- Membership of comparable domestic and foreign supervisory bodies of business enterprises.

Hartmut Ostrowski
Former Chairman of the Executive Board of Bertelsmann AG
- Bertelsmann Management SE
- DSC Arminia Bielefeld GmbH & Co. KGaA (Chairman)

Hans Dieter Pötsch
Member of the Executive Board, Volkswagen AG, Finance and Controlling Division
Chief Financial Officer, Porsche Automobil Holding SE
- AUDI AG, Ingolstadt
- Autostadt GmbH, Wolfsburg (Chairman)
- Bertelsmann Management SE
- Dr. Ing. h.c. F. Porsche AG
- VOLKSWAGEN FINANCIAL SERVICES AG, Braunschweig (Chairman)
- Bentley Motors Ltd., Crewe
- MAN SE
- Porsche Austria Gesellschaft m.b.H., Salzburg
- Porsche Holding Gesellschaft m.b.H., Salzburg
- Porsche Holding Stuttgart GmbH, Stuttgart
- Porsche Retail GmbH, Salzburg
- Scania AB, Södertälje
- Scania C.V. AB, Södertälje
- Volkswagen (China) Investment Company Ltd., Beijing
- Volkswagen Group of America, Inc., Herndon, Virginia

Kasper Rorsted
Chairman of the Executive Board, Henkel AG & Co. KGaA
- Bertelsmann Management SE
- Danfoss A/S

Lars Rebien Sørensen
President and CEO, Novo Nordisk A/S
- Bertelsmann Management SE
- Thermo Fisher Scientific

Christiane Sussieck (until May 9, 2014) (since July 4, 2014)
Chairwoman of the Corporate Center General Works Council, Bertelsmann SE & Co. KGaA
Vice Chairwoman of Bertelsmann SE & Co. KGaA Corporate Works Council (since May 14, 2014)

Bodo Uebber
Member of the Executive Board, Daimler AG
Finance & Controlling / Daimler Financial Services
- Bertelsmann Management SE
- Daimler Financial Services AG (Chairman)
- Mercedes-Benz Bank AG
- BAIC Motor Corporation Ltd.
- Delta Topco Ltd.

- Membership of statutory domestic supervisory boards.
- Membership of comparable domestic and foreign supervisory bodies of business enterprises.

Committees of the Supervisory Board 2014 Bertelsmann SE & Co. KGaA

Audit and Finance Committee

Dr. Karl-Ludwig Kley (Chairman)
Kai Brettmann
Ian Hudson
Christoph Mohn
Hans Dieter Pötsch
Bodo Uebber

Working Group of Employee Representatives

Liz Mohn (Chairwoman)
Kai Brettmann
Murat Cetin
Helmut Gettkant
Ian Hudson
Christiane Sussieck

Committees of the Supervisory Board 2014 Bertelsmann Management SE

Personnel Committee

Christoph Mohn (Chairman)
Dr. Karl-Ludwig Kley
Prof. Dr.-Ing. Joachim Milberg
Liz Mohn
Hans Dieter Pötsch (since November 28, 2014)

Program Committee (since March 21, 2014)

Christoph Mohn (Chairman)
Dr. Karl-Ludwig Kley
Prof. Dr.-Ing. Joachim Milberg
Hans Dieter Pötsch

Executive Board

Dr. Thomas Rabe
Chairman
- Arvato AG (Chairman)
- Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft (Chairman) (until December 17, 2014)
- Symrise AG[1] (Chairman)
- Bertelsmann Digital Media Investments S.A.
- Bertelsmann, Inc. (Chairman)
- Edmond Israel Foundation[1] (until November 14, 2014)
- Penguin Random House LLC
- RTL Group S.A. (Chairman)

Achim Berg
Chairman of the Executive Board, Arvato AG
- RTL Group S.A. (since April 16, 2014)

Markus Dohle
Chief Executive Officer, Penguin Random House
- Direct Group Grandes Obras S.L.
- Penguin Group (USA) LLC
- Penguin Random House Foundation, Inc. (since August 1, 2014)
- Penguin Random House Grupo Editorial S.A.
- Penguin Random House Grupo Editorial (USA) LLC (since May 27, 2014)
- Penguin Random House LLC
- Random House Children's Entertainment LLC
- Random House LLC (Chairman)
- Random House Studio LLC

Dr. Judith Hartmann (until December 31, 2014)
Chief Financial Officer
- Arvato AG (Vice Chairwoman) (until December 31, 2014)
- Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft (until December 17, 2014)
- Bertelsmann Inc. (until December 31, 2014)
- Penguin Random House LLC (until January 10, 2015)
- RTL Group S.A. (until December 31, 2014)

Dr. Immanuel Hermreck (since January 1, 2015)
Chief Human Resources Officer
- Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft (January 14, 2014 – December 17, 2014)
- Arvato AG (since January 1, 2015) (Vice Chairman since January 23, 2015)

Anke Schäferkordt
Co-Chief Executive Officer of RTL Group S.A.
Managing Director Mediengruppe RTL Deutschland GmbH
Managing Director RTL Television GmbH
- BASF S.E.[1]
- Software AG[1]

- Membership of statutory domestic supervisory boards.
- Membership of comparable domestic and foreign supervisory bodies of business enterprises.

1) External mandates.

Auditor's Report

We have audited the consolidated financial statements prepared by Bertelsmann SE & Co. KGaA, comprising the income statement and the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and the notes to the consolidated financial statements, together with the group management report of Bertelsmann SE & Co. KGaA, which is combined with the management report of the company, for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the Executive Board of the personally liable partner Bertelsmann Management SE. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by the Executive Board of the personally liable partner Bertelsmann Management SE, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Bielefeld, March 12, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Werner Ballhaus	Christoph Gruss
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Bertelsmann Group and Bertelsmann SE & Co. KGaA, together with a description of the principal opportunities and risks associated with the expected development of the Bertelsmann Group and Bertelsmann SE & Co. KGaA.

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	

Selected Terms at a Glance

Bertelsmann Value Added (BVA)

A performance indicator for assessing the profitability of operations and return on invested capital. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated on the basis of operating EBITDA. By deducting depreciation, amortization and impairment losses and adjusting for special items, and after modifications and less a flat 33 percent tax, NOPAT, which is used as the basis for calculating BVA, is determined. Cost of capital is the product of the weighted average cost of capital (WACC, where uniform WACC after taxes is 8 percent) and the level of capital invested (Group's operating assets less non-interest-bearing operating liabilities).

Cash Flow

A company's cash inflows and outflows during a specific period.

Contractual Trust Arrangement (CTA)

The concept of funding and insolvency protection of pension obligations by transferring of assets into a structure similar to a trust. Assets are classified as plan assets under IFRS and netted against the company's pension obligations.

Corporate Governance

The term for responsible corporate management and control in the interest of creating sustainable value.

Coverage Ratio

The (interest) coverage ratio is a financing target. It represents the ratio of operating EBITDA to financial result. Amounts reported in the annual financial statements are modified in calculating the coverage ratio.

Customer Relationship Management (CRM)

Customer Relationship Management (CRM) is a strategic approach that establishes, maintains and reinforces companies' customer relationships using state-of-the-art information and communication technologies.

Equity Method

The equity method is a method of accounting to recognize associates and joint ventures whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor´s share of the investee´s net assets.

Goodwill

Goodwill represents the future economic benefits arising from those assets acquired in a business combination that are not individually identified and separately recognized.

IFRS

Abbreviation of International Financial Reporting Standards. Accounting standards intended to ensure internationally comparable accounting and reporting.

Impairment

Write-down of intangible assets and property, plant and equipment.

Leverage Factor

The leverage factor is the ratio of economic debt to operating EBITDA. In calculating the leverage factor, modifications are made to the balance sheet figures to better reflect the Group's actual financial strength from an economic viewpoint.

Operating EBITDA

Earnings before interest, taxes, depreciation, amortization and special items.

Rating

An expression of the creditworthiness of a creditor or financial instrument by an agency specialized in evaluating credit risk.

SE & Co. KGaA

A partnership limited by shares (KGaA) with a European stock corporation (Societas Europaea, or SE) as the personally liable partner. The personally liable partner is responsible for the management and representation of the KGaA.

Special Items

Income and expense items that are distinguished by their nature, amount or frequency of occurrence, and the disclosure of which is relevant for assessing the earnings power of the company or its segments in the period affected. They include, for example, restructuring measures, impairments and capital gains or losses.

Supply Chain Management (SCM)

Supply Chain Management (SCM) is a strategic approach that uses integrated logistics chains to establish, implement and optimize the organization of all logistics processes from companies to end customers.

Syndicated Credit Facility

A credit facility involving a consortium of banks.

Financial Calendar

May 6, 2015
Payout of dividends on profit participation certificates for the 2014 financial year

May 7, 2015
Announcement of figures for the first three months of 2015

August 31, 2015
Announcement of figures for the first half of 2015

November 12, 2015
Announcement of figures for the first nine months of 2015

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