Consolidated Financial Statements

Consolidated Income Statement

in € millions	Notes	2013	2012 (adjusted)
Revenues	1	16,356	16,065
Other operating income	2	630	482
Changes in inventories		206	209
Own costs capitalized		21	30
Cost of materials		(5,831)	(5,848)
Royalty and license fees		(1,156)	(985)
Personnel costs	3	(5,005)	(4,771)
Amortization/depreciation, impairment charges and reversals of intangible assets and property, plant and equipment	4	(642)	(680)
Other operating expenses	5	(3,067)	(3,089)
Results from investments accounted for using the equity method	6	18	3
Reversals of impairments/Impairments on investments accounted for using the equity method	6	64	(85)
Results from financial assets	6	3	(16)
Capital gains		111	12
EBIT (earnings before interest and taxes)		1,708	1,327
Interest income	8	19	22
Interest expenses	8	(194)	(206)
Other financial income	9	30	47
Other financial expenses	9	(216)	(185)
Financial result		(361)	(322)
Earnings before taxes from continuing operations		1,347	1,005
Income taxes	10	(419)	(393)
Earnings after taxes from continuing operations		928	612
Earnings after taxes from discontinued operations		(58)	–
Group profit or loss		870	612
attributable to:			
Bertelsmann shareholders			
Earnings from continuing operations		556	477
Earnings from discontinued operations		(58)	–
Earnings attributable to Bertelsmann shareholders		498	477
Non-controlling interests			
Earnings from continuing operations		372	135
Earnings from discontinued operations		–	–
Earnings attributable to non-controlling interests		372	135

The figures from the previous year have been adjusted. Further details are presented in the section "Prior Year Information" on page 118.

Consolidated Statement of Comprehensive Income

in € millions	Notes	2013	2012 (adjusted)
Group profit or loss		870	612
Items that will not be reclassified subsequently to profit or loss			
Remeasurement component of defined benefit plans		86	(307)
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Currency translation differences			
– changes recognized in equity		(151)	(10)
– reclassification adjustments for gains (losses) included in profit or loss		(4)	9
Available-for-sale financial assets			
– changes in fair value recognized in equity		(17)	18
– reclassification adjustments for gains (losses) included in profit or loss		–	(2)
Cash flow hedges			
– changes in fair value recognized in equity		(19)	(12)
– reclassification adjustments for gains (losses) included in profit or loss		(7)	(17)
Share of other comprehensive income of investments accounted for using the equity method		(5)	(3)
Other comprehensive income net of tax	18	(117)	(324)
Group total comprehensive income		753	288
attributable to:			
Bertelsmann shareholders		421	158
Non-controlling interests		332	130

The figures from the previous year have been adjusted. Further details are presented in the section "Prior Year Information" on page 118.

Reconciliation to Operating EBIT (Continuing Operations)

in € millions	Notes	2013	2012 (adjusted)
EBIT from continuing operations		1,708	1,327
Special items	7		
Impairments on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations		6	42
Adjustment to carrying amounts on assets held for sale		14	(8)
Impairments on other financial assets		14	28
Reversals of impairments/Impairments on investments accounted for using the equity method		(64)	85
Capital gains		(111)	(12)
Fair value remeasurement of investments		(110)	(18)
Restructuring and other special items		297	288
Operating EBIT from continuing operations		1,754	1,732
Operating EBITDA from continuing operations	28	2,313	2,210

The figures from the previous year have been adjusted. Further details are presented in the section "Prior Year Information" on page 118.

Consolidated Balance Sheet

in € millions	Notes	12/31/2013	12/31/2012 (adjusted)
Assets			
Non-current assets			
Goodwill	11	6,966	6,048
Other intangible assets	11	2,063	576
Property, plant and equipment	12	1,701	1,753
Investments accounted for using the equity method	13	435	456
Other financial assets	14	282	426
Trade and other receivables	16	79	111
Other non-financial assets	16	405	220
Deferred tax assets	10	908	1,205
		12,839	10,795
Current assets			
Inventories	15	1,520	1,404
Trade and other receivables	16	3,492	3,266
Other financial assets	14	46	119
Other non-financial assets	16	630	498
Current income tax receivable		111	115
Cash and cash equivalents	17	2,745	2,658
		8,544	8,060
Assets held for sale		65	9
		21,448	18,864
Equity and Liabilities			
Equity	18		
Subscribed capital		1,000	1,000
Capital reserve		2,345	2,345
Retained earnings		3,544	1,922
Bertelsmann shareholders' equity		6,889	5,267
Non-controlling interests		1,849	816
		8,738	6,083
Non-current liabilities			
Provisions for pensions and similar obligations	19	1,944	2,146
Other provisions	20	101	122
Deferred tax liabilities	10	178	94
Profit participation capital	21	413	413
Financial debt	22	2,219	3,612
Trade and other payables	23	367	402
Other non-financial liabilities	23	280	253
		5,502	7,042
Current liabilities			
Other provisions	20	438	419
Financial debt	22	1,162	264
Trade and other payables	23	3,985	3,645
Other non-financial liabilities	23	1,448	1,297
Current income tax payable		132	113
		7,165	5,738
Liabilities related to assets held for sale		43	1
		21,448	18,864

The figures from the previous year have been adjusted. Further details are presented in the section "Prior Year Information" on page 118.

Consolidated Cash Flow Statement

in € millions	2013	2012 (adjusted)
Group earnings before interest and taxes	1,647	1,325
Taxes paid	(312)	(385)
Depreciation and write-ups of non-current assets	606	784
Capital gains	(50)	(10)
Change in provisions for pensions and similar obligations	(71)	(69)
Change in other provisions	19	–
Change in net working capital	65	216
Fair value remeasurement of investments	(110)	(18)
Other effects	(9)	33
Cash flow from operating activities	1,785	1,876
– thereof from discontinued operations	–	–
Investments in:		
– intangible assets	(411)	(177)
– property, plant and equipment	(289)	(270)
– financial assets	(108)	(120)
– purchase prices for consolidated investments (net of acquired cash)	(504)	(88)
Proceeds from/payments for disposal of subsidiaries and other business units	7	(9)
Proceeds from disposal of other fixed assets	366	102
Contribution to/withdrawals from defined benefit plans	(71)	(55)
Cash flow from investing activities	(1,010)	(617)
– thereof from discontinued operations	–	–
Proceeds from bonds and promissory notes	–	837
Redemption of bonds and promissory notes	(584)	(487)
Proceeds from/redemption of other financial debt	(604)	(91)
Interest paid	(280)	(257)
Interest received	34	21
Dividends to Bertelsmann shareholders	(180)	(180)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18b)	(445)	(213)
Change in equity	1,410	(12)
Payments for release of interest swaps	(8)	–
Cash flow from financing activities	(657)	(382)
– thereof from discontinued operations	–	–
Change in cash and cash equivalents	118	877
Currency effects and other changes in cash and cash equivalents	(23)	5
Cash and cash equivalents 1/1	2,660	1,778
Cash and cash equivalents 12/31	2,755	2,660
Less cash and cash equivalents included within assets held for sale	(10)	(2)
Cash and cash equivalents 12/31 (according to the Group balance sheet)	2,745	2,658

The figures from the previous year have been adjusted. Further details are presented in the section "Prior Year Information" on page 118.
Details on the cash flow statement are presented in note 26.

Change in Net Financial Debt

in € millions	2013	2012
Net financial debt at 1/1	(1,218)	(1,809)
Cash flow from operating activities	1,785	1,876
Cash flow from investing activities	(1,010)	(617)
Interest, dividends and changes in equity, additional payments (IAS 32.18b)	531	(641)
Currency effects and other changes in net financial debt	(724)	(27)
Net financial debt at 12/31	(636)	(1,218)

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

Consolidated Statement of Changes in Equity

in € millions	Subscribed capital	Capital reserve	Retained earnings: Other retained earnings	Retained earnings: Cumulated other comprehensive income[1]: Currency translation differences	Retained earnings: Cumulated other comprehensive income[1]: Available-for-sale financial assets	Retained earnings: Cumulated other comprehensive income[1]: Cash flow hedges	Retained earnings: Cumulated other comprehensive income[1]: Share of other comprehensive income of investments accounted for using the equity method	Bertelsmann shareholders' equity	Non-controlling interests	Total
Balance as of 1/1/2012	1,000	2,345	2,076	(192)	20	45	13	5,307	842	6,149
Adjustment	–	–	6	–	–	–	–	6	–	6
Balance as of 1/1/2012[2]	1,000	2,345	2,082	(192)	20	45	13	5,313	842	6,155
Group profit or loss	–	–	477	–	–	–	–	477	135	612
Other comprehensive income	–	–	(305)	(5)	22	(28)	(3)	(319)	(5)	(324)
Group total comprehensive income	–	–	172	(5)	22	(28)	(3)	158	130	288
Dividend distribution	–	–	(180)	–	–	–	–	(180)	(161)	(341)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	(15)	–	–	–	–	(15)	(2)	(17)
Equity transactions with shareholders	–	–	(195)	–	–	–	–	(195)	(163)	(358)
Other changes	–	–	(9)	–	–	–	–	(9)	7	(2)
Balance as of 12/31/2012	1,000	2,345	2,050	(197)	42	17	10	5,267	816	6,083
Balance as of 1/1/2013	1,000	2,345	2,046	(197)	42	17	10	5,263	816	6,079
Adjustment	–	–	4	–	–	–	–	4	–	4
Balance as of 1/1/2013[2]	1,000	2,345	2,050	(197)	42	17	10	5,267	816	6,083
Group profit or loss	–	–	498	–	–	–	–	498	372	870
Other comprehensive income	–	–	89	(128)	(13)	(20)	(5)	(77)	(40)	(117)
Group total comprehensive income	–	–	587	(128)	(13)	(20)	(5)	421	332	753
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[3]	–	–	(7)	–	–	–	–	(7)	321	314
Balance as of 12/31/2013	1,000	2,345	3,825	(301)	22	(7)	5	6,889	1,849	8,738

1) Thereof, on December 31, 2013, a total of €3 million (previous year: €4 million) is due to assets that are classified as held for sale according to IFRS 5.
2) The adjustments to the balance on January 1, 2012 and January 1, 2013 relate to the first-time application of the revised IAS 19 Employee Benefits. Further details are presented in the section "Prior Year Information" on page 118.
3) The other changes in non-controlling interests result from the addition of the interests in assets and liabilities at Penguin due to the co-shareholder Pearson in the amount of €314 million.

Segment Information (Continuing Operations)

in € millions	RTL Group 2013	RTL Group 2012 (adjusted)	Penguin Random House 2013	Penguin Random House 2012 (adjusted)	Gruner + Jahr 2013	Gruner + Jahr 2012 (adjusted)	Arvato 2013	Arvato 2012 (adjusted)
Revenues from external customers	5,881	5,996	2,652	2,138	2,058	2,211	4,246	4,232
Intersegment revenues	8	6	3	4	7	7	168	187
Divisional revenues	5,889	6,002	2,655	2,142	2,065	2,218	4,414	4,419
Operating EBIT	1,137	1,065	309	325	146	168	244	244
Special items	120	(89)	(29)	8	(23)	(118)	(38)	(48)
EBIT	1,257	976	280	333	123	50	206	196
Return on sales[1]	19.3%	17.7%	11.6%	15.2%	7.1%	7.6%	5.5%	5.5%
Scheduled depreciation and amortization	194	185	54	27	45	44	158	148
Impairments on intangible assets and property, plant and equipment[2]	2	3	–	–	2	69	3	7
– thereof in special items	–	–	–	–	–	68	4	8
Operating EBITDA	1,333	1,253	363	352	193	213	401	391
Results from investments accounted for using the equity method	34	29	1	(1)	6	8	(1)	(1)
Segment assets[3]	8,522	8,579	3,066	1,630	1,275	1,320	2,639	2,410
Segment liabilities	2,598	2,533	1,069	724	566	598	1,276	1,421
Invested capital	5,924	6,046	1,997	906	709	722	1,363	989
Investments accounted for using the equity method	336	251	25	3	23	23	–	–
Additions to non-current assets[4]	237	203	993	61	54	35	409	210
Number of employees (closing date)	11,589	11,931	11,838	5,712	10,819	11,585	66,410	63,627
Number of employees (average)	11,623	11,736	8,795	5,488	11,281	11,775	64,900	62,837

The figures from the previous year have been adjusted. Further details on the adjustment of information previously published are presented in the section “Prior Year Information” on page 118 and in note 27.
1) Operating EBIT 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 2013	Germany 2012 (adjusted)	France 2013	France 2012 (adjusted)	Other European countries 2013	Other European countries 2012 (adjusted)	United States 2013	United States 2012 (adjusted)	Other countries 2013	Other countries 2012 (adjusted)	Continuing operations 2013	Continuing operations 2012 (adjusted)
Revenues from external customers	5,712	5,805	2,526	2,540	4,162	3,995	2,826	2,617	1,130	1,108	16,356	16,065
Non-current assets[1]	2,971	2,553	1,126	1,085	4,456	3,644	1,895	872	282	223	10,730	8,377

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

Be Printers		Other operating activities (Corporate Investments)		Total Divisions		Corporate Center		Consolidation		Continuing operations	
2013	2012 (adjusted)	2013	2012 (adjusted)	2013	2012 (adjusted)	2013	2012 (adjusted)	2013	2012 (adjusted)	2013	2012 (adjusted)
958	1,035	561	453	16,356	16,065	–	–	–	–	16,356	16,065
165	179	21	18	372	401	–	–	(372)	(401)	–	–
1,123	1,214	582	471	16,728	16,466	–	–	(372)	(401)	16,356	16,065
41	58	(40)	(38)	1,837	1,822	(81)	(89)	(2)	(1)	1,754	1,732
(122)	(103)	74	(44)	(18)	(394)	(29)	(8)	1	(3)	(46)	(405)
(81)	(45)	34	(82)	1,819	1,428	(110)	(97)	(1)	(4)	1,708	1,327
3.7%	4.8%	(6.9)%	(8.1)%	11.0%	11.1%	–	–	–	–	10.7%	10.8%
51	59	55	18	557	481	4	4	–	–	561	485
62	100	12	11	81	190	–	–	–	5	81	195
62	102	17	20	83	198	–	–	–	4	83	202
92	115	10	(29)	2,392	2,295	(77)	(85)	(2)	–	2,313	2,210
–	–	(22)	(32)	18	3	–	–	–	–	18	3
589	699	2,002	682	18,093	15,320	107	74	(81)	(95)	18,119	15,299
302	249	406	218	6,217	5,743	72	68	(39)	(55)	6,250	5,756
287	450	1,596	464	11,876	9,577	35	6	(42)	(40)	11,869	9,543
1	1	50	179	435	457	–	–	–	(1)	435	456
24	25	1,432	5	3,149	539	36	2	–	(1)	3,185	540
6,201	6,571	4,342	4,289	111,199	103,715	564	571	–	–	111,763	104,286
6,353	6,772	4,464	4,395	107,416	103,003	564	566	–	–	107,980	103,569

Information on Revenue Sources (Continuing Operations)

	Own products and merchandise		Advertising		Services		Rights and licenses		Continuing operations	
in € millions	2013	2012 (adjusted)	2013	2012 (adjusted)	2013	2012 (adjusted)	2013	2012 (adjusted)	2013	2012 (adjusted)
Revenues from external customers	6,506	6,399	4,175	4,198	3,799	3,673	1,876	1,795	16,356	16,065

Details on segment reporting are presented in note 27.

General Principles

The Bertelsmann SE & Co. KGaA consolidated financial statements as of December 31, 2013 were prepared in accordance with International Financial Reporting Standards (IFRS) applicable in the European Union. The supplementary requirements set out in section 315a of the German Commercial Code (HGB) have been met. The consolidated financial statements are prepared in euros; all amounts are stated in millions of euros (€ million). For the sake of clarity, certain items in the income statement and 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. The main activities of Bertelsmann SE & Co. KGaA and its subsidiaries are presented in detail in the Group Management Report.

Impact of New Accounting Standards

In addition to the amendment to IAS 1 Presentation of Financial Statements – Presentation of Other Comprehensive Income (OCI) effective from July 1, 2012, and applicable in the Bertelsmann Group for the first time in these consolidated financial statements, the following new or revised accounting standards and interpretations, for which application has been mandatory since January 1, 2013, have been applied for the first time in financial year 2013:

- Improvements to IFRS 2009–2011 (issued in May 2012)
- IFRS 13 Fair Value Measurement
- Revised version of IAS 19 Employee Benefits (revised in 2011)

IAS 1 was changed relating to the presentation of other comprehensive income such that allocations have to be made for the components of other comprehensive income that will be recognized in profit or loss in future reporting periods (recycled) and those that will not be recycled (non-recycled). The improvements to IFRS 2009–2011 (issued in May 2012) relate to clarifications or corrections of existing IFRSs or changes as a result of changes previously made to IFRSs. The amendments concern three clarifications for IFRS 1 and one clarification each for IAS 1, IAS 16, IAS 32 and IAS 34. IFRS 13 replaces previously applicable regulations to measure fair value in the individual standards. The main changes compared to the previously applicable regulations comprise the new definition of fair value, definition of the selling price as a valuation standard and the measurement of debt using the transaction approach. In addition, the standard requires additional disclosures in connection with measurement at fair value.

The amendments to IAS 19 include, for example, that actuarial gains and losses are to be recognized immediately in other comprehensive income (removal of the so-called corridor method), the recognition of plan amendments and curtailments, and determination of the net interest component from pension obligations. The net interest component replaces interest expenses on the defined benefit obligation and thereof independently determined expected return on plan assets according to the previously applicable regulations. The net interest component is determined on the net defined benefit liability or the net defined benefit asset while using the interest rate derived at the beginning of the year. In addition, the top-up amounts for old-age part-time obligations for the amended IAS 19 will no longer be recognized as an expense as soon as the obligation is incurred but on a pro rata basis through to the end of the active phase. Furthermore, the amendments to IAS 19 relate to increased disclosures in the notes for employee benefits. Details on the adjustment of prior year figures as a result of the first-time application of the revised IAS 19 are presented in the section "Prior Year Information" on page 118.

In addition, application of the following revised standards and interpretations was mandatory:

- Amendments to IAS 12 Income Taxes: Deferred Taxes – Recognition of Underlying Assets
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Government Loans
- Amendments to IFRS 7 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

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

Impact of Issued IFRS That Are Not yet Effective

The IASB and the IFRS Interpretations Committee have issued the following new or amended accounting standards and interpretations, the application of which is not yet mandatory for Bertelsmann's consolidated financial statements for the financial year 2013.

- Improvements to IFRS 2010–2012 (issued in December 2013)
- Improvements to IFRS 2011–2013 (issued in December 2013)
- IFRS 9 Financial Instruments (published 2009) and the subsequent changes to IFRS 9
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 14 Regulatory Deferral Accounts
- Revised version of IAS 27 Separate Financial Statements (revised in 2011)
- Revised version of IAS 28 Investments in Associates and Joint Ventures (revised in 2011)
- Amendments to IAS 19 Defined Benefit Plans – Employee Contributions
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 Impairment of Assets – Information on Recoverable Amount for Non-Financial Assets
- Amendments to IAS 39 Financial Instruments: Carrying Amount and Valuation – Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
- IFRIC 21 Levies

IFRS 9 will replace IAS 39 and will have a far-reaching impact on the recognition and measurement of financial instruments; however, the date for first-time application of IFRS 9 has not yet been determined. IFRS 10, IFRS 11, IFRS 12 and IAS 27 (revised 2011) as well as IAS 28 (revised 2011), which are to be applied from 2014, are the result of the IASB's consolidation project and include new consolidation guidelines and disclosure requirements for the notes for Group companies. The previous definition of control and the resulting assessment criteria were revised in IFRS 10. In addition, IFRS 10 replaces consolidation requirements in the previous IAS 27 and SIC-12; however, the regulations on consolidation steps, the presentation of non-controlling interests and accounting for changes in interests without a loss of control remain mostly unchanged. The renamed IAS 27 (revised in 2011) includes exclusively unchanged regulations to be applied to separate financial statements. The new IFRS 11 supersedes the currently applicable IAS 31, incorporates the current regulations of SIC-13 in the standard text and removes proportionate consolidation for joint ventures with no replacement. In the future, accounting for joint ventures and the mandatory application of the equity method for joint ventures will be in line with the provisions of the renamed IAS 28 (revised in 2011) in the revised version. 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 existing regulations, the disclosure requirements for consolidated and unconsolidated entities have been expanded significantly. The first-time application of IFRS 10 will not have a material impact on the scope of consolidation. The first-time application of IFRS 11 will result in the disclosure of lower revenues. The assets and liabilities of previously proportionately consolidated companies are no longer included on the balance sheet, whereas the proportion of investments accounted for using the equity method will increase by an amount in the double-digit millions. As part of the first-time application of the equity method for joint ventures in the reporting period, the assets and liabilities as well as income and expenses would have fallen by a comparable amount shown in the table "Effects of Proportionate Consolidation" on page 108. In total, the first-time application of the new regulations is not expected to have a significant impact on the Group's financial position and financial performance. There is no early adoption of these standards.

According to the amendments to IAS 36 Impairment of Assets with regard to the recoverable amount disclosures for non-financial assets, in contrast to the current version of IAS 36, the recoverable amount for cash-generating units and assets has only to be disclosed if there is actually an impairment loss or a reversal in the current reporting period. Furthermore, additional information is required in the notes as a result of this change. The Bertelsmann Group has early adopted those amendments for which first-time application is mandatory in 2014 for financial year 2013.

The improvements to IFRS 2010–2012 and 2011–2013 (both issued in December 2013) 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, IFRS 16 as well as IAS 24. The improvements to IFRS 2011–2013 relate to IFRS 1, IFRS 3, IFRS 13 as well as IAS 40. The amendments to IFRS 14, IAS 32, IAS 39 and IFRIC 21 to be applied in the future and also the improvements to IFRS 2010–2012 and 2011–2013 only relate to transactions in the Group to a minor extent and are not expected to have any material impact.

With the exception of the amendments to IAS 36, the Bertelsmann Group has not opted for early adoption of any additional standards, interpretations or changes that have been issued but are not yet mandatory.

Consolidation

Principles of Consolidation

All subsidiaries that are controlled either directly or indirectly by Bertelsmann SE & Co. KGaA as defined by IAS 27 and that conduct business operations are included in the consolidated financial statements. Control exists when Bertelsmann SE & Co. KGaA has the possibility or the actual ability, either directly or indirectly, to determine the financial and business policy of an entity in such a way as to obtain benefits from its activities. Total comprehensive income is allocated to the owners of the parent company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Material jointly controlled companies within the meaning of IAS 31 are proportionately consolidated. Material associates as defined by IAS 28 are included using the equity method. 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 28.7. Accounting and measurement policies are applied uniformly for all financial statements of companies consolidated within the Bertelsmann Group. The Bertelsmann Group recognizes immaterial participations at cost according to IAS 39.

In accordance with IFRS 3, business combinations are accounted for using the acquisition method. The consideration transferred as part of a business combination is offset against the fair value of equity on the date of the acquisition. As a rule, acquisition-related costs are recognized in profit or loss. If applicable, contingent consideration is measured at the fair value that applies on the date of acquisition. 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 goodwill is reflected as income in the period in which the acquisition is made. Deferred taxes from assets acquired and liabilities assumed in a corporate acquisition are carried and measured according to IAS 12. Subsequent measurement of the acquired assets and the liabilities taken over or entered into is performed in line with the other 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 date of acquisition. Investments in proportionately consolidated companies are measured using the same principles.

Investments in associates recognized using the equity method are accounted for using the proportionate equity share of the investment measured at fair value at the acquisition date. The same method used for fully consolidated subsidiaries is applied when accounting for the difference between the acquisition cost at the date of acquisition and the share of net assets acquired. Losses of associates that exceed their carrying amounts are not recognized unless there is an obligation to make additional contributions.

All intercompany profits, losses, revenues, expenses, income, receivables, liabilities and provisions falling within the scope of consolidation are eliminated. Deferred taxes are recognized on temporary differences arising on consolidation in accordance with IAS 12. Proportionate consolidation is performed on a pro rata basis using the same principles. The Group's share of gains or losses on intercompany transactions between fully consolidated Group companies and associates is eliminated.

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 IAS 27. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for in accordance with other IFRSs from the date when control is lost.

Scope of Consolidation

The scope of consolidation including Bertelsmann SE & Co. KGaA consists of 968 (previous year: 835) companies. This figure includes 891 (previous year: 767) fully consolidated companies. A total of 34 (previous year: 33) joint ventures are recognized in the consolidated financial statements using proportionate consolidation. A further 43 (previous year: 35) associates are consolidated using the equity method. A total of 241 (previous year: 221) affiliated companies without significant business operations were excluded from consolidation due to their negligible importance for the financial position, performance and changes in the financial position of the Bertelsmann Group. These include 44 (previous year: 39) companies that would have been consolidated using the equity method.

Changes made during the past financial year to the companies included in the consolidated financial statements are presented in the table below.

The complete list of the Bertelsmann Group's shareholdings will be published in the "Bundesanzeiger" (Federal Gazette) as an annex to these 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.
Those subsidiaries disclosed in note 31 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.

Changes in Scope of Consolidation

	Domestic	Foreign	Total
Consolidated as of December 31, 2012	309	526	835
Additions	21	167	188
Disposals	26	29	55
Consolidated as of December 31, 2013	304	664	968

Acquisitions and Disposals

The consideration paid for acquisitions in financial year 2013 less cash and cash equivalents acquired amounted to €504 million (previous year: €88 million). The consideration transferred for these acquisitions in the sense of IFRS 3 while considering the fair value of the interests already held totaled €1,697 million in the reporting period (previous year: €149 million).

Bertelsmann concluded the full acquisition of the music rights company BMG on March 30, 2013 following final governmental merger control approval. BMG is an international group of music companies focused on the management of music rights and was managed in partnership with Kohlberg Kravis Roberts & Co. (KKR) prior to the acquisition. Bertelsmann acquired the remaining 53 percent of shares so that BMG is now accounted for as a wholly owned subsidiary. The consideration transferred of €637 million is due to the purchase price, which was fully paid in cash, for the newly acquired shares (€385 million) and the fair value of the interest already held and accounted for using the equity method (€252 million). The remeasurement of the investment already held resulted in other operating income of €109 million. Non-tax-deductible goodwill from the purchase price allocation amounted to €326 million and resulted from the expansion of the Content Rights Management growth platform and using opportunities presented by the digital transformation of the music industry. Since full acquisition, BMG has contributed €174 million to revenues and €-10 million to Group profit or loss. If fully consolidated as of January 1, 2013, BMG would have contributed €213 million to revenues and €-14 million to Group profit or loss.

Moreover, Arvato acquired 100 percent of the shares in Gothia Financial Group, based in Norway, on June 13, 2013 following governmental merger control approval. As a result of the merger with Arvato Infoscore, Arvato has grown to become one of the leading European companies on the fast-growing market for business information and financial services. The consideration transferred in the amount of €207 million includes the purchase price, which was paid in cash, as well as the redemption of a shareholder loan in the amount of €20 million. The purchase price allocation amounted to non-tax-deductible goodwill of €186 million, which resulted from the internationalization of the financial services product portfolio, the continuing development of the customer business e-commerce and expected cost synergies with Arvato Infoscore. The transaction-related costs in the amount of €-4 million have been recognized in profit or loss. Since the date of the acquisition, Gothia Financial Group has contributed revenues in the amount of €66 million to consolidated revenues and €6 million to Group profit or loss. If fully consolidated from January 1, 2013, Gothia would have contributed €116 million to consolidated revenues and €10 million to Group profit or loss.

Upon fulfillment of the contractually stipulated conditions, the transaction agreed between Bertelsmann and Pearson in October 2012 for the combination of their respective publishing groups, Random House (with the exception of the German-language publishing business) and Penguin, was concluded on July 1, 2013. Controlling shareholder Bertelsmann holds a 53-percent interest in this new, world's largest trade book publisher Penguin Random House, with non-controlling interests Pearson holding 47 percent. Penguin Random House comprises all of the publishing units of Random House and the Penguin Group in the United States, Canada, the United Kingdom, Australia, New Zealand, India and South Africa as well as the Random House publishers in Spain and Latin America and the Penguin businesses in the Asian region and Germany. Reviews by the authorities in several countries around the world preceded the closing of the agreement. All of the approvals were granted without any constraints. Pearson's contribution to Penguin was accounted for as a business combination in accordance with IFRS 3 in Bertelsmann's consolidated financial statements. The assets and liabilities contributed by Penguin were carried at fair value. The consideration transferred then corresponds to the fair value of the interest in Random House that was contributed and totaled €773 million according to a calculation based on the discounted cash flow method. After netting with the proportionate revalued equity for Penguin, the purchase price allocation resulted in non-tax-deductible goodwill of €414 million and is the result of greater strategic flexibility from strengthening the publishing business as well as the anticipated realization of major synergy effects from joint investments in the physical and digital range of book acquisition, production and sales as well as in the high-growth markets of the future. The expenses associated with the transaction of €-14 million were recognized in income. The assets and liabilities in Random House contributed by Bertelsmann continue to be accounted for at their carrying amounts. The reduction in the participating interest in Random House was without loss of control within the meaning of IAS 27

and was accounted for as an equity transaction. Considering the consolidated carrying amounts on the date of the business combination, a non-controlling interest of €362 million was recognized. In addition, the equity attributable to Bertelsmann's shareholders increased by €411 million as the difference between the carrying amounts and the fair value of the corresponding interests. As a result, the non-controlling interest in Penguin Random House reported as of the business combination date totaled €676 million. The fair value of the acquired receivables amounted to €321 million at the acquisition date. Thereof, €209 million is attributable to trade receivables and €112 million is attributable to other receivables. Trade receivables are impaired in the amount of €-52 million resulting in a gross amount of trade receivables of €261 million. The fair value of other receivables equals the gross amount. From July 1, 2013, Penguin Group contributed revenues of €746 million to consolidated revenues and €53 million to Group profit or loss. If consolidated as of January 1, 2013 Penguin Group would have contributed €1,339 million to consolidated revenues and €34 million to Group profit or loss.

In addition, the Group made several acquisitions in 2013, none of which was material on a stand-alone basis. The impact on the Group's financial position and financial performance was also minor. The other acquisitions resulted in non-tax-deductible goodwill totaling €66 million, which reflects synergy potential. Since initial consolidation, the other new acquisitions under IFRS 3 have contributed €27 million to revenues and €-3 million to Group profit or loss. If consolidated as of January 1, 2013, they would have contributed €55 million to revenues and €-2 million to Group profit or loss.

The impact of the acquisitions on the assets and liabilities in the Bertelsmann Group on the date of initial consolidation is summarized in the following table:

Effects of Acquisitions

	BMG		Gothia Financial Group		Penguin Group		Other		Total	
in € millions	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets										
Goodwill	–	326	–	186	–	414	–	66	–	992
Other intangible assets	713	850	2	43	46	510	4	5	765	1,408
Property, plant and equipment	5	5	2	2	46	46	1	1	54	54
Trade and other receivables	–	–	–	–	10	10	–	–	10	10
Other non-current assets	144	144	6	6	86	86	1	1	237	237
Current assets										
Inventories	–	–	–	–	125	135	18	18	143	153
Trade and other receivables	12	12	118	118	311	311	24	24	465	465
Other current assets	11	11	4	4	69	69	1	1	85	85
Cash and cash equivalents	27	27	91	91	55	55	13	13	186	186
Liabilities										
Provisions for pensions and similar obligations	–	–	–	–	6	6	–	–	6	6
Financial debt	469	469	193	193	14	14	–	–	676	676
Sundry financial and non-financial liabilities	226	269	40	50	360	524	43	44	669	887

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).

At the end of April 2013, Bertelsmann placed approximately 23.5 million RTL Group shares at a price of €55.50 per share. The examination of a possible placement was announced in January 2013. At the beginning of October 2013, Bertelsmann sold an additional two million shares at a price of €75.81 per share. Both transactions were carried as equity transactions in accordance with IAS 27. The difference between the consideration received of €1,303 million for the shares placed at the end of April and the carrying amount due to the shares sold of €396 million was recorded as equity as retained earnings after considering transaction costs. The transaction resulted in an increase in equity attributable to Bertelsmann's shareholders of €873 million, and equity attributable to non-controlling interests increased by €396 million. The difference resulting from the second transaction between the consideration received of €152 million and the carrying amount due to the shares sold of €32 million was also recorded in equity within retained earnings after considering transaction costs. The second transaction resulted in an additional increase in equity attributable to Bertelsmann's shareholders of €118 million, and equity attributable to the non-controlling interests increased by €32 million. After both transactions, Bertelsmann remains the majority shareholder in RTL Group with a 75.1-percent stake in share capital.

After considering the cash and cash equivalents disposed of, the Group received payments totaling €7 million from disposals that were carried out (previous year: €-9 million).

The disposals led to income from deconsolidation of €3 million (previous year: €2 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	2013
Non-current assets	
Goodwill	(18)
Other intangible assets	(4)
Property, plant and equipment	(7)
Current assets	
Inventories	(6)
Other current assets	(75)
Cash and cash equivalents	(19)
Liabilities	
Sundry financial and non-financial liabilities	(93)

The following table shows the impact of transactions carried out during the financial year on the equity allocable to Bertelsmann's shareholders that did not result in a change of control for the respective subsidiary:

Impact of Changes in Interests in Subsidiaries That Do Not Result in a Loss of Control

in € millions	2013	2012
Disposal of RTL Group shares	991	–
Combination of the publishing groups Random House and Penguin	411	–
Other	(14)	(15)
	1,388	(15)

Discontinued Operations

Earnings after taxes from discontinued operations of €-58 million comprises non-cash 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 attributable to the RTL Group division (Mistergooddeal SA) and Corporate Investments (mostly Euromedia Group) in the reporting period are presented in the following table:

Assets Held for Sale and Related Liabilities

in € millions	12/31/2013	12/31/2012
Assets		
Non-current assets		
Other intangible assets	4	–
Property, plant and equipment	–	3
Other non-current assets	–	3
Deferred tax assets	1	–
Current assets		
Inventories	19	–
Other current assets	31	1
Cash and cash equivalents	10	2
Equity and Liabilities		
Non-current liabilities		
Deferred tax liabilities	1	–
Current liabilities		
Trade payables	35	–
Other current liabilities	7	1

On December 18, 2013 Groupe M6, which belongs to RTL Group, announced that it was in advanced-stage negotiations with Groupe Darty plc regarding the disposal of all of the interests in Mistergooddeal SA. As a result, all of the assets and liabilities for Mistergooddeal SA were classified as held for sale.

In December 2013, the disposal of the Czech-Slovakian book and publishing house Euromedia Group was signed with the Czech investment firm Arraviet. The transaction covers all of the Euromedia businesses – book clubs, book sales, distribution and publishing – in both of these countries. The disposal of Euromedia Group is subject to the approval of the responsible antitrust authorities in the Czech Republic.

The disposals groups mentioned above are measured at fair value less costs to sell. Thereof, €9 million is to be allocated to level 1 and €3 million is 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 recognized in profit or loss is recognized in “Other operating expenses.”

Proportionate Consolidation

The 34 (previous year: 33) proportionately consolidated joint ventures had the following effect on Bertelsmann Group's assets, liabilities, income and expenses:

Effects of Proportionate Consolidation

in € millions	12/31/2013	12/31/2012
Non-current assets	28	27
Current assets	86	87
Non-current liabilities	1	–
Current liabilities	60	58

in € millions	2013	2012
Income	220	304
Expenses	205	271

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 of those countries that are most significant to the Bertelsmann Group.

Euro Exchange Rates for Major Foreign Currencies

		Average rate		Closing rate	
Foreign currency unit per €1		2013	2012	12/31/2013	12/31/2012
Australian Dollar	AUD	1.3772	1.2408	1.5423	1.2712
Canadian Dollar	CAD	1.3678	1.2845	1.4671	1.3137
Swiss Franc	CHF	1.2310	1.2053	1.2276	1.2072
Yuan Renminbi	CNY	8.1640	8.1079	8.3491	8.2207
British Pound	GBP	0.8492	0.8109	0.8337	0.8161
Japanese Yen	JPY	129.73	102.52	144.72	113.61
US Dollar	USD	1.3280	1.2853	1.3791	1.3194

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 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. 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. Revenues from services rendered are recognized based on their percentage of completion.
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

Goodwill arising from business combinations accounted for in accordance with IFRS 3 represents the consideration transferred in excess of the Group's share of the fair value of identifiable assets acquired, liabilities and contingent liabilities assumed. Initial recognition is at acquisition cost, with subsequent recognition at acquisition cost less accumulated impairments. Goodwill is subject to at least annual impairment testing. Impairment losses are measured as the difference between the carrying amount and the recoverable amount of the cash-generating units to which goodwill has been allocated. Any 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 section "Impairment Losses," and if a triggering event arises.

Other Intangible Assets

Internally generated intangible assets of the non-current assets are carried at cost, which must be 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 write-ups 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, where applicable, 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 accrued. 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 indications that an impairment loss has occurred.

An impairment loss occurs 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; fair value less costs of disposal is always calculated first. If the result is greater than the carrying amount, value in use is not calculated in most cases. 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 inflows 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 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 -1 to 3 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 therefore impair the value of cash-generating units.

If the reasons for impairment no longer apply, impairment losses are to be 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 sufficiently 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 period of use, 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 trading 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
  - non-derivative 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. They are subsequently measured at amortized cost using the effective interest method.

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, they are carried at amortized 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 held 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.

Non-derivative 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 listed on 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 an objective indicator, impairments are recognized in profit or loss using allowance accounts.

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 at the exchange rate at the end of the reporting period.

All derivatives that fulfill the formal requirements of IAS 39 for hedge accounting are carried separately as derivative financial assets 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 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 an objective indication of impairment. There are objective indicators that impairment has occurred 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 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. The impairment on available-for-sale assets carried at cost is calculated 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 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.

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 less cost to sell or using the FIFO (first-in, first-out) method. Inventories originating from intra-group suppliers are adjusted to eliminate intercompany earnings and are measured at the Group's manufacturing cost.
Inventories are tested for impairment 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 of an item of inventories is lower than its historical cost. Write-downs are reversed if the circumstances causing their recognition no longer apply. 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 as a rule 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.
Under this 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 only reported in the amount in which they can be subsequently utilized. 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.

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 28.11, 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 (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 probable extent of the benefit obligations. Long-term provisions are discounted. The discount rates take into account current market expectations and, if necessary, specific risks for the liability.

Liabilities

Upon initial recognition, trade payables and other original financial liabilities including profit participation certificates (financial liabilities at amortized cost) are measured at their fair value less transaction costs. Subsequent measurement is based on amortized cost using the effective interest method. Liabilities denominated in foreign currency are translated at the exchange rate at the end of the reporting period.

The Bertelsmann Group has not yet exercised the option of classifying financial liabilities initially recognized at fair value through profit or loss. 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.

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 was 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.

Estimates and Assumptions

The preparation of IFRS-compliant consolidated financial statements requires the use of 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 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.
- 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 sport and film rights, estimates are made with regard to anticipated revenues.
- Impairments: 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 is recorded 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 is always calculated first. As a rule, this is 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 most important assumptions include estimated growth rates, the weighted average cost of capital and tax rates.

Changes to these estimates as a result of more recent information could have a material impact on the amount of the possible impairment. 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 onerous contracts, litigation 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 results of operations.

In the case of purchase price allocations, assumptions are also made regarding the measurement of assets and liabilities acquired as part of business combinations – 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" on pages 109 and 110.

As part of the regular review of useful lives for assets in the Bertelsmann Group, the extended useful life by up to 25 years for the music rights at BMG as of January 1, 2013 was also adopted for Group-wide accounting and measurement policies. The adjustments led to at-equity earnings after taxes in the Bertelsmann consolidated financial statements being €2 million higher in the period in which BMG was included at equity as an associate in the reporting period. As a result of the change of status as of March 30, 2013, with regard to BMG, quantification of the impact of the adjustment in the subsequent periods and reporting years has not been made. Management estimates are used to determine whether intangible assets have an indefinite useful life. In contrast to the previous year, the advertising marketing rights in China at Gruner + Jahr are now carried as intangible assets with a definite useful life in the amount of €32 million. Detailed information is presented in note 11 "Intangible Assets." The adjustments led to increased amortization expenses of less than €1 million in the reporting period and €2 million in future reporting periods.

Assessments of the ability to realize future tax benefits are also based on assumptions and estimates. Deferred tax assets are only carried in the amount in which they are likely to be subsequently utilized. 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."

In addition, estimates have been performed to calculate deferred taxes on fund assets that are held as part of a contractual trust arrangement (CTA) for pension commitments. The estimate is made based on the ongoing basis for taxation per fund for the previous year – according to publications in the "German Federal Gazette" – combined with market values as of the balance sheet date. The change in the estimate of parameters in the reporting period led to an increase in deferred tax liabilities of €3 million, and this is broken down into deferred tax income of €3 million and an opposite effect of €6 million, which is carried under other comprehensive income. The impact on future periods cannot be quantified as it cannot be estimated.

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 share-based payments. The conditions of the stock option plans are presented in greater detail in the section "Stock Option Plans at Subsidiaries" 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

When the revised IAS 19 Employee Benefits came into effect on January 1, 2013, as a result of its retrospective application, the prior year figures for the balance sheet and income statement were adjusted accordingly. As the Bertelsmann Group already uses the option offered in IAS 19 of recognizing actuarial gains and losses in other comprehensive income, the first-time application of this standard did not result in any material impact on the financial position and financial performance for financial year 2012. EBIT fell by €3 million to €1,327 million. The financial result fell by €7 million to €-322 million, income taxes improved by €3 million to €-393 million, and Group profit or loss fell by €7 million to €612 million. As a result of the reduction in EBIT by €3 million, operating EBIT fell to €1,732 million, and operating EBITDA fell to €2,210 million. As a result of these changes, the balance sheet item "Provisions for pensions and similar obligations" decreased by €8 million to €1,730 million as of January 1, 2012 and by €5 million to €2,146 million as of December 31, 2012. Bertelsmann shareholders' equity increased as of January 1, 2012 by €6 million to €5,313 million and as of December 31, 2012 by €4 million to €5,267 million. The balance sheet item "Deferred tax assets" fell as of January 1, 2012 by €2 million to €1,146 million and as of December 31, 2012 by €1 million to €1,205 million. The effects on the income statement primarily result from the application of the net interest method and the recalculation of the top-up amounts for old-age part-time obligations. The effects on the balance sheet are mainly due to the change in the provision for old-age part-time schemes. No third balance sheet was prepared as of the beginning of the previous annual period in line with IAS 1.40A (b) for reasons of materiality. The impact of the revised IAS 19 on the current reporting period leads to comparable effects as reported for the previous year 2012. Taking into account the cost/benefit ratio and also the immateriality of the amounts, the information according to IAS 8.28 (f) is not provided for the current year.

The first-time application of IFRS 13 Fair Value Measurement did not have a material impact for the Bertelsmann Group.

Notes to the Income Statement and Balance Sheet

1 Revenues

in € millions	2013	2012
Revenues from selling goods and merchandise	6,506	6,399
Revenues from advertising	4,175	4,198
Revenues from providing services	3,799	3,673
Revenues from grant of use of assets	1,876	1,795
	16,356	16,065

Revenues also include income from barter transactions in the amount of €73 million (previous year: €70 million), which were primarily incurred by RTL Group and Gruner + Jahr. This figure includes €72 million (previous year: €69 million) in "Revenues from advertising." A further €1 million (previous year: €0 million) is carried in "Revenues from providing services." No income from barter transactions is carried (previous year: €1 million) in "Revenues from selling goods and merchandise." Changes in revenues by segment and geographical areas are presented in the overview for segment reporting on page 98.

2 Other Operating Income

in € millions	2013	2012
Income from sideline operations	213	201
Income from reimbursements	142	106
Fair value remeasurement of investments	110	18
Gains from disposals of non-current assets	32	22
Adjustment to carrying amounts previously classified as assets held for sale	–	12
Sundry operating income	133	123
	630	482

Sundry operating income includes income-related government grants in the amount of €19 million (previous year: €12 million). These grants 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)").

Income from the reversal of provisions is generally recorded in the same income statement line item to which it was previously charged. The item "Fair value remeasurement of investments" mostly includes income of €109 million from the remeasurement of the interest in BMG carried out as part of the determination of the consideration and which was previously accounted for at equity.

3 Personnel Costs

in € millions	2013	2012
Wages and salaries	3,971	3,766
Statutory social security contributions	652	640
Expenses for pensions and similar obligations	109	112
Profit sharing	101	92
Other employee benefits	172	161
	5,005	4,771

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

in € millions	2013	2012
Amortization/depreciation, impairment charges and reversals of		
– intangible assets	281	239
– property, plant and equipment	361	441
	642	680

5 Other Operating Expenses

in € millions	2013	2012
Administrative expenses	1,252	1,242
Selling and transmission expenses	666	678
Advertising costs	515	500
Allowances on current assets	216	253
Consulting and audit fees	205	174
Operating taxes	103	120
Impairments on assets held for sale	14	4
Losses on disposals of non-current assets	7	5
Foreign exchange losses	7	2
Sundry operating expenses	82	111
	3,067	3,089

Administrative expenses include payments recorded as expenses in the period from operating leases of €-229 million, and associated services and incidental costs of €-27 million (previous year: including services and other incidental costs €-319 million), repair and maintenance costs of €-190 million (previous year: €-203 million) and costs for IT services of €-115 million (previous year: €-101 million).

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

in € millions	2013	2012
Income from investments accounted for using the equity method	43	41
Expenses from investments accounted for using the equity method	(25)	(38)
Results from investments accounted for using the equity method	18	3
Income from participations	17	12
Impairments on other financial assets	(14)	(28)
Results from financial assets	3	(16)

The income from investments accounted for using the equity method stems primarily from RTL II at €14 million (previous year: €13 million), Atresmedia (previously Antena 3) at €9 million (previous year: €6 million), and Spiegel Verlag Rudolf Augstein GmbH & Co. KG at €7 million (previous year: €8 million). Losses from investments accounted for using the equity method are mostly due to University Ventures Fund I, L.P. at €-13 million (previous year: €-7 million).

Write-ups and impairments on carrying amounts of investments in associates (including goodwill) of €64 million (previous year: €-85 million) are reported under "Reversals of impairments/Impairments on investments accounted for using the equity method." In the reporting period, this comprised a write-up of €72 million for Atresmedia and write-downs for various companies in the amount of €-8 million. BMG was previously carried in the consolidated financial statements as an associate; however, after the acquisition of the remaining interests it is carried as a wholly owned subsidiary (see the section "Acquisitions and Disposals"). Further information is presented in note 13 "Investments Accounted for Using the Equity Method" on page 129.

7 Special Items

in € millions	2013	2012
Gruner + Jahr Spain	–	(22)
Gruner + Jahr trademark rights	–	(13)
Inmediaone, Corporate Investments	–	(8)
Other	(6)	1
Impairments on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations	(6)	(42)
Mistergooddeal, RTL Group	(10)	–
Clubs Eastern Europe, Corporate Investments	–	12
Other	(4)	(4)
Adjustment to carrying amounts on assets held for sale	(14)	8
Impairments on other financial assets	(14)	(28)
Atresmedia (formerly Antena 3), RTL Group	72	(72)
Other	(8)	(13)
Reversals of impairments/Impairments on investments accounted for using the equity method	64	(85)
Non-current securities, RTL Group	49	–
BAI investments, Corporate Investments	39	–
Other	23	12
Capital gains	111	12
BMG, Corporate Investments	109	–
Random House Mondadori	–	13
Other	1	5
Fair value remeasurement of investments	110	18
Impairment on property, plant and equipment, Prinovis UK, Be Printers	(47)	(51)
Impairment on property, plant and equipment, Be Printers Spain	(14)	–
Impairment on property, plant and equipment, Prinovis Germany, Be Printers	–	(35)
Impairment on property, plant and equipment, Print Italy, Be Printers	–	(16)
Impairment on property, plant and equipment, Brown Printing, Gruner + Jahr	–	(37)
Restructuring and severance payments, Be Printers	(77)	–
Restructuring and severance payments, Arvato	(35)	(29)
Integration expenses, Penguin Random House	(27)	–
Restructuring and severance payments, Corporate Investments	(36)	(10)
Restructuring and severance payments, Gruner + Jahr	(21)	(47)
One-off expenses direct-to-customer businesses, Corporate Investments	(12)	(32)
Other	(28)	(31)
Restructuring and other special items	(297)	(288)
Total of special items	(46)	(405)

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 €-46 million (previous year: €-405 million).

8 Interest Income and Interest Expenses

in € millions	2013	2012
Interest income		
Interest income on cash and cash equivalents	8	11
Interest income on interest derivatives	1	–
Other interest income	10	11
	19	22
Interest expenses		
Interest expenses on financial debt	(179)	(191)
Interest expenses on interest derivatives	(1)	(1)
Other interest expenses	(14)	(14)
	(194)	(206)

9 Other Financial Expenses and Income

in € millions	2013	2012
Other financial income		
Financial income from put options	16	24
Minority interest in partnerships	–	9
Other	14	14
	30	47
Other financial expenses		
Net interest on defined benefit plans	(67)	(74)
Dividend entitlement on profit participation certificates	(44)	(44)
Minority interest in partnerships	(33)	(13)
Non-operating forex losses	(5)	(8)
Other	(67)	(46)
	(216)	(185)

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 other financial expenses, the item “Other” mostly comprises the advance redemption penalty from the early redemption of the bonds and promissory note loans in the amount of €40 million.

10 Income Taxes

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

Income Taxes

in € millions	2013	2012
Earnings before income taxes (total)	1,286	1,003
Current income taxes from continuing operations	(332)	(329)
Deferred income taxes from continuing operations	(87)	(64)
Income taxes from continuing operations	(419)	(393)
Current income taxes from discontinued operations	–	2
Deferred income taxes from discontinued operations	3	–
Income taxes from discontinued operations	3	2
Total income taxes	(416)	(391)
Net income after income taxes (total)	870	612

Tax loss carryforwards of €746 million (previous year: €678 million) were utilized in the reporting period, reducing current tax expenses by €165 million (previous year: €152 million). Of the tax loss carryforwards utilized, €160 million (previous year: €174 million) was due to German corporate income tax, €196 million (previous year: €236 million) was due to German trade tax and €390 million (previous year: €268 million) was due to foreign income taxes. These amounts include €15 million (previous year: €11 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: €3 million), German trade tax in the amount of €3 million (previous year: €4 million) and foreign income taxes in the amount of €11 million (previous year: €4 million). This led to a reduction in current tax expense of €3 million (previous year: €2 million).

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

Deferred Taxes

	12/31/2013		12/31/2012	
in € millions	Assets	Equity and liabilities	Assets	Equity and liabilities
Intangible assets	317	475	288	149
Property, plant and equipment	64	65	64	84
Financial assets	20	54	30	56
Inventories	59	2	65	2
Receivables	107	29	109	25
Advance payments and other assets	110	75	106	60
Provisions	518	121	544	101
Financial debt	20	17	20	26
Liabilities	12	4	10	1
Advance payments and other liabilities	72	47	64	45
Loss carryforwards/tax credits	2,371	–	2,348	–
Subtotal	3,670	889	3,648	549
Valuation allowances	(2,051)	–	(1,988)	–
Total	1,619	889	1,660	549
Offset	(711)	(711)	(455)	(455)
Carrying amount	908	178	1,205	94

No deferred tax liabilities are recognized for temporary differences in connection with subsidiaries, joint ventures and associated companies in the amount of €191 million (previous year: €88 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.

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 allowance is assessed primarily based on existing deferred tax liabilities from temporary differences and projected taxable income within a specified 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	12/31/2013	12/31/2012
Tax loss carryforwards		
To be carried forward for more than 5 years	6,590	6,179
To be carried forward for up to 5 years	56	135
Temporary differences	247	288
Tax credits		
To be carried forward for more than 5 years	58	44
To be carried forward for up to 5 years	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	2013	2012
Earnings before taxes from continuing operations	1,347	1,005
Earnings before taxes from discontinued operations	(61)	(2)
Earnings before income taxes (total)	1,286	1,003
Income tax rate applicable to Bertelsmann SE & Co. KGaA	30.70%	30.40%
Expected tax expense	(395)	(305)
The tax effects of the following items led to differences between the expected and actual tax expense:		
Adjustment to different national tax rates	(11)	(27)
Effect of changes in tax rate and tax law	9	2
Non-tax-deductible impairments of goodwill	16	(34)
Tax-free disposal and merger gains or losses	8	6
Current income taxes for previous years	28	1
Deferred income taxes for previous years	34	49
Change in valuation allowance on deferred tax assets	(86)	(50)
Permanent differences	(21)	(15)
Other adjustments	2	(18)
Total of adjustments	(21)	(86)
Actual tax expense	(416)	(391)

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

	2013	2012
Corporate income tax including solidarity surcharge	15.83%	15.83%
Trade tax	14.87%	14.57%
Effective income tax rate	30.70%	30.40%

11 Intangible Assets

in € millions	Goodwill	Other intangible assets					Total
		Music and film rights	Other rights and licenses	Internally generated intangible assets	Advance payments	Total	
Cost							
Balance as of 1/1/2012	6,238	1,046	1,348	763	10	3,167	9,405
Currency translation differences	2	(2)	–	(4)	–	(6)	(4)
Acquisitions through business combinations	72	–	20	–	–	20	92
Other additions	–	30	64	77	4	175	175
Reductions through disposal of investments	(1)	–	(2)	–	–	(2)	(3)
Other disposals	–	(64)	(43)	(3)	–	(110)	(110)
Reclassifications according to IFRS 5	(1)	–	(1)	–	–	(1)	(2)
Reclassifications and other changes	11	39	18	(24)	(12)	21	32
Balance as of 12/31/2012	6,321	1,049	1,404	809	2	3,264	9,585
Currency translation differences	(52)	(37)	(37)	(18)	–	(92)	(144)
Acquisitions through business combinations	992	767	585	56	–	1,408	2,400
Other additions	–	289	82	55	6	432	432
Reductions through disposal of investments	(22)	–	(22)	–	–	(22)	(44)
Other disposals	–	(20)	(134)	(4)	–	(158)	(158)
Reclassifications according to IFRS 5	–	(5)	(19)	–	–	(24)	(24)
Reclassifications and other changes	–	32	4	(25)	(3)	8	8
Balance as of 12/31/2013	7,239	2,075	1,863	873	5	4,816	12,055
Accumulated amortization							
Balance as of 1/1/2012	227	974	916	684	–	2,574	2,801
Currency translation differences	–	(2)	(1)	(4)	–	(7)	(7)
Scheduled amortization	–	74	77	31	–	182	182
Impairment losses	30	1	17	10	–	28	58
Reversals of impairment losses	–	(1)	–	–	–	(1)	(1)
Reductions through disposal of investments	–	–	(2)	–	–	(2)	(2)
Other disposals	–	(63)	(40)	(3)	–	(106)	(106)
Reclassifications according to IFRS 5	–	–	(1)	–	–	(1)	(1)
Reclassifications and other changes	16	5	15	1	–	21	37
Balance as of 12/31/2012	273	988	981	719	–	2,688	2,961
Currency translation differences	(2)	(5)	(15)	(15)	–	(35)	(37)
Scheduled amortization	–	119	113	30	–	262	262
Impairment losses	6	1	13	1	–	15	21
Reversals of impairment losses	–	(1)	–	(1)	–	(2)	(2)
Reductions through disposal of investments	(4)	–	(18)	–	–	(18)	(22)
Other disposals	–	(19)	(131)	(1)	–	(151)	(151)
Reclassifications according to IFRS 5	–	(1)	(12)	–	–	(13)	(13)
Reclassifications and other changes	–	(1)	5	3	–	7	7
Balance as of 12/31/2013	273	1,081	936	736	–	2,753	3,026
Carrying amount as of 12/31/2013	6,966	994	927	137	5	2,063	9,029
Carrying amount as of 12/31/2012	6,048	61	423	90	2	576	6,624

Other rights and licenses include brands, supply rights, publishing rights, licenses and acquired software. In the reporting period, BMG acquired the music rights catalogs of Virgin Music Publishing and Famous UK Publishing, Mute and Sanctuary as well as Primary Wave valued at €236 million. Internally generated intangible assets mostly include own film and TV productions and internally generated software. Intangible assets with a carrying amount of €1 million (previous year: €2 million) have been provided as collateral for liabilities.

The combination of Random House (with the exception of the German-language publishing business) and Penguin has led to a change in the corporate structure such that the publishing companies are carried jointly under Penguin Random House Ventures since the combination. In addition, at Gruner + Jahr following the organizational and personnel changes to the Executive Board in view of the strategic transformation of this division, reporting has also been reorganized. Arvato was reorganized according to Solution Groups considering the country dimensions. These changes were taken into account in the assignment of cash-generating units.

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 Unit

	Goodwill		Other intangible assets with indefinite useful life	
in € millions	12/31/2013	12/31/2012	12/31/2013	12/31/2012
RTL Group	4,832	4,802	121	121
RTL Group, Group level	2,123	2,123	–	–
Fremantle Media	971	968	–	–
Television Germany	883	884	–	–
Television France	421	419	120	120
Other, disclosed under RTL Group	434	408	1	1
Penguin Random House	804	411	–	–
Penguin Random House Ventures	759	366	–	–
Random House Germany	45	45	–	–
Gruner + Jahr	459	456	–	33
Gruner + Jahr Magazines Germany	240	244	–	–
Gruner + Jahr Magazines International	202	190	–	33
Gruner + Jahr Newspapers	17	22	–	–
Arvato	525	356	–	–
Financial Services	429	255	–	–
Other	96	101	–	–
Be Printers	19	20	–	–
Be Printers Americas	19	20	–	–
Corporate Investments	327	3	–	–
BMG	326	–	–	–
Other	1	3	–	–
	6,966	6,048	121	154

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. In contrast to the previous year, the advertising marketing rights in China at Gruner + Jahr were carried as intangible assets with a finite useful life in the amount of €32 million (previous year: €32 million), as the current developments with a stronger orientation to the

digital transformation no longer justify the continued assessment of an indefinite useful life for the advertising marketing rights in China at Gruner + Jahr. In the reporting period, these are carried as intangible assets with a finite useful life of 20 years.

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 once per year and whenever there is an indication for impairment, as outlined in the section "Accounting and Measurement Policies" 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. As a rule, the fair value less costs of disposal is ascertained first.

Net present values were calculated using the following discount rates and individual business-specific growth rates:

Overview of Growth and Discount Rates

	Growth rate in % p.a. 12/31/2013	Discount rate in % p.a. 12/31/2013	Growth rate in % p.a. 12/31/2012	Discount rate in % p.a. 12/31/2012
RTL Group				
RTL Group, Group level	2.0	7.6	2.0	7.6
Fremantle Media	3.0	7.7	3.0	7.8
Television Germany	2.0	7.6	2.0	7.6
Television France	2.5	7.6	2.5	8.3
Other, disclosed under RTL Group	2.0–2.5	6.7–13.7	2.0	6.4–12.6
Penguin Random House				
Penguin Random House Ventures	0.0	7.4	–	–
Random House Germany	1.0	7.5[1]	1.0	7.5[1]
Gruner + Jahr				
Gruner + Jahr Magazines Germany	0.0	5.4	0.0	7.5[1]
Gruner + Jahr Magazines International	0.0	6.2	0.0–5.0	6.0–13.2
Gruner + Jahr Newspapers	0.0	5.4	0.0	7.5[1]
Arvato				
Financial Services	1.0	6.0	1.0	7.5[1]
Other	0.0–1.0	7.0–7.6	-1.0–1.0	7.5[1]–7.7
Be Printers				
Be Printers Americas	-1.0	7.1	-1.0	7.5
Corporate Investments				
BMG	2.0	6.8	–	–
Other	–	–	0.0	7.7–8.2

1) Discount rate for the Bertelsmann Group.

The recoverable amount for the impairment test for RTL Group's goodwill recorded 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.

During the reporting period, impairment losses were recognized for goodwill in the amount of €-6 million (previous year: €-30 million). Impairment losses on goodwill and other intangible assets with indefinite useful lives are disclosed in the income statement under "Amortization, Depreciation, Impairments and Reversals of Intangible Assets and Property, Plant and Equipment."

In the event of an increase in the discount rate for the cash-generating unit Fremantle Media by 0.8 percentage points, or a reduction in the annual revenue growth rate of 1.2 percentage points, the recoverable amount is lower than the carrying amount. If the discount rate for the cash-generating unit BMG increases by 0.3 percentage points or if the growth rate decreases by 0.5 percentage points, the recoverable amount is lower than the carrying amount. Other major goodwill was not subject to impairment even given a change of -1.0 percentage point in the growth rate or +1.0 percentage point in the discount rate.

12 Property, Plant and Equipment

in € millions	Land, rights equivalent to land and buildings	Plant, technical equipment and machinery	Other equipment, fixtures, furniture and office equipment	Advance payments and construction in progress	Total
Cost					
Balance as of 1/1/2012	1,869	3,377	1,186	101	6,533
Currency translation differences	2	(8)	(3)	–	(9)
Acquisitions through business combinations	–	–	5	–	5
Other additions	34	65	99	70	268
Reductions through disposal of investments	–	–	–	–	–
Other disposals	(30)	(106)	(94)	–	(230)
Reclassifications according to IFRS 5	(3)	(8)	–	–	(11)
Reclassifications and other changes	83	38	17	(108)	30
Balance as of 12/31/2012	1,955	3,358	1,210	63	6,586
Currency translation differences	(16)	(46)	(21)	(1)	(84)
Acquisitions through business combinations	11	18	24	1	54
Other additions	37	53	105	104	299
Reductions through disposal of investments	–	(19)	(15)	–	(34)
Other disposals	(5)	(85)	(100)	(4)	(194)
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	3,320	1,209	94	6,619
Accumulated depreciation					
Balance as of 1/1/2012	908	2,809	880	4	4,601
Currency translation differences	(1)	(10)	(3)	–	(14)
Scheduled depreciation	57	139	107	–	303
Impairment losses	57	85	4	–	146
Reversals of impairment losses	(1)	(6)	(1)	–	(8)
Reductions through disposal of investments	–	–	–	–	–
Other disposals	(7)	(102)	(89)	–	(198)
Reclassifications according to IFRS 5	(1)	(5)	–	–	(6)
Reclassifications and other changes	5	–	4	–	9
Balance as of 12/31/2012	1,017	2,910	902	4	4,833
Currency translation differences	(8)	(40)	(14)	–	(62)
Scheduled depreciation	56	129	114	–	299
Impairment losses	15	47	2	–	64
Reversals of impairment losses	–	–	–	(2)	(2)
Reductions through disposal of investments	–	(19)	(13)	–	(32)
Other disposals	(3)	(80)	(93)	(1)	(177)
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	2,955	891	–	4,918
Carrying amount as of 12/31/2013	924	365	318	94	1,701
Carrying amount as of 12/31/2012	938	448	308	59	1,753

The carrying amount of the property, plant and equipment pledged as collateral for liabilities totaled €4 million (previous year: €5 million) at the balance sheet date. Impairments of property, plant and equipment totaled €64 million (previous year: €146 million). Claims settlement by a property insurance company as the result of fire damage at Prinovis led to other operating income of €18 million carried under special items.

On December 31, 2013, impairment was identified for property, plant and equipment at the Be Printers business units Be Printers Spain and Prinovis UK of €-61 million (previous year: €-51 million for Prinovis UK). As there is no active market available, 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. As part of impairment testing, impairment was recognized at Be Printers Spain of €-14 million based on a recoverable amount of €28 million due to overcapacity on the Spanish and French printing markets and an anticipated declining demand, in particular for the volumes relevant for gravure printing in a challenging competitive environment. The following assumptions were used to identify the impairment: a discount rate of 9.4 percent and a growth rate of -1.0 percent. Additional impairment was recognized at Prinovis UK in the amount of €-47 million based on a recoverable amount of €30 million as a result of the anticipated decline in profitability in the continuing challenging market environment. The impairment test was performed based on a discount rate of 8.3 percent and a growth rate of -1.0 percent.

If the discount rate applied had been 1.0 percentage point higher, theoretically this would have resulted in additional impairment of €-2 million for the Group with regard to Be Printers Spain. As a result of the impairment carried out on net realizable values of the assets of the cash-generating units at Prinovis UK, there would have been no additional impairment for the Group if the discount rate applied had been 1.0 percentage point higher.

13 Investments Accounted for Using the Equity Method

in € millions	12/31/2013	12/31/2012
Proportionate equity	155	278
Goodwill	280	178
	435	456

Total assets for investments accounted for using the equity method as of December 31, 2013 amounted to €1,754 million (previous year: €2,713 million). By contrast, total liabilities as of December 31, 2013 amounted to €1,113 million (previous year: €1,783 million). Revenues totaled €1,583 million (previous year: €1,645 million). Net result totaled €101 million (previous year: €60 million). These aggregated values for material investments accounted for using the equity method were calculated on the basis of 100 percent.

The proportionate stock market value of the investment accounted for using the equity method in Atresmedia (previously Antena 3) on December 31, 2013 totaled €422 million (previous year: €167 million). The recoverable amount of Atresmedia has been determined on the basis of the fair value less costs of disposal at December 31, 2013. As a result of the higher share price for Atresmedia on the Madrid Stock Exchange, the impairment recognized as of December 31, 2012 was fully reversed and the carrying value of the participating interest was increased to €249 million. If the stock price of Atresmedia had been 10 percent lower on December 31, 2013, the reversal would have been unchanged. The participating interest in BMG accounted for using the equity method in the previous year has been carried as a wholly owned subsidiary since the full acquisition in financial year 2013.

The total assets of the associates that are not accounted for using the equity method totaled €56 million (previous year: €81 million). Their total liabilities amounted to €18 million (previous year: €35 million). Revenues totaled €53 million (previous year: €110 million) and net result amounted to a total of €1 million (previous year: €14 million). The values are calculated on the basis of 100 percent.

14 Other Financial Assets

in € millions	At amortized cost 12/31/2013	At amortized cost 12/31/2012	At fair value 12/31/2013	At fair value 12/31/2012	Derivatives with hedge relation 12/31/2013	Derivatives with hedge relation 12/31/2012	Total 12/31/2013	Total 12/31/2012
Current								
Loans	19	10	–	–	–	–	19	10
Other investments	–	–	–	–	–	–	–	–
Securities and financial assets	1	4	1	80	–	–	2	84
Derivative financial instruments	–	–	9	6	16	19	25	25
	20	14	10	86	16	19	46	119
Non-current								
Loans	50	85	–	–	–	–	50	85
Investments in affiliates	15	21	–	–	–	–	15	21
Other investments	142	116	50	76	–	–	192	192
Securities and financial assets	9	2	8	103	–	–	17	105
Derivative financial instruments	–	–	1	–	7	23	8	23
	216	224	59	179	7	23	282	426

Other financial assets are measured at fair value according to IAS 39, or if there is no active market they are measured at amortized cost. Information on impairments is presented in note 25 "Additional Disclosures on Financial Instruments."

15 Inventories

in € millions	12/31/2013	12/31/2012
Program rights	844	789
Raw materials and supplies	141	153
Work in progress	121	97
Finished goods and merchandise	293	246
Advance payments	121	119
	1,520	1,404

In the reporting period, valuation allowances on inventories were recognized at €-151 million (previous year: €-167 million). Write-ups on inventories in the amount of €126 million (previous year: €107 million) were recognized 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	12/31/2013	12/31/2012
Non-current		
Trade receivables	8	14
Other receivables	71	97
Other non-financial assets	405	220
Current		
Trade receivables	2,973	2,707
Other receivables	519	559
Other non-financial assets	630	498

The non-current other non-financial assets relate, in the amount of €392 million (previous year: €210 million), mostly 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.

In addition to advance payments made in the amount of €319 million (previous year: €274 million), the current other non-financial assets mainly include tax receivables in the amount of €95 million (previous year: €69 million) and prepaid expenses of €154 million (previous year: €155 million).

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

17 Cash and Cash Equivalents

in € millions	12/31/2013	12/31/2012
Cash	2,360	2,193
Other securities < 3 months	385	465
	2,745	2,658

Cash and cash equivalents of €17 million (previous year: €19 million) were used as collateral for liabilities. During the current reporting period, no cash and cash equivalents were pledged with restrictions on disposal (previous year: €1 million). In order to reduce the counterparty risk, cash investments were made in some cases against the provision of collateral (tri-party transactions). As of the balance sheet date, the collateralized cash investments totaled €585 million (previous year: €545 million). The market value of the securities provided by banks and pledged as collateral totaled €586 million (previous year: €545 million).

18 Equity

Subscribed Capital

Number of shares	12/31/2013	12/31/2012
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, 2013, 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 step-by-step placement of 25.5 million shares of RTL Group was accounted for as an equity transaction in accordance with IAS 27. The difference between the consideration received of €1,455 million and the carrying amount due to the shares sold in the total amount of €428 million was recorded in equity within retained earnings after considering transaction costs. The transaction resulted in an increase in equity attributable to Bertelsmann's shareholders by a sum of €991 million, and equity attributable to non-controlling interests increased by a total of €428 million. After the placements, Bertelsmann remains the majority shareholder in RTL Group with a 75.1-percent stake in share capital.

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

Changes to Components of Other Comprehensive Income After Taxes

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	(4)	(1)	(5)	(5)	–
Other comprehensive income net of tax	(89)	(28)	(117)	(77)	(40)

in € millions	2012				
	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	(420)	113	(307)	(305)	(2)
Items that will be reclassified subsequently to profit or loss when specific conditions are met					
Currency translation differences	(1)	–	(1)	(5)	4
Available-for-sale financial assets	17	(1)	16	22	(6)
Cash flow hedges	(40)	11	(29)	(28)	(1)
Share of other comprehensive income of investments accounted for using the equity method	(4)	1	(3)	(3)	–
Other comprehensive income net of tax	(448)	124	(324)	(319)	(5)

Changes in the fair value of previous year hedging relationships amounted to €-18 million (previous year: €-7 million) and new hedging relationships totaled €-6 million (previous year: €-8 million) in the reporting period. The amount of €-12 million relating to other comprehensive income (previous year: €-25 million) was recycled and recognized in other operating income.

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				
June 2006	736.75	–	4 years of service	7 years
May 2007	827.50	488.00	4 years of service	7 years
May 2008	883.83	526.37	4 years of service	7 years
Total	2,448.08	1,014.37		
Free share plans	**Maximum number of free shares granted (in thousands)[2]**			
July 2011	367.82	–	2 years of service + performance conditions	
December 2011	37.50	–	2 years of service + performance conditions	
July 2012	487.75	467.65	2 years of service + performance conditions	
July 2013	642.50	615.90	2 years of service + performance conditions	
Total	1,535.57	1,083.55		

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 2011, July 2012 and July 2013 are subject to Groupe M6 achieving its target growth in net consolidated result over the periods 2011, 2012 and 2013 respectively. The plan granted in December 2011 is subject to the Ventadis area achieving its target growth in operating result over the period 2011 and 2012.

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

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.

Options (Groupe M6)

in thousands	Average exercise price in € per share	2013	Average exercise price in € per share	2012
Options outstanding at the beginning of the year	21	1,554	21	2,093
Options exercised during the year	15	(81)	–	–
Options expired during the year	24	(459)	21	(539)
Options outstanding at the end of the year	21	1,014	21	1,554

An estimated 1,084,000 free shares are exercisable at the end of the year against 840,000 at the beginning of the year, which have been reduced by 28,000 due to the performance. 643,000 free shares were granted during the year with 334,000 being exercised and 37,000 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) 2013	Number of options/shares (in thousands) 2012
Stock option plans			
2013	24.60	–	395
2014	27.52	488	520
2015	14.73	526	639
		1,014	1,554
Free share plans			
2013		–	352
2014		468	488
2015		616	–
		1,084	840
Options outstanding at the end of the year		2,098	2,394
of which exercisable		1,014	1,341

On December 31, 2013, the market price of M6 shares on the Paris Stock Exchange was €16.65 (December 31, 2012: €11.82).

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)

	Stock option plans			Free share plans						Total
Grant date	6/6/2006	5/2/2007	5/6/2008	7/27/2010	12/22/2010	7/26/2011	12/22/2011	7/27/2012	7/26/2013	
Share price	€24.63	€26.55	€15.22	€17.66	€18.22	€15.75	€11.40	€11.51	€14.79	
Exercise price	€24.60	€27.52	€14.73							
Volatility	43.10%	37.80%	40.00%							
Risk-free interest rate	4.02%	4.40%	4.39%	1.00%	1.13%	1.56%	1.02%	0.24%	0.58%	
Expected return	3.81%	3.99%	6.30%	5.38%	5.49%	6.35%	9.60%	9.50%	6.10%	
Option life	7 years	7 years	7 years	2 years	2 years	2 years	2 years	2 years	2 years	
Personnel costs in € millions										
2013	–	–	–	–	–	1.2	–	1.8	1.4	4.4
2012	–	–	–	1.5	0.2	2.2	0.2	0.7	–	4.8

Non-Controlling Interests

Non-controlling interests in the equity of consolidated subsidiaries consist primarily of non-controlling interests in RTL Group and the publishing group Penguin Random House.

19 Provisions for Pensions and Similar Obligations

in € millions	12/31/2013	12/31/2012
Defined benefit obligation	1,832	2,028
Obligations similar to pensions	112	118
	1,944	2,146

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 €35 million were recognized in the financial year (previous year: €31 million). All other pension plans are defined benefit plans. The US companies' obligations for health-care costs for employees after they retire (plans for medical care) 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	12/31/2013	12/31/2012
Present value of defined benefit obligation of unfunded plans	1,421	1,541
Present value of defined benefit obligation of funded plans	1,853	1,818
Total present value of defined benefit obligation	3,274	3,359
Fair value of plan assets	(1,449)	(1,337)
Net defined benefit liability recognized in the balance sheet	1,825	2,022
thereof provisions for pensions	1,832	2,028
thereof other assets	7	6

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	12/31/2013	12/31/2012
Flat salary plans/plans with fixed amounts	1,643	1,700
Final salary plans	1,218	1,214
Career average plans	254	274
Other commitments given	96	93
Medical care plans	63	78
Present value of defined benefit obligation	3,274	3,359
thereof capital commitments	194	189

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 Area

in € millions	12/31/2013	12/31/2012
Germany	2,587	2,624
UK	345	348
United States	174	224
Other European countries	150	143
Other countries	18	20
Present value of defined benefit obligation	3,274	3,359

in € millions	12/31/2013	12/31/2012
Germany	960	871
UK	345	312
United States	100	110
Other European countries	35	35
Other countries	9	9
Fair value of plan assets	1,449	1,337

The obligations and plan assets available for the existing pension plans are, in some cases, exposed to demographic, legal and economic 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 of 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 the UK. 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 obligation is 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 UK 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 multi-employer 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 either not available on time or not 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 €3.94 for each shift worked. The contributions are recognized as personnel expenses and amounted to less than €1 million in the reporting period. As a result, Bertelsmann accounts for almost 7 percent of the total contributions to the plan, which has a current funding status of 75 percent based on actuarial value of assets. Bertelsmann is subject to a minimum funding requirement of less than €1 million in the reporting period. The expected contributions to the plan for the following year are also expected to amount to less than €1 million. An increase in future contributions for the Group could be required if a negative funding status exceeds a certain limit. If Bertelsmann withdraws from the plan, contribution payments are expected for 20 further years. Alternatively Bertelsmann could negotiate a lump sum to settle the withdrawal liability.

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 the UK.

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 UK and the United States on the basis of bonds from the Bloomberg and 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.

Further significant actuarial assumptions are assumed as follows:

Actuarial Assumptions

	12/31/2013		12/31/2012	
	Germany	Foreign	Germany	Foreign
Discount rate	3.72%	4.24%	3.48%	3.89%
Rate of salary increase	2.25%	3.67%	2.25%	2.91%
Rate of pension increase	1.84%	1.69%	1.80%	1.04%
Medical cost trend rate		7.6–7.9%		7.9–8.2%

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, 2013:

Effect of Actuarial Assumptions

in € millions	Increase in the percentage	Decrease in the percentage
Effect of 0.5 percentage point change in discount rate	(229)	254
Effect of 0.5 percentage point change in rate of salary increase	37	(34)
Effect of 0.5 percentage point change in rate of pension increase	114	(103)
Effect of 1.0 percentage point change in medical cost trend rate	3	(2)

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	2013	2012
Present value of defined benefit obligation on 1/1	3,359	2,780
Current service cost	59	46
Past service cost	(10)	2
Interest expenses	117	131
Actuarial (gains) and losses		
– changes in financial assumptions	(101)	544
– changes in demographic assumptions	(7)	(28)
– experience adjustments	5	(3)
Gains from settlements	(4)	–
Cash effects from settlements	(11)	–
Pension payments paid by employer	(106)	(101)
Contributions to plan assets by employees	3	3
Pension payments from the plan assets	(18)	(17)
Changes of consolidation scope	5	–
Currency translation differences	(19)	3
Other changes	2	(1)
Present value of defined benefit obligation on 12/31	3,274	3,359
Fair value of plan assets on 1/1	1,337	1,172
Interest income	50	57
Remeasurement component	32	64
Settlements	(11)	–
Contributions by employer	71	55
Contributions by employees	3	3
Pension payments from the plan assets	(18)	(17)
Changes of consolidation scope	(2)	–
Currency translation differences	(13)	4
Other changes	–	(1)
Fair value of plan assets on 12/31	1,449	1,337
Funded status	1,825	2,022

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 endowment obligation for the CTA.

In Germany, reimbursement rights for defined benefit obligations in the amount of €22 million (previous year: €22 million) mostly relate to re-insurance, which are 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 €112 million (previous year: €122 million), €45 million (previous year: €48 million) was recorded under the item "Personnel expenses" and €67 million (previous year: €74 million) under "Other financial expenses" and "Other financial income." The past service cost and gains from settlements carried under "Personnel expenses" totaled €-14 million (previous year: €2 million) and are 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	2013	2012
Current service cost	59	46
Past service cost and impact from settlement	(14)	2
Net interest expenses	67	74
Net pension expenses	112	122

The portfolio structure of plan assets is composed as follows:

Portfolio Structure of Plan Assets

in € millions	12/31/2013	12/31/2012
Equity instruments[1]	444	390
Debt instruments[1]	823	743
Other funds	85	94
Qualifying insurance policies	63	65
Cash and cash equivalents	23	40
Property	5	1
Derivatives	4	1
Other	2	3
Fair value of plan assets	1,449	1,337

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 €22 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	2013	2012
Net defined benefit liability recognized in the balance sheet 1/1	2,022	1,608
Net pension expenses	112	122
Remeasurement component of defined benefit plans	(135)	449
Pension payments	(106)	(101)
Contributions to plan assets	(71)	(55)
Changes of consolidation scope	7	–
Currency translation differences	(6)	(1)
Other effects	2	–
Net defined benefit liability recognized in the balance sheet 12/31	1,825	2,022

The weighted average duration of the pension obligations on December 31, 2013 was 16 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	2013
Expected maturities	
less than 1 year	132
1 to less than 2 years	131
2 to less than 3 years	136
3 to less than 4 years	143
4 to less than 10 years	825

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	12/31/2013	12/31/2012
Provisions for old-age part-time schemes	41	48
Provisions for severance payments	37	37
Provisions for employee service anniversaries	29	29
Other	5	4
Obligations similar to pensions	112	118

20 Other Provisions

	12/31/2012								12/31/2013	
in € millions		of which > 1 year	Additions	Reversal	Usage	Other effects	Change of consolida-tion scope	Accrued interest		of which > 1 year
Restructuring	85	3	141	(16)	(57)	8	–	1	162	21
Onerous contracts	146	34	79	(15)	(77)	(1)	2	1	135	25
Litigation	135	11	20	(20)	(14)	2	(3)	–	120	12
Guarantees and warranties	8	–	23	(5)	(2)	(1)	–	–	23	12
Sales and distribution	12	–	5	(4)	(2)	–	–	–	11	–
Other employee benefits	12	4	8	(5)	(9)	(1)	2	–	7	–
Deferred remuneration	35	34	–	(1)	–	(34)	–	–	–	–
Other	108	36	29	(22)	(19)	(15)	(1)	1	81	31
	541	122	305	(88)	(180)	(42)	–	3	539	101

In accordance with IAS 37, restructuring provisions include termination benefits and other costs relating to the discontinuation of business activities. Provisions of €162 million (previous year: €85 million) are recognized for various restructuring programs within the Bertelsmann Group including the closure of the Prinovis facility in Itzehoe, which belongs to Be Printers, for which a provision for the social plan was formed in the amount of €65 million as of December 31, 2013. A provision of €19 million was included as of December 31, 2013 for the gradual discontinuation of business operations at Inmediaone resolved in June 2013 as a result of the difficult market environment for the direct book sales. As a result of the decline in the number of club members in Germany and the associated impact on the physical book trade, it was decided to close club branches in Germany. A provision of €13 million was recognized in this regard as of December 31, 2013.

The provisions for onerous contracts mostly concern RTL Group in the amount of €113 million (previous year: €122 million) and were recognized mainly for program rights, primarily sports events (2013: €28 million; 2012: €31 million). €63 million (previous year: €76 million) relates to Mediengruppe RTL Deutschland and a further €49 million (previous year: €39 million) concerns Groupe M6. Additions related to provisions for onerous contracts total €55 million for movies and series and €12 million for sports events. Provisions for litigation totaling €101 million (previous year: €113 million) also pertain to RTL Group companies.

The other provisions include a provision in the amount of €28 million (previous year: €29 million) for compensation obligations from pension entitlements for employees at the Prinovis location in Ahrensburg, towards Axel Springer SE.

21 Profit Participation Capital

in € millions	12/31/2013	12/31/2012
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, 2013, the nominal value of the profit participation capital totaled €301 million (previous year: €301 million). Thereof, €284 million (previous year: €284 million) is due to 2001 profit participation certificates and €17 million (previous year: €17 million) is due to 1992 profit participation certificates. 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 277.25 percent on the last day of trading in the past financial year on the Frankfurt Stock Exchange was €788 million (previous year: €699 million with a rate of 246.00 percent) and correspondingly, €34 million for the 1992 profit participation certificates with a rate of 200.50 percent (previous year: €24 million with a rate of 141.00 percent). The market 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	12/31/2013	12/31/2012	1 to 5 years	> 5 years	12/31/2013	12/31/2012
Bonds	750	152	1,213	838	2,051	3,234
Promissory notes	217	–	–	60	60	277
Liabilities to banks	89	75	23	–	23	7
Lease liabilities	14	16	47	24	71	83
Other financial debt	92	21	10	4	14	11
	1,162	264	1,293	926	2,219	3,612

At initial recognition 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 April 2013, Bertelsmann U.S. Finance LLC repaid a tranche of the US private placement of US$200 million on time. In August 2013, Bertelsmann U.S. Finance LLC used a contractually agreed option and paid the last remaining tranche of the US private placement with the previous maturity of April 2015 ahead of time in the amount of US$200 million. Furthermore, advance repayments of portions for the bonds due in October 2015 and September 2016 with a total amount of €284 million (nominal) were made as part of a public buyback offer.

As of the balance sheet date, the Group had bonds and promissory note loans outstanding with a nominal volume of €3,093 million (previous year: €3,680 million). All of the bonds and promissory notes are of fixed interest.

The differences in carrying amount versus nominal value in the table below result from transaction costs, premiums and discounts. In addition, early repayments of €313 million were taken into account in calculating the carrying amount of the promissory note loan for €500 million due in February 2014. In addition, early repayment of a nominal amount of €70 million was considered when calculating the carrying amount of the bonds due in October 2015. When calculating the carrying amount of the bond due in September 2016, early repayment with a nominal value of €214 million was considered.

Bonds and Promissory Notes

in € millions	Due date	Effective interest rate in percent	Carrying amount 12/31/2013	Carrying amount 12/31/2012	Fair value 12/31/2013	Fair value 12/31/2012
5.23% Bertelsmann U.S. Finance LLC (US$200 million US private placement) 2003	4/17/2013	5.38	–	152	–	154
7.875% Bertelsmann SE & Co. KGaA (€750 million bond) 2009	1/16/2014	7.72	750	751	752	805
5.05% Bertelsmann SE & Co. KGaA (€500 million promissory note) 2008	2/25/2014	5.17	187	187	188	196
6.00% Bertelsmann SE & Co. KGaA (€30 million promissory note) 2009	3/24/2014	6.00	30	30	30	32
5.33% Bertelsmann U.S. Finance LLC (US$200 million US private placement) 2003	4/17/2015	5.46	–	152	–	167
3.625% Bertelsmann SE & Co. KGaA (€500 million bond) 2005	10/6/2015	3.74	429	499	452	537
4.75% Bertelsmann SE & Co. KGaA (€1,000 million bond) 2006	9/26/2016	4.89	784	995	866	1,130
4.207% Bertelsmann SE & Co. KGaA (€60 million promissory note) 2012	5/4/2019	4.21	60	60	67	68
2.625% Bertelsmann SE & Co. KGaA (€750 million bond) 2012	8/2/2022	2.80	740	739	742	757
3.70% Bertelsmann SE & Co. KGaA (€100 million bond) 2012	6/29/2032	3.84	98	98	102	105
			3,078	3,663	3,199	3,951

The documentation of the bonds from Bertelsmann SE & Co. KGaA in 2005, 2009 and 2012 is within the framework of a base documentation for debt issuance programs.

The bonds issued by Bertelsmann SE & Co. KGaA in 2006, the US private placements 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 extended by a further period of one year in April 2013. 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 €-15 million (previous year: €-17 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, 2013, the cumulative fair value of the listed bonds totaled €2,812 million (previous year: €3,229 million) with a nominal volume of €2,716 million (previous year: €3,000 million) and a carrying amount of €2,703 million (previous year: €2,984 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	12/31/2013	12/31/2012
7.875% Bertelsmann SE & Co. KGaA (€750 million bond) 2009	100.203	107.354
3.625% Bertelsmann SE & Co. KGaA (€500 million bond) 2005	105.078	107.448
4.75% Bertelsmann SE & Co. KGaA (€1,000 million bond) 2006	110.124	112.971
2.625% Bertelsmann SE & Co. KGaA (€750 million bond) 2012	98.957	100.972

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 0.32 percent to 3.79 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.

Credit Reserve

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 June 2013 was extended for an additional year to 2018. 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. As was the case in the previous year, the credit facility had not been used at the balance sheet date.

Lease Liabilities

Finance leases exist for the following assets:

Leased Assets

	12/31/2013		12/31/2012	
in € millions	Acquisition costs	Net carrying amount	Acquisition costs	Net carrying amount
Land, rights equivalent to land and buildings	11	11	11	11
Office, factory and other buildings	137	79	137	84
Machinery and technical equipment	6	3	9	4
Other equipment, fixtures, furniture and office equipment	11	5	8	4
	165	98	165	103

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

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

Minimum Lease Payments for Finance Leases

	12/31/2013			12/31/2012		
in € millions	Nominal amount of lease payments	Discount amounts	Present value	Nominal amount of lease payments	Discount amounts	Present value
Up to 1 year	14	1	13	17	1	16
1 to 5 years	54	6	48	60	7	53
Over 5 years	32	8	24	40	10	30
	100	15	85	117	18	99

Subleases as part of finance lease agreements mean that future minimum lease payments are expected with a nominal value of €1 million (previous year: €18 million).

23 Liabilities

in € millions	12/31/2013	12/31/2012
Non-current		
Trade payables	126	139
Other financial payables	241	263
Other non-financial liabilities	280	253
Current		
Trade payables	3,116	2,701
Other financial payables	869	944
Tax liabilities	188	184
Social security liabilities	108	97
Personnel-related liabilities	602	537
Received advance payments	91	72
Deferred items	285	279
Sundry non-financial liabilities	174	128
Other non-financial liabilities	1,448	1,297

Non-current other financial payables in the amount of €241 million (previous year: €263 million) include liabilities from put options relating to shareholders with non-controlling interests of €47 million (previous year: €47 million), non-controlling interests in partnerships of €154 million (previous year: €153 million) and derivative financial instruments of €16 million (previous year: €9 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	12/31/2013	12/31/2012
Guarantees	61	65
Rental and lease commitments	1,343	1,118
Other commitments	3,842	3,166
	5,246	4,349

Of other commitments, €2,783 million (previous year: €2,402 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. Other commitments in the amount of €746 million (previous year: €470 million) at Penguin Random House 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). There are additional contractual commitments of €91 million (previous year: €12 million) for the acquisition of property, plant and equipment.

Within RTL Group, program and sports rights were sold to a leasing company and were leased back under a finance lease (sale and leaseback). The cash received is placed in a "restricted bank account" in order to satisfy the lease payments and is not considered as an asset in accordance with SIC-27. As of the balance sheet date, outstanding obligations total €8 million (previous year: €45 million). The remaining lease term is four years.

Financial assets with a carrying amount of €3 million (previous year: €1 million) have been provided as collateral for liabilities. In addition, financial assets of €8 million (previous year: €8 million) were pledged with restrictions on disposal. No financial assets were provided as security for contingent liabilities to third parties, either for 2013 or for 2012.

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

Minimum Lease Payments for Operating Leases

in € millions	12/31/2013	12/31/2012
Nominal amount		
Up to 1 year	249	218
1 to 5 years	650	522
Over 5 years	444	378
	1,343	1,118
Present value	1,185	997

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 €60 million (previous year: €69 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

	Neither impaired nor past due on the reporting date	Not individually impaired as of the reporting date and past due by:					Gross value of accounts receivable individually impaired
in € millions		< 1 month	1 to 3 months	3 to 6 months	6 to 12 months	> 12 months	
Loans	69	–	–	–	–	–	94
Securities and financial assets	19	–	–	–	–	–	6
Trade receivables	2,329	351	146	51	32	43	260
Receivables from participations	19	–	–	–	–	–	–
Other selected receivables	553	7	7	1	5	2	22
Carrying amount as of 12/31/2013	2,989	358	153	52	37	45	382
Loans	106	–	–	–	–	–	40
Securities and financial assets	192	–	–	–	–	–	8
Trade receivables	2,126	342	113	45	30	26	222
Receivables from participations	23	–	–	–	–	–	–
Other selected receivables	543	11	26	19	19	28	13
Carrying amount as of 12/31/2012	2,990	353	139	64	49	54	283

No impairments 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 consolidation scope	Exchange rate effect	Reporting period
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	(183)	(64)	23	37	(49)	5	(231)
Other receivables	(27)	(7)	–	5	1	–	(28)
Total 2013	(394)	(149)	24	89	(52)	6	(476)
Loans	(30)	(26)	1	6	(2)	–	(51)
Investments in affiliates	(53)	(1)	–	2	–	–	(52)
Other investments	(65)	(15)	1	9	–	–	(70)
Securities and financial assets	(11)	(13)	13	–	–	–	(11)
Trade receivables	(169)	(65)	12	44	(5)	–	(183)
Other receivables	(24)	(8)	1	4	–	–	(27)
Total 2012	(352)	(128)	28	65	(7)	–	(394)

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 enhancements in the amount of €421 million (previous year: €333 million) for receivables of more than €5 million, which would reduce the potential default risk for trade 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	3,078	967	1,216	910	3,093
Liabilities to banks	112	89	23	–	112
Lease liabilities	85	14	54	32	100
Other financial debt	106	92	10	4	106
Trade payables	3,242	3,116	117	9	3,242
Liabilities to participations	14	14	–	–	14
Financial guarantees	–	–	–	–	–
Other financial payables	1,042	817	52	173	1,042
Balance as of 12/31/2013	8,092	5,109	1,885	1,128	8,122
Profit participation capital	413	–	413	–	413
Fixed interest bonds and promissory notes	3,663	152	2,618	910	3,680
Liabilities to banks	82	75	7	–	82
Lease liabilities	99	17	60	40	117
Other financial debt	32	21	7	4	32
Trade payables	2,840	2,701	131	8	2,840
Liabilities to participations	13	13	–	–	13
Financial guarantees	9	3	7	–	10
Other financial payables	1,144	896	60	188	1,144
Balance as of 12/31/2012	8,295	3,878	3,303	1,150	8,331

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	(1,841)	(314)	–
Cash inflow	1,804	300	–
Balance as of 12/31/2013	(37)	(14)	–
Cash outflow	(1,488)	(211)	–
Cash inflow	1,462	205	–
Balance as of 12/31/2012	(26)	(6)	–

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 12/31/2013	(1)	(1)	–
Cash outflow 12/31/2012	(2)	(2)	–

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	136	–	181
Fixed interest 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
Profit participation capital	45	181	–	226
Fixed interest bonds and promissory notes	174	365	159	698
Liabilities to banks	5	–	–	5
Lease liabilities	3	11	4	18
Other financial debt	1	1	–	2
Balance as of 12/31/2012	228	558	163	949

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	69	–	–	–	–	–
Investments in affiliates	–	15	–	–	–	–
Other investments	–	142	50	–	–	–
Securities and financial assets	1	9	1	8	–	–
Derivative financial instruments	–	–	–	–	10	23
Trade receivables	2,981	–	–	–	–	–
Receivables from participations	19	–	–	–	–	–
Other receivables	571	–	–	–	–	–
Cash	2,360	–	–	–	–	–
Other securities < 3 months	385	–	–	–	–	–
	6,386	166	51	8	10	23

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 thus a reliable estimate of the fair value is not possible. No proposal 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 at amortized cost	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		
Profit participation capital	413	–	–	–
Fixed interest bonds and promissory notes	3,078	–	–	–
Liabilities to banks	112	–	–	–
Lease liabilities	–	–	–	85
Other financial debt	106	–	–	–
Trade payables	3,242	–	–	–
Liabilities to participations	14	–	–	–
Derivative financial instruments	–	15	39	–
Financial guarantees	–	–	–	–
Other financial payables	1,042	–	–	–
	8,007	15	39	85

Balance as of 12/31/2013	Category according to IAS 39						Balance as of 12/31/2012
	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		
69	95	–	–	–	–	–	95
15	–	21	–	–	–	–	21
192	–	116	76	–	–	–	192
19	3	3	44	139	–	–	189
33	–	–	–	–	6	42	48
2,981	2,721	–	–	–	–	–	2,721
19	23	–	–	–	–	–	23
571	633	–	–	–	–	–	633
2,360	2,193	–	–	–	–	–	2,193
385	465	–	–	–	–	–	465
6,644	6,133	140	120	139	6	42	6,580

Balance as of 12/31/2013	Category according to IAS 39		Derivatives with hedge relation	Payables out of scope of IAS 39	Balance as of 12/31/2012
	Financial liabilities at amortized cost	Financial liabilities held for trading			
	At amortized cost	Fair value recognized in profit or loss			
413	413	–	–	–	413
3,078	3,663	–	–	–	3,663
112	82	–	–	–	82
85	–	–	–	99	99
106	32	–	–	–	32
3,242	2,840	–	–	–	2,840
14	13	–	–	–	13
54	–	17	20	4	41
–	9	–	–	–	9
1,042	1,144	–	–	–	1,144
8,146	8,196	17	20	103	8,336

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 12/31/2013
Financial assets initially recognized at fair value through profit or loss	–	8	–	8
Available-for-sale financial assets	14	2	35	51
Financial assets held for trading	–	10	–	10
Derivatives with hedge relation	–	23	–	23
	14	43	35	92

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2012
Financial assets initially recognized at fair value through profit or loss	–	60	79	139
Available-for-sale financial assets	34	45	41	120
Financial assets held for trading	–	6	–	6
Derivatives with hedge relation	–	42	–	42
	34	153	120	307

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	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	(81)	–	–	–	(81)
Transfers out/in 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

in € millions	Financial assets initially recognized at fair value through profit or loss	Available-for-sale financial assets	Financial assets held for trading	Derivatives with hedge relation	Total
Balance as of 1/1/2012	76	34	–	–	110
Total gain or loss	4	7	–	–	11
– in profit or loss	4	(6)	–	–	(2)
– in other comprehensive income	–	13	–	–	13
Transfers from “Investments accounted for using the equity method”	–	–	–	–	–
Purchases	–	–	–	–	–
Issues	–	–	–	–	–
Sales/settlements	(1)	–	–	–	(1)
Transfers out/in level 3	–	–	–	–	–
Balance as of 12/31/2012	79	41	–	–	120
Gain (+) or loss (-) for assets still held at the end of the reporting period	4	(6)	–	–	(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 12/31/2013
Financial liabilities held for trading	–	15	–	15
Derivatives with hedge relation	–	39	–	39
	–	54	–	54

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2012
Financial liabilities held for trading	–	17	–	17
Derivatives with hedge relation	–	20	–	20
	–	37	–	37

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 was available, the fair values were 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	–	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)
From dividends	–	12	–	–	–	–	–	–
From interest	21	–	–	–	(172)	(1)	–	–
From impairment	(21)	(12)	(15)	–	–	–	–	–
From fair value measurement	–	–	–	6	–	(8)	–	–
From currency translation differences	–	–	–	–	–	(1)	(16)	15
From disposal/derecognition	(22)	5	23	–	2	–	–	–
Net income 2012	(22)	5	8	6	(170)	(10)	(16)	15

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

In the case of the financial assets and liabilities 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	12/31/2013				
				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	2,998	(17)	2,981	–	2,981
Cash and cash equivalents	2,798	(52)	2,746	–	2,746
	5,829	(69)	5,760	(6)	5,754

in € millions	12/31/2012				
				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	48	–	48	(4)	44
Trade receivables	2,739	(18)	2,721	–	2,721
Cash and cash equivalents	2,665	(7)	2,658	–	2,658
	5,452	(25)	5,427	(4)	5,423

Offsetting Financial Liabilities

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	164	(52)	112	–	112
Trade payables	3,259	(17)	3,242	–	3,242
	3,477	(69)	3,408	(6)	3,402

in € millions	12/31/2012				
				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	37	–	37	(4)	33
Liabilities to banks	89	(7)	82	–	82
Trade payables	2,858	(18)	2,840	–	2,840
	2,984	(25)	2,959	(4)	2,955

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 operating business (43 percent). A total of €1,658 million (41 percent) is due to financial derivatives used to hedge currency risks from intercompany financing activities 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 12/31/2013				Nominal volume as of 12/31/2012			
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	2,892	472	11	3,375	1,804	517	24	2,345
Currency options	26	–	–	26	3	–	–	3
Interest rate derivatives								
Interest rate swaps	69	609	–	678	83	178	–	261
Other derivative financial instruments	1	–	–	1	–	2	–	2
	2,988	1,081	11	4,080	1,890	697	24	2,611

Fair Values of Financial Derivatives

	Nominal volume		Fair values	
in € millions	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Currency derivatives				
Forward contracts and currency swaps	3,375	2,345	(19)	15
Currency options	26	3	–	–
Interest rate derivatives				
Interest rate swaps	678	261	(2)	(4)
Other derivative financial instruments	1	2	–	–
	4,080	2,611	(21)	11

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 OCI until the effects of the hedged items are recognized in profit or loss. The portion remaining in OCI at December 31, 2013 will thus impact the income statement in the financial years 2014 through 2018. The ineffective portion of the cash flow hedges amounted to less than €1 million as of December 31, 2013 (previous year: €-8 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 12/31/2013	Carrying amount as of 12/31/2012
Assets		
Forward contracts and currency swaps		
Without hedge relation	9	6
In connection with cash flow hedges	23	42
Interest rate swaps		
Without hedge relation	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	13	14
In connection with cash flow hedges	38	19
Interest rate swaps		
Without hedge relation	2	3
In connection with cash flow hedges	1	1
Other in connection with IFRS 2	–	4

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 Group 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 the 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, the collateral received totaled €586 million (previous year: €545 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 receivables of more than €5 million, the Group has credit collateralization in the amount of €421 million (previous year: €333 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, 2013, the leverage factor was 2.0 (previous year: 2.3). The interest coverage ratio is to remain above 4. This interest coverage ratio amounted to 6.0 on December 31, 2013 (previous year: 6.4). 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 40.7 percent (previous year: 32.2 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).

Originated financial debt is measured at 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

	12/31/2013		12/31/2012	
in € millions	Shift +1%	Shift (1)%	Shift +1%	Shift (1)%
Cash flow risks (income statement)	8	(8)	17	(17)
Present value risks (income statement)	–	–	1	(1)
Present value risks (equity)	–	–	2	(2)

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 €-9 million (previous year: €-3 million). Of this figure, €-2 million (previous year: €-1 million) relates to fluctuations in the US dollar exchange rate with a net exposure of US$34 million (previous year: US$23 million). Shareholders' equity would have declined by €-45 million (previous year: €-51 million) as a result of fluctuations in the fair values of documented cash flow hedges. Thereof, €-47 million (previous year: €-52 million) relates to fluctuations in the US dollar exchange rate on the basis of a documented cash flow hedge volume of US$940 million (previous year: US$989 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 €444 million at the balance sheet date (previous year: €524 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 €54 million (previous year: €60 million). The carrying amount of the associated liability is €69 million (previous year: €77 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 EBIT adjusted for non-cash items. Income and expenses relating to cash flows from investing activities are also eliminated.

The operational management of the Bertelsmann Group utilizes indicators that include operating EBIT, which is before interest. 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 commitments represents the balance of service costs and company payments for these obligations (see note 19).

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 investments for non-current assets and purchase price payments for investments acquired as well as proceeds from the disposal of non-current assets and participations. See section "Acquisitions and Disposals" concerning acquisitions made during the reporting period. Disposals during the period are also presented separately in that section. Financial debt of €676 million (previous year: less than €1 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 net interest paid or received. The item "Changes in equity" mostly includes the consideration received in connection with the gradual placement of shares of RTL Group. The expenses for the prepayment penalty from early redemption of bonds and promissory note loans in the amount of €40 million are carried under "Interest paid." The item "Proceeds from/redemption of other financial debt" includes receipts in the amount of €225 million (previous year: €45 million) and payments in the amount of €-829 million (previous year: €-136 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 comprises five operating segments, which differ according to the type of products and services they offer, and Corporate Investments:

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

The merger of Random House (with the exception of the German-language publishing business) with Penguin has not led to a change in the Group segment structure. In addition, since acquiring all remaining shares, BMG is still reported in other operating activities, as in the previous year. Affiliations of some business units were changed between the reportable segments of Arvato and Be Printers. The figures from the prior period used for comparison have been adjusted accordingly. 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. Corporate Investments spans operating activities that either constitute operating business in high-growth regions or for which there is no separate reporting. 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-link 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.

The operating segments' performance is assessed using operating EBIT. This represents the operating earnings before interest and taxes, which is calculated by adjusting EBIT, also reported to the main chief operating decision-maker for special items such as profits and losses from the sale of participating interests, impairments on goodwill, restructuring costs, severance payments and other impairments. The elimination of these special items allows the determination of a normalized result, thus simplifying forecasting and comparability. Operating EBITDA is disclosed for all divisions for informational purposes. Segment depreciation and amortization includes the depreciation of property, plant and equipment, and amortization of intangible assets as set out in the statement of selected non-current assets.

Segment assets constitute the operating assets for each segment. These consist of property, plant and equipment, 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, tax liabilities, 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 earnings of and investments in associates, provided these companies can be clearly allocated to the segment concerned. The results of associates 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 98f.

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	2013	2012 (adjusted)
EBIT of divisions	1,819	1,428
Corporate Center	(110)	(97)
Consolidation	(1)	(4)
EBIT from continuing operations	1,708	1,327
Financial result	(361)	(322)
Earnings before taxes from continuing operations	1,347	1,005
Income taxes	(419)	(393)
Earnings after taxes from continuing operations	928	612
Earnings after taxes from discontinued operations	(58)	–
Group profit or loss	870	612

in € millions	12/31/2013	12/31/2012
Total assets of the segments	18,093	15,320
Corporate Center	107	74
Consolidation	(81)	(95)
Total assets of the Group[1)]	18,119	15,299
Operating leases (66% of net present value)	(782)	(658)
Cash and cash equivalents	2,745	2,658
Deferred tax assets	908	1,205
Other assets (not allocated)[2)]	458	360
Total assets	21,448	18,864
Total liabilities of the segments	6,217	5,743
Corporate Center	72	68
Consolidation	(39)	(55)
Total liabilities of the Group	6,250	5,756
Profit participation capital	413	413
Provisions for pensions and similar obligations	1,944	2,146
Financial debt	3,381	3,876
Deferred tax liabilities	178	94
Other liabilities (not allocated)[3)]	544	496
Total liabilities of the Group	12,710	12,781
Equity	8,738	6,083
Total liabilities	21,448	18,864

The figures from the previous year have been adjusted in accordance with IAS 19.
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 Reconciliation to Operating EBITDA

Based on operating EBIT, operating EBITDA is calculated by adding the amortization, depreciation and impairment charges as well as reversals of impairments for non-current assets deducting amounts already carried under special items.

Reconciliation to Operating EBITDA (Continuing Operations)

in € millions	2013	2012 (adjusted)
Operating EBIT	1,754	1,732
Amortization/depreciation, impairment charges and reversals of intangible assets and property, plant and equipment	642	680
Adjustments on amortization/depreciation, impairment charges and reversals of intangible assets and property, plant and equipment included in special items	(83)	(202)
Operating EBITDA	2,313	2,210

29 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	2013	2012
Short-term employee and termination benefits	26	32
Post-employment benefits[1]	–	4
Other long-term benefits	6	3

1) The post-employment benefits amounted to less than €1 million in the reporting period.

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 management personnel	Joint ventures	Associates	Other related parties
2013					
Goods delivered and services provided	–	–	42	24	–
Goods and services received	–	(3)	(22)	(9)	–
Receivables against	–	–	16	26	–
Commitments provided	–	31	2	21	12
2012					
Goods delivered and services provided	–	3	44	30	–
Goods and services received	–	(3)	(24)	(5)	–
Receivables against	–	–	13	27	–
Commitments provided	–	30	3	15	14

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 €138 million (previous year: €18 million).

Joint ventures have obligations to the Bertelsmann Group from operating leases in the amount of €5 million (previous year: €7 million) and contingent liabilities in the amount of €6 million (previous year: €7 million). The Group has entered into contingent liabilities for its joint ventures totaling €10 million (previous year: €18 million).

30 Events After the Reporting Period

In January 2014, Arvato took over significant parts of the German Netrada Group and combined the e-commerce businesses of both companies. As a result of the merger, Arvato has become one of the leading European service providers for integrated e-commerce services and at the same time benefits from Netrada's strong position in the growing fashion and lifestyle market segment. The range of services includes the development and operation of web shops, financial services, transport and logistics as well as customer service. The transaction will be accounted for as a business combination in the sense of IFRS 3. The consideration provisionally transferred comprises a fixed purchase price of a double-digit million amount and variable purchase price components. As a result of the early stage of the preliminary purchase price allocation, no adjustments to the fair value can currently be quantified through to the preparation of the consolidated financial statements and no further information as required by IFRS 3 can be provided on the acquisition of Netrada Group.

In February 2014, BMG acquired a 100-percent interest in the Dutch music publishing company Talpa Music B.V. The transaction is carried as a business combination within the meaning of IFRS 3. The consideration transferred comprises a fixed purchase price component of €27.5 million and a variable purchase price component of maximum €7.5 million. As a result of the early stage of the preliminary purchase price allocation, at present it is not possible to quantify any adjustments to the fair value before preparation of the consolidated financial statements, or to provide any other information required by IFRS 3 on the acquisition of Talpa Music.

The bonds due in January 2014 and the promissory note loan due in February 2014 were repaid when these matured. Part of cash and cash equivalents was used in this regard.

31 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, 2013:

Company	Location
"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 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 Entertainment Europe GmbH	Gütersloh
arvato infoscore GmbH	Baden-Baden
arvato IT services GmbH	Gütersloh
arvato Logistics, Corporate Real Estate & Transport GmbH	Gütersloh
arvato media GmbH	Gütersloh
arvato Print Management GmbH	Gütersloh
arvato services Chemnitz GmbH	Chemnitz
arvato services Duisburg GmbH	Duisburg
arvato services Erfurt GmbH	Erfurt
arvato services Essen GmbH	Essen
arvato services Leipzig GmbH	Leipzig
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 technical information GmbH	Harsewinkel
arvato services Teltow GmbH	Teltow
arvato Systems Business Services GmbH	Dortmund
arvato systems GmbH	Gütersloh
arvato Systems perdata GmbH	Leipzig
arvato systems S4M GmbH	Cologne
arvato systems Technologies GmbH	Rostock
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	Berlin
Be Accounting Services GmbH	Gütersloh
BePeople GmbH	Gütersloh
Bertelsmann Aviation GmbH	Gütersloh

Company	Location
Bertelsmann Business Consulting 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
CBC Cologne Broadcasting Center GmbH	Cologne
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
Gothia Deutschland GmbH	Mainz
Gute Zeiten - Schlechte Zeiten Vermarktungs-gesellschaft 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
Media Service Gesellschaft mbH	Verl
MEDIASCORE Gesellschaft für Medien- und Kommunikationsforschung mbH	Cologne
Medien Dr. phil. Egon Müller Service GmbH	Verl
Medienfabrik Gütersloh GmbH	Gütersloh
Mohn Media Energy GmbH	Gütersloh
MOHN Media Kalender & Promotion Service GmbH	Gütersloh
Mohn Media Mohndruck GmbH	Gütersloh
Nayoki Interactive Advertising GmbH	Munich
NIONEX GmbH	Gütersloh
Norddeich TV Produktionsgesellschaft mbH	Cologne

Company	Location
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 Customer Direct GmbH	Nordhorn
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
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
werkenntwen GmbH	Cologne
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, 2013:

"Alwa" Gesellschaft für Vermögensverwaltung mbH & Co. Grundstücksvermietung KG	Schönefeld
11 Freunde Verlag GmbH & Co. KG	Berlin
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 AG & Co KG	Hamburg
infoscore Portfolio Management GmbH & Co. KG	Verl
Motor Presse Stuttgart GmbH & Co. KG	Stuttgart
PRINOVIS Ltd. & Co. KG	Hamburg

The consolidated subsidiary Sonopress 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.

32 Additional Information According to Section 315a HGB

Compensation of the Supervisory Board of Bertelsmann SE & Co. KGaA for financial year 2013 amounted to €2,080,334 plus statutory value-added tax. Members of the Executive Board received total remuneration in the reporting period of €24,540,291, including €14,964,104 from Bertelsmann Management SE. Former members of the Executive Board of Bertelsmann Management SE and Bertelsmann AG and their surviving dependents received compensation of €8,926,900, including €8,554,033 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 €66,458,423. The members of the Executive Board and Supervisory Board are listed on pages 176ff.

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 €2 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 less than €1 million.

33 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 €1,190 million be appropriated as follows:

Net Retained Profits for Bertelsmann SE & Co. KGaA

in € millions	
Remaining retained earnings	1,190
Dividends to shareholders	(180)
Transfer to retained earnings	(738)
Carry forward to new fiscal year	272

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, 2014. The Supervisory Board's task is to review the consolidated financial statements and to declare whether it approves these.

Gütersloh, March 11, 2014

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

Dr. Thomas Rabe	Achim Berg	Markus Dohle
Dr. Judith Hartmann	Anke Schäferkordt	