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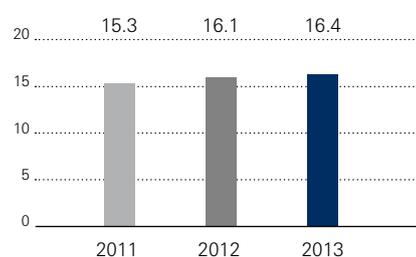
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Group Management Report

Financial Year 2013 in Review

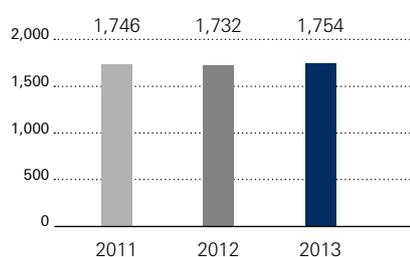
Bertelsmann achieved positive performance in financial year 2013. In implementing the strategy, significant progress was made in all four strategic priorities: strengthening the core businesses, driving forward the digital transformation, developing growth platforms and expanding in growth regions. Group revenues from continuing operations rose 1.8 percent to €16.4 billion (previous year: €16.1 billion). This was largely attributable to portfolio effects, in particular, the merger of Penguin and Random House and the acquisitions of BMG and Gothia Financial Group. Operating EBITDA increased to €2,313 million (previous year: €2,210 million). Despite investments in digitization projects and start-up losses for new businesses, operating EBIT of €1,754 million was slightly above the previous year's high level (previous year: €1,732 million). Growth in the German television business was offset by the negative impact on earnings also from structurally declining businesses. Return on sales was 10.7 percent (previous year: 10.8 percent). Group profit increased significantly to €870 million from €612 million in the previous year. Total investments including acquired financial debt in the reporting period increased to €2.0 billion (previous year: €0.7 billion). The net financial debt at year-end fell by half to €636 million (previous year: €1,218 million) thanks to proceeds from the placement of RTL Group shares and a high level of operating cash flow. The progress in the implementation of the strategy will have a positive impact on the ongoing business performance. Bertelsmann expects the positive business development to continue in financial year 2014.

Revenues in € billions¹⁾



- Group revenues up 1.8 percent
- Contributions to revenues through strategic portfolio expansions (Penguin Random House, BMG, Gothia)
- Development was characterized by normalization of Random House revenues and accelerated scaling back of structurally declining businesses

Operating EBIT in € millions¹⁾



- Operating EBIT slightly above previous year's high level
- Positive development at RTL Group and Arvato despite start-up losses for new businesses
- Declining earnings in structurally declining businesses

Group Profit in € millions



- Group profit up 42 percent thanks to lower burdens from special items and improved operating performance
- Financial result burdened by expenses from early repayment of financial debt
- Negative follow-on effects from discontinued operations

¹⁾ Figures for financial year 2011 as reported in Annual Report 2011.

Business and Economic Conditions

Description of Business and Organizational Structure

Bertelsmann is active in the core business fields of media and services in around 50 countries worldwide. The geographic core markets are Western Europe – in particular, Germany, France, the UK and Spain – and the United States. In addition, Bertelsmann is strengthening its involvement in growth markets such as China, India and Brazil. The Bertelsmann divisions are RTL Group (television), Penguin Random House (books), Gruner + Jahr (magazines), Arvato (services) and Be Printers (printing).

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

RTL Group is the leading European entertainment network with interests in 55 television channels and 27 radio stations and content production throughout the world. The television portfolio of RTL Group includes RTL Television in Germany, M6 in France and the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia, Hungary and India, as well as the participations in Atresmedia in Spain and RTL CBS Asia Entertainment Network in Southeast Asia. RTL Group's content production arm, Fremantle Media, is one of the largest international producers outside the United States. RTL Group S.A. is listed on the German MDAX index.

Penguin Random House is the world's largest trade book publisher with nearly 250 editorially independent imprints across five continents. The best-known publishing brands include illustrious publishing houses such as Doubleday, Viking and Alfred A. Knopf (United States), Ebury, Hamish Hamilton and Jonathan Cape (UK), Plaza & Janés (Spain) and Sudamericana (Argentina) as well as the international book publisher DK. Each year Penguin Random House publishes over 15,000 new titles and sells over 700 million books, e-books and audio books. More than 77,000 English-, German- and Spanish-language Penguin Random House titles are now available as e-books. Germany's Verlagsgruppe Random House is not part of Penguin Random House from a legal point of view, but is under the same corporate management and is part of the Penguin Random House operating division.

Gruner + Jahr is represented in over 30 countries with around 500 media activities, magazines and digital businesses. G+J Deutschland publishes well-known magazines such as

“Stern,” “Brigitte” and “Geo.” Gruner + Jahr owns 59.9 percent of Motor Presse Stuttgart, one of Europe's biggest special-interest magazine publishers. Gruner + Jahr's largest foreign company is Prisma Media, the second-largest magazine publisher in France. Gruner + Jahr's publishing activities also include magazine, sales and marketing operations in Austria, China, Spain, the Netherlands, Italy, India and the Adriatic Region.

Arvato is a global services provider that supports business customers from a wide range of industries in over 35 countries in successfully shaping their customer relationships. Arvato provides solutions for a variety of business processes via the Solution Groups Customer Relationship Management (CRM), Supply Chain Management (SCM), Financial Solutions, IT Solutions and Digital Marketing as well as Print Solutions and Replication.

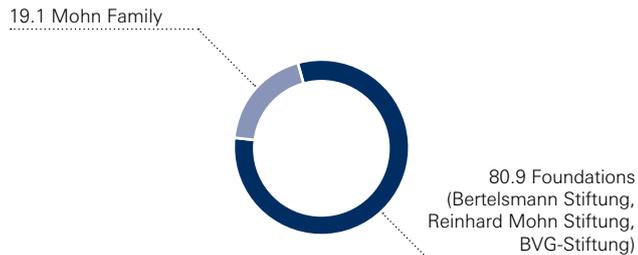
Be Printers is an international printing group that operates gravure and offset printing plants at 18 production locations in Germany and the UK (Prinovis), in Italy and Spain (Southern Europe) and in the United States and Colombia (Americas). In addition to magazines, catalogs, brochures, books and calendars, the production portfolio of Be Printers includes digital communication services.

Bertelsmann's remaining operating activities are grouped under Corporate Investments. Among others, these include the music rights company BMG, education-related activities and the Club and Direct Marketing businesses. Bertelsmann Digital Media Investments (BDMI), Bertelsmann Asia Investments (BAI) and other fund activities in the growth regions are also allocated to Corporate Investments.

Shareholder Structure

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

Ownership Structure – Shares in percent



Strategy

As an international media group, Bertelsmann occupies leading market positions in its core sectors of television, books, newspapers, services and print. Bertelsmann's primary objective is continuous growth of the company's value through a sustained increase in profitability (see section "Value-Oriented Management System").

Bertelsmann aims to achieve a faster-growing, more digital and more international Group portfolio. As well as investments in existing activities, new business segments are being increasingly explored that supplement the established businesses and provide a broader overall revenue structure. The further development of the portfolio is subject to clear investment criteria. Businesses in which Bertelsmann invests should have long-term stable growth, global reach, stable and protectable business models, high market entry barriers and scalability. The Group currently has two main earnings pillars, media and services, with a third supporting pillar, education, due to be added in the medium term. Group strategy comprises four strategic priorities, which constituted the key work aspects for the Executive Board in 2013: strengthening core businesses (in particular, investments in creative businesses, exploiting opportunities for consolidation); driving forward the digital transformation of all core businesses; developing growth platforms in the divisions (in particular, Financial Services and TV production) and at the Group level (music rights and education); and expanding in growth regions (China, India and Brazil).

In financial year 2013, Bertelsmann made progress in all four strategic priorities. For example, RTL Group expanded its families of channels and the production business. The book publishing business was strengthened through the merger of Random House and Penguin Group to form the world's largest trade book publisher. Bertelsmann holds the majority of shares in the new publishing group (53 percent). Gruner + Jahr completed a restructuring of the company according to defined

Communities of Interest. Arvato was reorganized into Solution Groups and countries on the basis of a multidimensional structure, thus strengthening interdivisional cooperation as well as the key account management for its most important customers. The consolidation measures were intensified in structurally declining businesses, such as Be Printers and the Club and Direct Marketing activities. These measures included, for example, the announced closure of the Prinovis Itzehoe location in April 2014.

Bertelsmann is making significant progress in driving forward the digital transformation. In 2013, RTL Group's online offerings generated a total of 16.8 billion video views. Through a strategic partnership with the Canadian multichannel network BroadbandTV, RTL Group became the third-largest provider on YouTube (excluding music video services). Penguin Random House now offers more than 77,000 titles as e-books worldwide. As part of the organizational interlinking of print and online, Gruner + Jahr has strengthened its commitment to e-magazines, apps and mobile offerings. Arvato continued to benefit from the expansion of its digital services for customers in the IT, high-tech and e-commerce sectors.

The development of the growth platforms was successfully continued. In the reporting period, Bertelsmann completed the full acquisition of the music rights group BMG and expanded it. Signings of top-level artists such as Mick Jagger and Keith Richards from the Rolling Stones as well as Robbie Williams and the Backstreet Boys contributed to the expansion. Arvato acquired the financial services provider Gothia. The education business was expanded.

Progress was also achieved with the regional expansion in growth regions. RTL Group expanded into Southeast Asia in conjunction with CBS. In the book publishing segment, Bertelsmann strengthened its presence in China, India and Latin America through the merger of Penguin and Random House. Arvato achieved further profitable growth with its services in China. The investment fund Bertelsmann Asia Investments expanded its investment portfolio and achieved a very positive value performance.

Bertelsmann generated proceeds of around €1.5 billion by placing a total of 25.5 million RTL Group shares in 2013, while retaining a participation level of over 75 percent.

In 2014, Bertelsmann will pursue the four strategic priorities mentioned. The success of Bertelsmann in the future will continue to be driven by content-based and entrepreneurial creativity, which is why the Group continues to invest in the creative core of its businesses. In addition, Bertelsmann needs to have qualified employees at all levels of the Group to ensure its strategic and financial success. The compliance with and

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

Value-Oriented Management System

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

Strictly defined operational performance indicators, including revenues, operating EBIT as well as Bertelsmann Value Added (BVA), are used to directly assess current business performance and are correspondingly used in the outlook. These are distinguished from performance indicators used in the broader sense, which are partially derived from the above-mentioned indicators or are strongly influenced by these. These include the return on sales and the cash conversion rate. The financial management system with defined internal financing targets is also part of the broadly defined

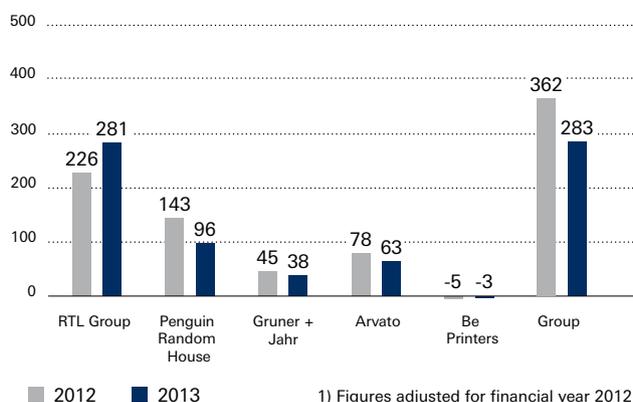
value-oriented management system. Broadly defined performance indicators are – if they are used at all – only voluntary predictions that are not included in the outlook as they are not directly relevant for management purposes.

Strictly defined operational performance indicators

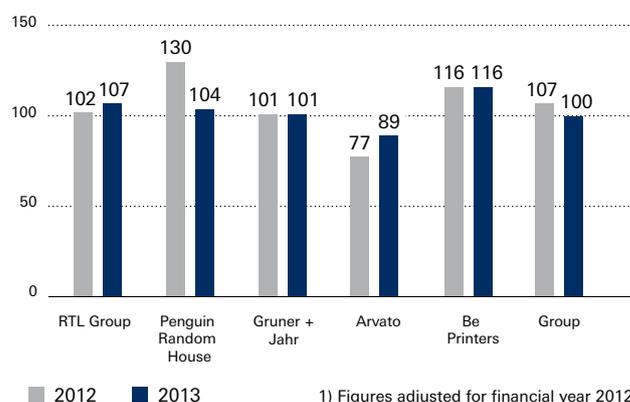
In order to control and manage the Group, Bertelsmann uses revenues, operating EBIT and BVA as performance indicators. Revenue is used as a growth indicator of businesses. In financial year 2013, Group revenues rose 1.8 percent to €16.4 billion (previous year: €16.1 billion). Operating EBIT serves as an indicator of the profitability of the operating businesses. Operating EBIT is calculated before interest and taxes and adjusted for special items. This procedure yields a normalized, sustainable indicator of performance that helps to improve predictability and comparability. In the reporting period, operating EBIT of €1,754 million was slightly above the previous year's high level (previous year: €1,732 million).

Bertelsmann uses BVA for assessing the profitability of operations and return on invested capital. BVA measures the profit realized above and beyond the appropriate return on invested capital. This form of value orientation is reflected in strategic investment and portfolio planning and the management of Group operations and, together with qualitative criteria, forms the basis for measuring the variable portion of management compensation. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated as operating EBIT after modifications and less a flat 33-percent tax. Cost of capital is the product of the weighted average cost of capital (WACC) and the level of capital invested. The uniform WACC after taxes is 8 percent. Invested capital is calculated on the basis of the Group's operating assets less non-interest-bearing operating liabilities. The present value of operating leases is also taken

BVA in € millions¹⁾



Cash Conversion Rate in percent¹⁾



into account when calculating the invested capital. BVA in financial year 2013 was €283 million compared with the previous year's figure of €362 million. The decline is mainly attributable to the increased acquisition activity and the revaluations carried out in the course of company transactions.

Broadly defined performance indicators

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

The cash conversion rate serves as a measure of cash generated from business activities and is calculated as the ratio of operating free cash flow to operating EBIT. Operating free cash flow does not reflect interest, tax or dividend payments, is lowered by operating investments such as replacement and expansion investments as well as changes in working capital, and is adjusted for special items. The Group aims to maintain a cash conversion rate of 90 to 100 percent as a long-term average. The cash conversion rate in financial year 2013 was 100 percent (previous year: 107 percent) and therefore within the target corridor.

The return on sales is calculated as the ratio of operating EBIT to revenues, which is used as an additional criterion for assessing the business performance. Bertelsmann aims to achieve return on sales of at least 10 percent at Group level. Return on sales in financial year 2013 was 10.7 percent (previous year: 10.8 percent).

In view of the Bertelsmann Group's growth strategy and the associated expansion of investment activity, it will focus more closely on operating EBITDA. In this context, operating EBITDA is defined as earnings before interest, taxes and depreciation, and is adjusted for special items. As operating EBITDA is not distorted by the accounting-related effects of acquisitions, it is a meaningful earnings indicator, which is also used as a standard internationally and has been introduced on the capital markets.

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

The non-financial performance indicators (employees, corporate responsibility and innovations) are not included in the broadly defined value-oriented management system. As the non-financial performance indicators can only be measured to a limited extent, they are not significant for the management of the Group as it is not possible to make any clear statements concerning interrelated effects and increased value.

Overall Economic Developments

The global economy in 2013 reflected the moderate growth level of the previous year. Real GDP increased by 2.9 percent in 2013 compared with a rise of 3.1 percent in 2012. While tensions eased on the international financial markets, economic expansion in the threshold countries remained sluggish.

The US economy continues to follow a gradual path of recovery. According to the US Bureau of Economic Analysis, real GDP in the United States in 2013 was 1.9 percent compared with 2.8 percent in 2012. Growth stimuli were provided primarily by the expansion of private consumer spending, private asset investments and exports.

The euro zone came out of the recession over the course of 2013. However, the European debt crisis has not yet been resolved, and the economic situation in the euro zone remains fragile. According to the Statistical Office of the European Union, real GDP fell by 0.5 percent in 2013, having fallen 0.7 percent in 2012.

After a weak start to the year, the German economy began to pick up during 2013. Overall, according to the Federal Statistical Office, real GDP increased by 0.4 percent in 2013 compared with a rise of 0.7 percent in 2012. Domestic stimuli played a key role in the turnaround at the end of the year. Private consumption benefited from favorable employment and income prospects and the ongoing low-interest environment.

Developments in Relevant Markets

The following analysis pertains only to markets and regions of a sufficient size if their trend can be adequately aggregated and is important for the business development of Bertelsmann businesses.

With the exception of Germany, the European TV advertising markets largely declined in 2013.

The German- and Spanish-language book markets proved mostly stable overall in 2013. The book markets in the United States and the UK showed a slight decline after the exceptional bestseller performance of the previous year. The global growth of e-books continued. Germany, in particular, recorded significant growth, while growth in the United States and the UK declined slightly.

In 2013, the magazine markets in Germany, France, Spain and China were characterized by sharply falling advertising markets in some areas. Magazine sales in the core European countries declined due to a downward trend in circulations.

The service markets (CRM, SCM, Financial Services, IT Services and Digital Marketing) achieved positive growth. By contrast, the storage media markets declined significantly worldwide due to the increasing importance of electronic forms of distribution.

Overall, the European print markets for magazines, catalogs and promotional materials declined in 2013 due to the ongoing pressure on prices and volumes. Likewise, the print market for books in North America continued to decline in 2013.

Regulatory Environment

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

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

Significant Events in the Financial Year

On January 1, 2013, Christoph Mohn became the new Chairman of the Supervisory Board of Bertelsmann SE & Co. KGaA and of the Supervisory Board of Bertelsmann Management SE. In both positions, Christoph Mohn succeeded Gunter Thielen, who resigned from the Supervisory Board upon reaching retirement age as of the end of 2012.

In February 2013, the Prinovis group, which is part of Be Printers, announced the closure of its gravure printing facility in Itzehoe. The continued difficult situation in the European gravure printing market as a result of continued pressure on prices and lower volumes were key issues behind the closure decision. The negotiations concerning the compensation and redundancy package were agreed in June 2013. As part of the compensation package, it was agreed to cease production in Itzehoe as of April 30, 2014.

At the end of March 2013, Bertelsmann concluded the full acquisition of the music rights company BMG Rights Management after the deal was approved by the antitrust authorities. In this regard, Bertelsmann acquired the remaining shares it had not previously held and since then has carried BMG Rights Management as a wholly owned subsidiary. There were further artist signings and takeovers of music catalogs in the reporting period.

On April 1, 2013, Achim Berg simultaneously became CEO of Arvato AG and a member of the Executive Board of Bertelsmann Management SE. Achim Berg thereby succeeded Rolf Buch who had resigned as head of Arvato and had also resigned his Executive Board mandate for Bertelsmann Management SE as of the end of 2012. In fall 2013, Berg announced a reorganization of Arvato. The businesses are organized according to Solution Groups and countries on the basis of a multidimensional structure. In addition, a central Key Account Management department has been introduced for key customers. The aim of the new organizational structure is to promote innovation, internationality, cooperation and the transfer of knowledge within Arvato.

At the end of April 2013, Bertelsmann placed 23.5 million RTL Group shares at a price of €55.50 per share. The proceeds from the reduction of the shareholding will be used to implement Bertelsmann's growth strategy. The share capital of RTL Group was admitted for trading on the Prime Standard of the Frankfurt Stock Exchange and in September 2013 was listed on the German MDAX index. In October 2013, Bertelsmann placed an additional two million RTL Group shares, which originated from the non-exercised over-allotment option, at a price of €75.81 per share. Bertelsmann remains the clear majority shareholder in RTL Group with a 75.1-percent stake in share capital.

In June 2013, Bertelsmann announced that the operations of the direct marketing company Inmediaone would be gradually closed down and that it would cease trading in mid-2014 due to a lack of economic prospects.

In mid-June 2013, Arvato completed the acquisition of Gothia Financial Group and has since been in the process of merging the existing financial services business of its subsidiary Arvato Infoscore with that of Gothia. The merger will strengthen the growth businesses in the area of Financial Services and will help make Arvato's businesses more international.

On July 1, 2013, the Penguin Random House merger was completed. Bertelsmann and Pearson had already announced their intention to combine the activities of their respective book publishing companies, Random House (with the exception of the German-language publishing business) and Penguin Group, in October 2012. Bertelsmann holds a 53-percent interest in the new trade book publishing group Penguin Random House, with 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 UK, 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 merger.

In August 2013, the cooperation between RTL Group and CBS Studios International in the new company RTL CBS Asia Entertainment Network and the joint launch of two pay-TV channels in Southeast Asia were announced. The two channels will broadcast in English and local languages in several Asian markets and will be transmitted in high-resolution HD standard via cable, satellite and Internet TV.

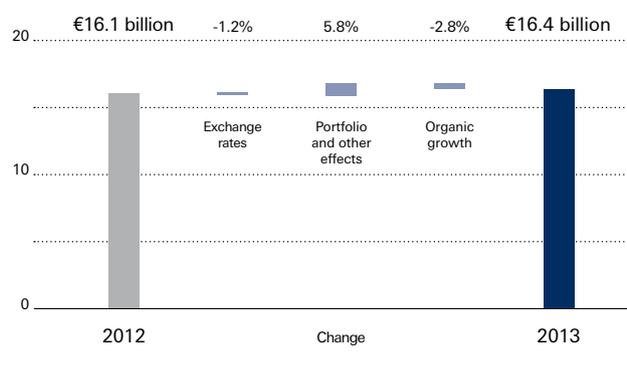
In December 2013, the disposal of the Czech-Slovakian book and publishing house Euromedia Group to the Czech investment firm Arraviet was agreed. The transaction includes all Euromedia business in both countries, namely book clubs, book trade, distribution and publishers. The disposal of Euromedia Group is subject to the approval of the responsible antitrust authority in the Czech Republic.

Effective December 31, 2013, Thomas Hesse, member of the Executive Board of Bertelsmann Management SE and President, Corporate Development and New Businesses, resigned his mandate. His areas of responsibility were taken over by CEO Thomas Rabe.

Results of Operations

The following analysis of earnings performance relates to continuing operations as of December 31, 2013. Please refer to the section "Performance of the Group Divisions" for a more detailed picture of the earnings situation.

Revenue Breakdown



Revenues by Division

in € millions	2013			2012		
	Germany	International	Total	Germany	International	Total
RTL Group	2,080	3,809	5,889	2,110	3,892	6,002
Penguin Random House	262	2,393	2,655	288	1,854	2,142
Gruner + Jahr	937	1,128	2,065	993	1,225	2,218
Arvato	2,029	2,385	4,414	1,965	2,454	4,419
Be Printers	414	709	1,123	444	770	1,214
Corporate Investments	235	347	582	269	202	471
Total revenues by division	5,957	10,771	16,728	6,069	10,397	16,466
Corporate Center/Consolidation	(245)	(127)	(372)	(264)	(137)	(401)
Continuing operations	5,712	10,644	16,356	5,805	10,260	16,065

Revenue Development

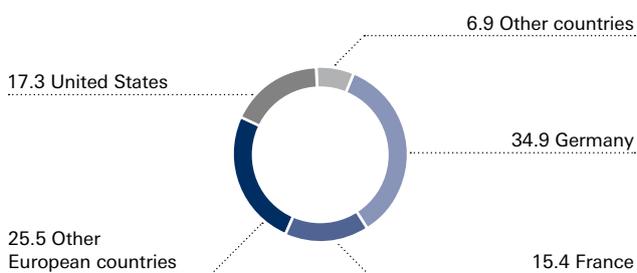
Group revenues from continuing operations rose 1.8 percent in financial year 2013 to €16.4 billion (previous year: €16.1 billion). The strategic portfolio expansions through the merger of Penguin and Random House as well as the full takeover of BMG (Corporate Investments) and the acquisition of Gothia (Arvato) resulted in increased revenues. Adjusted for portfolio and exchange rate effects, the Group's organic growth was -2.8 percent. The exchange rate effects were -1.2 percent; portfolio and other effects were 5.8 percent. The organic revenue decline is attributable to the extraordinarily strong previous year at Random House, the weak European advertising markets overall, the impact of structurally declining businesses and deliberately managed revenue development at Arvato.

Revenues at RTL Group were down 1.9 percent to €5,889 million (previous year: €6,002 million) in the reporting period. The positive development of Mediengruppe RTL Deutschland and RTL Nederland partially offset the decline at Fremantle Media. As a result of the merger with Penguin on July 1, 2013, and the acquisition of the remaining shares in Random House Mondadori on January 1, 2013, revenues at Penguin Random House were 23.9 percent above the previous year at €2,655 million (previous year: €2,142 million). Adjusted for these portfolio effects, organic revenues at Penguin Random House declined as the previous year had been largely characterized by the bestseller performance of the "Fifty Shades" trilogy. Revenues at Gruner + Jahr were down 6.9 percent to €2,065 million (previous year: €2,218 million). The lower revenues are partly attributable to portfolio effects from the partial closure of the business media publishing division and the sale of G+J Poland. In addition, the advertising and circulation business posted declining revenues particularly in France, Austria,

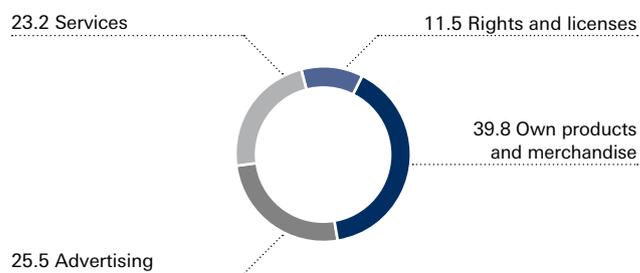
Spain and China. This is counteracted by revenue growth from the digital businesses. Arvato's revenues remained stable at €4,414 million (previous year: €4,419 million). Financial Services and the CRM and IT Services units showed positive development. By contrast, replication at Arvato posted a fall in revenues due to the general declining market development and the disposal of the replication activities in Brazil. Impacted further by the structural decline of the print businesses, revenue at Be Printers declined by 7.5 percent to €1,123 million (previous year: €1,214 million). Revenues at Corporate Investments, despite declining revenues in the Club and Direct Marketing activities, increased by 23.6 percent to €582 million (previous year: €471 million) following the full takeover of BMG.

There were minor changes in the geographical breakdown of revenues from continuing operations compared to the previous year. The proportion of revenues generated in Germany was 34.9 percent compared with 36.1 percent in the previous year. The revenue share generated by France amounted to 15.4 percent (previous year: 15.8 percent). The share of total revenues generated by the other European countries amounted to 25.5 percent compared with 24.9 percent in the previous year. The revenue share generated by the United States increased to 17.3 percent (previous year: 16.3 percent) and the other countries achieved a revenue share of 6.9 percent (previous year: 6.9 percent). This means that the proportion of total revenues attributable to countries other than Germany rose slightly to 65.1 percent (previous year: 63.9 percent), which is primarily attributable to strategic portfolio expansions in financial year 2013. Year on year, there was only a slight change in the ratio of the four revenue streams (own products and merchandise, advertising, services, rights and licenses) to overall revenue.

Consolidated Revenues by Region in percent



Revenues by Category in percent



Results Breakdown

in € millions	2013	2012
Operating EBIT by division		
RTL Group	1,137	1,065
Penguin Random House	309	325
Gruner + Jahr	146	168
Arvato	244	244
Be Printers	41	58
Corporate Investments	(40)	(38)
Total operating EBIT by division	1,837	1,822
Corporate Center/Consolidation	(83)	(90)
Operating EBIT from continuing operations	1,754	1,732
Special items	(46)	(405)
EBIT (earnings before interest and taxes)	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
attributable to: Bertelsmann shareholders	498	477
attributable to: Non-controlling interests	372	135

Operating EBIT and Operating EBITDA

Bertelsmann achieved operating EBIT of €1,754 million in financial year 2013 (previous year: €1,732 million). Return on sales of 10.7 percent was again in the double-digit range (previous year: 10.8 percent). The earnings reflected the positive overall business performance and the strategic portfolio measures implemented in the reporting period. Core businesses were strengthened, growth platforms developed and necessary consolidation steps introduced in structurally declining business units.

RTL Group's operating EBIT increased by 6.8 percent from €1,065 million in the previous year to €1,137 million in 2013, primarily as a result of the improved earnings contributions of Mediengruppe RTL Deutschland. Penguin Random House achieved operating EBIT of €309 million compared with €325 million in the previous year. The growth resulting from the merger of Penguin and Random House virtually offsets the decline in earnings after the strong previous year. At Gruner + Jahr, operating EBIT fell to €146 million (previous year: €168 million). The earnings decline is attributable to falling advertising and circulation revenues particularly in China, Austria and France, as well as to costs associated with the accelerated digital transformation. Arvato generated an operating result of €244 million (previous year: €244 million) and benefited from improved performances in the CRM and SCM units. This was contrasted by start-up costs for take-overs as well as set-up costs for newly acquired customers.

Operating EBIT at Be Printers reduced to €41 million (previous year: €58 million) as a result of the persistently declining print market. Earnings from activities grouped under Corporate Investments came to €-40 million (previous year: €-38 million).

Year on year, operating EBITDA from continuing operations rose to €2,313 million. The increase of €103 million compared with the previous year's figure of €2,210 million is primarily attributable to RTL Group and Corporate Investments. Operating EBITDA of Penguin Random House and Arvato increased slightly year on year in each case. Meanwhile, operating EBITDA of Gruner + Jahr and Be Printers declined. The following table shows a detailed breakdown of operating EBITDA by division:

Operating EBITDA by Division

in € millions	2013	2012
RTL Group	1,333	1,253
Penguin Random House	363	352
Gruner + Jahr	193	213
Arvato	401	392
Be Printers	92	115
Corporate Investments	10	(29)
Total operating EBITDA by division	2,392	2,295
Corporate Center/Consolidation	(79)	(85)
Operating EBITDA	2,313	2,210

Special Items

Special items primarily reflect the strategic measures implemented in the reporting period. The majority of restructuring expenses relate to structurally declining businesses, in particular with the imminent closure of the Prinovis location in Itzehoe. The restructuring expenses also include costs for the implementation of the new organizational structure of Gruner + Jahr and Arvato as well as integration costs in connection with the merger of Penguin and Random House. By contrast, profit of €109 million was recorded from the revaluation of the fair value after the takeover of the remaining BMG shares as well as a write-up of €72 million on the fair value of the participation at Atresmedia.

Special items in the reporting period totaled €-46 million (previous year: €-405 million). They consist of impairments and reversals on impairments totaling €44 million (previous year: €-155 million), fair value remeasurement of investments of €110 million (previous year: €18 million), capital gains of €111 million (previous year: €12 million) and restructuring expenses and other special items totaling €-297 million (previous year: €-288 million). In the reporting period, there were adjustments to carrying amounts on assets held for sale in the amount of €-14 million (previous year: €8 million).

EBIT

Adjusting operating EBIT for special items of €-46 million (previous year: €-405 million) resulted in EBIT of €1,708 million. The increase of €381 million from the previous year's figure of €1,327 million is primarily attributable to the overall lower burden from special items.

Group Profit or Loss

The year-on-year financial result changed from €-322 million to €-361 million. The deviation is based on one-time costs of €40 million for the early repayment of financial debt, which in future will have a positive impact on the financial result. The increased tax expenses of €-419 million (previous year: €-393 million) largely resulted from the improved pre-tax earnings. This produced after-tax earnings from continuing operations of €928 million (previous year: €612 million). The after-tax earnings from discontinued operations of €-58 million (previous year: -) are non-cash follow-on effects related to the disposal of the Direct Group businesses, which were formerly shown as discontinued operations. Taking into account the after-tax earnings from discontinued operations, this results in a Group profit of €870 million (previous year: €612 million). This corresponds to an increase of €258 million compared with the same period in the previous year. The share held by non-controlling interests was €372 million (previous

year: €135 million). The increase in non-controlling interests compared with the previous year is primarily attributable to the reduction of the RTL participation and the Penguin Random House merger. The share of Group profit held by Bertelsmann shareholders was €498 million (previous year: €477 million). At the Annual General Meeting of Bertelsmann SE & Co. KGaA, a dividend payout of €180 million will be proposed for financial year 2013 (previous year: €180 million).

Net Assets and Financial Position

Financial Guidelines

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

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

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

As of December 31, 2013, the Group had a leverage factor of 2.0 (December 31, 2012: 2.3). Despite a high level of investment activity during the reporting period, the net financial debt at year-end fell by half to €636 million (previous year: €1,218 million) thanks to proceeds from the placement of RTL Group shares and a high level of operating cash flow. As of December 31, 2013, pension provisions of €1,944 million were also below the previous year's level (December 31, 2012: €2,146 million). This means that as of December 31, 2013, economic debt was reduced to €4,178 million from €4,773 million in the previous year.

Financial Targets

	Target	2013	2012
Leverage factor: Economic debt/operating EBITDA ¹⁾	< 2.5	2.0	2.3
Coverage ratio: Operating EBITDA/financial result ¹⁾	> 4.0	6.0	6.4
Equity ratio: Equity to total assets (in percent)	> 25.0	40.7	32.2

1) After modifications.

Another financial target is the coverage ratio. This is calculated as the ratio of operating EBITDA (after modifications) to financial result and is supposed to be above 4. In the reporting period the coverage ratio was 6.0 (previous year: 6.4). The Group's equity ratio was significantly above the self-imposed minimum of 25 percent and increased to 40.7 percent (December 31, 2012: 32.2 percent).

Financing Activities

In April 2013, Bertelsmann repaid a tranche of a US private placement from 2003 of US\$200 million on time. In addition, the tranche of the US private placement falling due in 2015 for the sum of US\$200 million was repaid early in August 2013. Both US private placements were issued by the US financing company Bertelsmann U.S. Finance LLC, which in the reporting period was merged with Bertelsmann Inc., a US subsidiary of Bertelsmann. Furthermore, in December 2013 Bertelsmann repurchased parts of a bond falling due in October 2015 and another bond falling due in September 2016 for the total nominal amount of €284 million as part of a public buyback offer in December 2013. All repayments were made from existing liquidity.

Rating

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

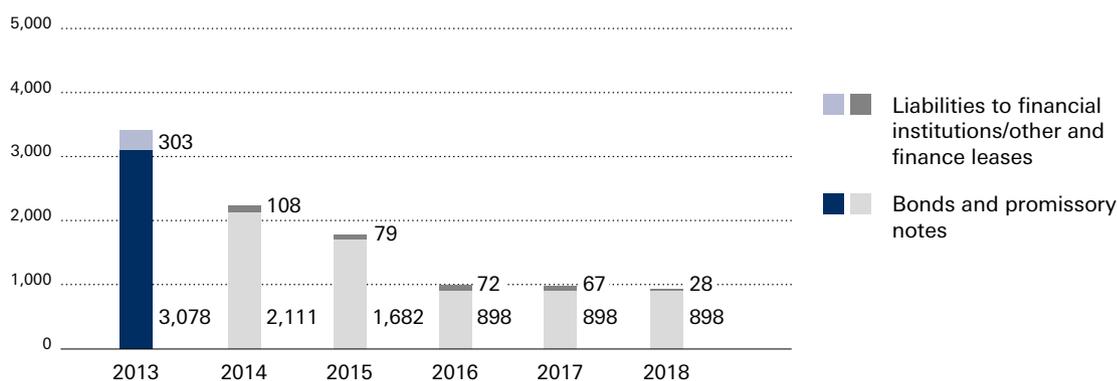
Credit Facilities

The Bertelsmann Group also has access to liquidity via a syndicated loan. This forms the backbone of the strategic credit reserve, and Bertelsmann can utilize this to draw down up to €1.2 billion of revolving funds in euros, US dollars and pounds sterling. In June 2013, the syndicated loan previously with a term through to 2017 was extended for a further year, namely until 2018. As in the previous year, Bertelsmann did not make use of this credit facility in financial year 2013.

Bonds and Promissory Notes of Bertelsmann SE & Co. KGaA

Issue volume in millions of EUR	Carrying amount 12/31/2013 in millions of EUR	Maturity	Type	Nominal interest in percent
EUR 750	EUR 750	January 16, 2014	Bond	7.875%
EUR 500	EUR 187	February 25, 2014	Promissory note	5.050%
EUR 30	EUR 30	March 24, 2014	Promissory note	6.000%
EUR 500	EUR 429	October 6, 2015	Bond	3.625%
EUR 1,000	EUR 784	September 26, 2016	Bond	4.750%
EUR 60	EUR 60	May 4, 2019	Promissory note	4.207%
EUR 750	EUR 740	August 2, 2022	Bond	2.625%
EUR 100	EUR 98	June 29, 2032	Bond	3.700%

Maturity Structure of Financial Debt in € millions



Cash Flow Statement

The total earnings before interest and taxes is the starting parameter for preparing the Bertelsmann cash flow statement. In the reporting period, Bertelsmann generated net cash from operating activities of €1,785 million (previous year: €1,876 million). The Group's long-term operating free cash flow adjusted for non-recurring items was €1,760 million (previous year: €1,861 million), and the cash conversion rate was 100 percent (previous year: 107 percent), within the target corridor (see the section entitled "Value-Oriented Management System"). At €-1,010 million, cash flow from investing activities was significantly above the level for the previous year (previous year: €-617 million). This included investments in intangible assets and fixed and financial assets of €-808 million (previous year: €-567 million). The purchase prices for consolidated investments (net of acquired cash and cash equivalents) increased to €-504 million (previous year: €-88 million), particularly as a result of the strategic portfolio expansions made in

the reporting period. Proceeds from the sale of subsidiaries and other business units and disposal of other fixed assets were €373 million (previous year: €93 million). Cash flow from investing activities was €-657 million (previous year: €-382 million). The outflow of €-1,188 million was attributable to the financial debt of €676 million acquired as part of the acquisition activity as well as early and scheduled repayments of financial debt. This was offset by inflows from the placement of RTL Group shares, which are included in the reported €1,410 million of the item "Change in equity." Dividends paid to the shareholders of Bertelsmann SE & Co. KGaA came to €-180 million (previous year: €-180 million). Dividends to non-controlling interests and payments to partners in partnerships came to €-445 million (previous year: €-213 million). The increase results from the payment of special dividends by RTL Group in spring and summer 2013. As of December 31, 2013, Bertelsmann had cash and cash equivalents of €2.7 billion (previous year: €2.7 billion).

Group Cash Flow Statement (Summary)

in € millions	2013	2012
Cash flow from operating activities	1,785	1,876
Cash flow from investing activities	(1,010)	(617)
Cash flow from financing activities	(657)	(382)
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 with assets held for sale	(10)	(2)
Cash and cash equivalents 12/31 (according to the Group balance sheet)	2,745	2,658

Off-Balance-Sheet Liabilities

The off-balance-sheet liabilities include contingent liabilities and other financial commitments, almost all of which result from operating activities conducted by the divisions. Off-balance-sheet liabilities increased year on year, primarily due to the strategic portfolio expansions. The off-balance-sheet liabilities in place as of December 31, 2013 had no significant negative effects on the Group's net assets, financial position and results of operation for the past or the future financial year.

Investments

Total investments including financial debt acquired of €676 million amounted to €1,988 million in financial year 2013, significantly above the previous year's figure of €655 million. Investments according to the cash flow statement amounted to €1,312 million (previous year: €655 million). As in previous years, the majority of the €289 million investment in property, plant and equipment (previous year: €270 million) stemmed from Arvato. Investments in intangible assets came to €411 million (previous year: €177 million) and were primarily attributable to BMG for the acquisition of music catalogs and to RTL Group for investments in film rights. The sum of €108 million was invested in financial assets (previous year: €120 million). Purchase prices for consolidated investments (less acquired cash and cash equivalents) totaled €504 million in the reporting period (previous year: €88 million) and were primarily attributable to the takeovers of BMG and Gothia. The negative investments of Penguin Random House in the amount of €-36 million (previous year: €53 million) can be attributed to cash and cash equivalents acquired as a result of the merger of Penguin and Random House.

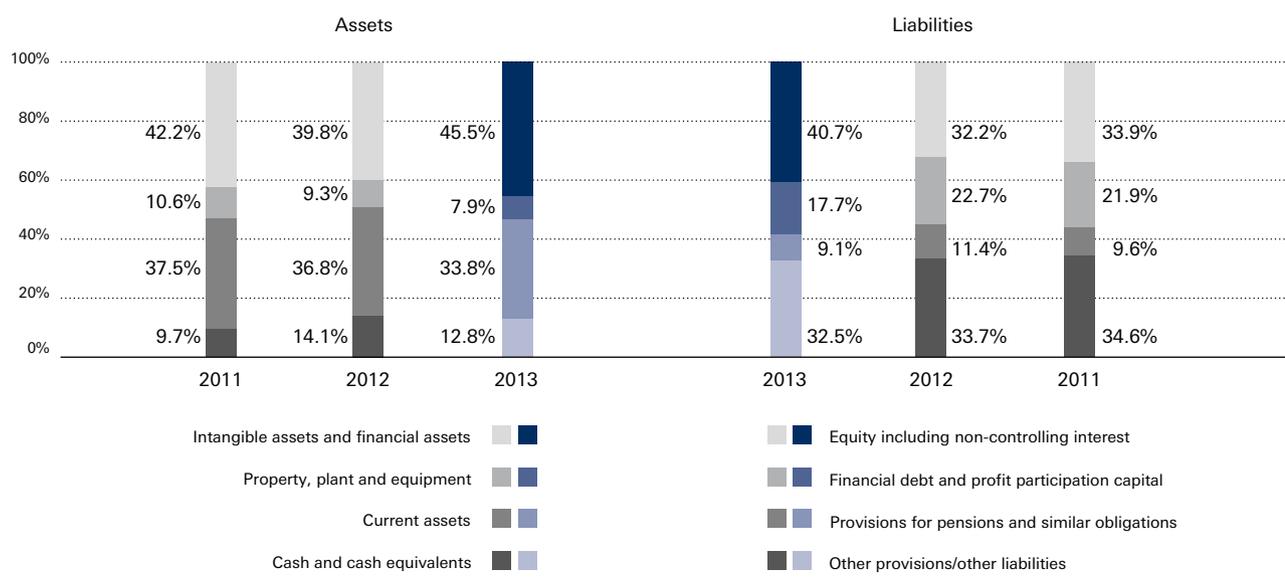
Investments by Division

in € millions	2013	2012
RTL Group	264	251
Penguin Random House	(36)	53
Gruner + Jahr	46	49
Arvato	297	207
Be Printers	25	26
Corporate Investments	678	67
Total investments by division	1,274	653
Corporate Center/Consolidation	38	2
Total investments	1,312	655

Consolidated Balance Sheet

Total assets increased significantly to €21.4 billion as of December 31, 2013 (previous year: €18.9 billion). The increase is mainly attributable to the reduction in shares in RTL Group, the merger of Penguin and Random House as well as the takeovers of BMG and Gothia. These portfolio changes led to an increase in intangible assets and equity. Cash and cash equivalents of €2.7 billion remained at the previous year's high level (previous year: €2.7 billion). The income from the reduction in shares in RTL Group increased equity to €8.7 billion (previous year: €6.1 billion). As a result of this increase, the equity ratio increased from 32.2 percent in the previous year to 40.7 percent. Equity attributable to Bertelsmann SE & Co. KGaA shareholders increased to €6.9 billion (previous year: €5.3 billion). Provisions for pensions and similar obligations decreased from €2,146 million in the previous year to €1,944 million. Gross financial debt decreased from €3,876 million to €3,381 million as of

Balance Sheet



December 31, 2013 due to the partial early repayments of long-term debt reported in the section "Financing Activities." Apart from that, the balance sheet structure remained largely unchanged from the previous year.

Profit Participation Capital

Profit participation capital had a nominal value of €301 million as of December 31, 2013, which is unchanged from the previous year. If the effective interest method is applied, the carrying amount of profit participation capital was €413 million as of December 31, 2013 (previous year: €413 million). The 2001 profit participation certificates (ISIN DE0005229942) account for 94 percent of notional profit participation capital, while the 1992 profit participation certificates (ISIN DE0005229900) account for the remaining 6 percent.

The 2001 profit participation certificates are officially listed for trading on the Regulated Market of the Frankfurt Stock Exchange. Their price is listed as a percentage of nominal value. The lowest closing rate of the 2001 profit participation certificates in financial year 2013 was 244.00 percent in January; their highest was 284.00 percent in November.

Under the terms and conditions of the 2001 profit participation certificates, the payout for each full financial year is 15 percent of notional value, subject to the availability of sufficient Group profit as well as profit at the level of Bertelsmann SE & Co. KGaA. These conditions were met in the past financial year. Accordingly, a payout of 15 percent of the notional value of the 2001 profit participation certificates will be made for financial year 2013.

The 1992 profit participation certificates, approved for trading on the Regulated Market in Frankfurt, only have a limited cash trade due to their low volume. Payouts on the 1992 profit participation certificates are based on the Group's return on total assets. As the return on total assets for financial year 2013 was 6.49 percent (previous year: 6.39 percent), the payout on the 1992 profit participation certificates for financial year 2013 will be 7.49 percent of their notional value (previous year: 7.39 percent).

The payout distribution date for both profit participation certificates is expected to be on May 12, 2014. Under the terms and conditions of the profit participation certificates, the auditors appointed by Bertelsmann SE & Co. KGaA are responsible for verifying whether amounts to be distributed have been calculated correctly. The auditors of both profit participation certificates provide confirmation of this.

Performance of the Group Divisions

RTL Group

Although advertising markets across Europe were mostly in decline, Europe's leading entertainment group RTL Group was able to significantly increase its profitability in financial year 2013. Revenues reached €5.9 billion after €6.0 billion in the previous year, representing a 1.9 percent decrease. This revenue development reflects robust core businesses despite negative currency effects and lower revenues for the production arm Fremantle Media. In operating EBIT, another record result by Mediengruppe RTL Deutschland and the strong performance of the Dutch TV channels more than offset the impact of the negative development of advertising markets in many parts of Europe. Only the German TV advertising market showed slight growth.

Operating EBIT increased by 6.8 percent to a new record level of €1.1 billion (previous year: €1.1 billion). This pushed the return on sales to 19.3 percent (previous year: 17.7 percent). Operating EBITDA increased slightly to €1.3 billion (previous year: €1.3 billion). At year-end, RTL Group had 11,589 employees (December 31, 2012: 11,931). RTL Group succeeded in defending most of its leading positions in the audience markets. In France, the Netherlands, Hungary and Croatia, RTL Group's families of channels grew their share of the TV ad sales market.

Mediengruppe RTL Deutschland increased both its revenues and earnings. RTL Television's flagship broadcaster remains the clear market leader in the main target group. The French Groupe M6 achieved lower revenues, partly because of the declining advertising market. Operating EBIT declined due to start-up losses for the new digital channel 6ter. Audience shares remained largely stable despite the market entry of new competitors. RTL Nederland grew its revenues and operating EBIT despite a shrinking advertising market, and scored higher viewer ratings.

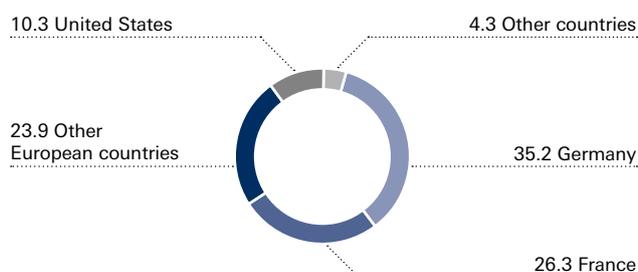
The production arm Fremantle Media registered continued global interest in its major talent shows and invested in the development of new formats. Revenues fell mainly due to currency effects and because of the cancellation of formats in individual territories. Operating EBIT was slightly down year on year. In November, Fremantle Media acquired the Danish production company Miso Film, which specializes in series and TV movies.

In the growth market of Asia, RTL Group partnered with CBS Studios International to initiate the establishment of two new channels. The first channel, RTL CBS Entertainment HD, made its debut in 2013 in Malaysia, Thailand, Singapore and the Philippines. The launch of the second channel will follow in the spring of 2014. In Croatia, RTL Hrvatska established a new children's channel, which went on air in January 2014 and has scored excellent ratings from the start.

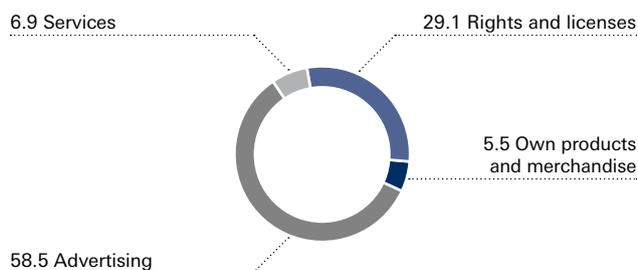
RTL Group's digital business also continued to be greatly expanded. The Group acquired a majority stake in BroadbandTV, one of the largest multichannel networks on YouTube, and also invested in the leading online video network for fashion and beauty StyleHaul, the German YouTube network Divimove, and the Dutch video-on-demand provider Videoland. The Group's various online platforms and mobile applications recorded high growth rates.

RTL Group has been additionally listed on the Frankfurt Stock Exchange since the end of April 2013. Bertelsmann reduced its holdings and has since held 75.1 percent of the shares in the company.

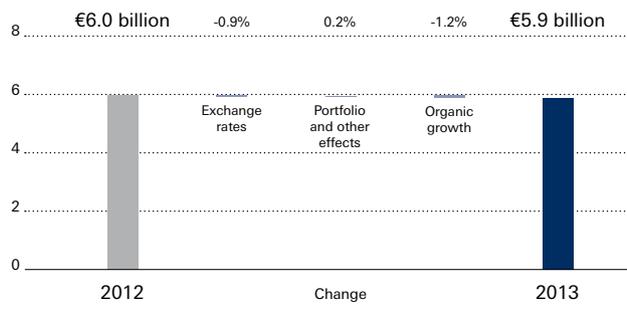
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Penguin Random House

For Random House, 2013 was the year of the historic merger of all its divisions outside Germany with Pearson's trade publishing division Penguin Group. The formation of Penguin Random House was completed on July 1, and the multiyear integration of the two units is now underway. Bertelsmann holds 53 percent of the shares in the world's largest trade book publisher, while Pearson holds 47 percent.

This year-end consolidated revenue of €2.7 billion for the combined company reflects a full year of Random House, including Germany's Verlagsgruppe Random House, and a half-year of the Penguin Group. Total sales were 23.9 percent above Random House's previous year's revenue (€2.1 billion). Adjusted for currency and portfolio effects, revenues decreased compared with the record year 2012, which was dominated by the exceptional success of the "Fifty Shades" trilogy. Operating EBIT fell 4.9 percent from the high level of the previous year – partly due to depreciations in connection with the initial inclusion of intangible assets at Penguin – to €309 million (previous year: €325 million). Return on sales came to 11.6 percent (previous year: 15.2 percent). Operating EBITDA increased to €363 million (previous year: €352 million). At the end of the year, Penguin Random House had 11,838 employees (December 31, 2012, Random House: 5,712).

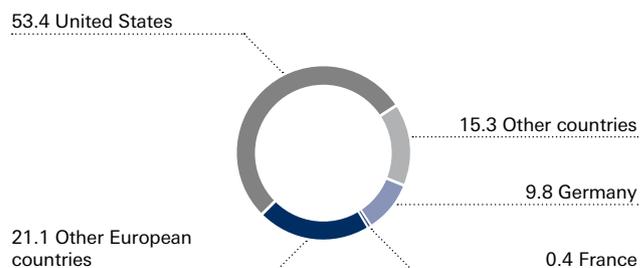
Penguin Random House's biggest new release was Dan Brown's "Inferno," selling almost six million copies in its English-language territories in seven months. Other mega-sellers included Sheryl Sandberg's "Lean In," "And The Mountains Echoed" by Khaled Hosseini, "The Fault In Our Stars" by John Green and John Grisham's "Sycamore Row." Demand for English-, German- and Spanish-language editions of the "Fifty Shades" trilogy continued to be strong with more than seven million print, digital and audiobook copies sold in 2013.

The US company placed 261 titles on the "New York Times" hardcover and paperback bestseller lists from July to December, 27 of them at number one. During the same period, Penguin Random House UK placed 14 number one titles on the bestseller lists of the "Sunday Times." In Germany, Verlagsgruppe Random House attained major growth in its digital publishing business, achieving first-time double-digit percentage of overall sales revenues with e-books. The division's biggest-selling title of the year was "Die Analphabetin, die rechnen konnte" by Jonas Jonasson. A solid business performance in Latin America and a strong portfolio of Spanish-language bestsellers offset the impact of the difficult economy in Spain, where the publishing unit has operated under the name Penguin Random House Grupo Editorial since November. In India and South Africa, Penguin Random House completed the purchase of their respective co-partners' ownership stakes.

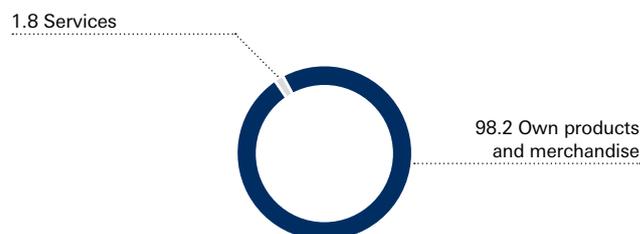
With new apps, the increasing integration of social media into book marketing and growing e-book downloads, Penguin Random House has advanced its leadership in the transformation to digital. During the reporting period, the Group sold more than 100 million e-books worldwide, and more than 77,000 titles are now internationally available in digital form.

Many Penguin Random House authors received prestigious literary awards in 2013, including Alice Munro, the winner of the Nobel Prize in Literature. The Group's authors also won four Pulitzer Prizes, a National Book Award in the United States, and for Verlagsgruppe Random House, the German Book Prize.

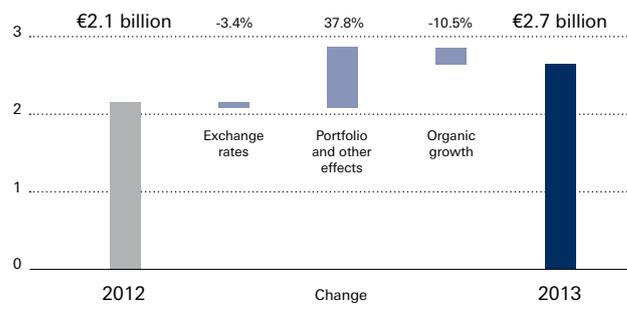
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Gruner + Jahr

At Gruner + Jahr, the financial year was shaped by a personnel, organizational and strategic realignment to transform the existing printing and publishing company into a “house of content” with high-quality print and digital offerings for specific target groups. On the commercial side, Gruner + Jahr reported a significant fall in revenues and operating result during the reporting period; this was against a backdrop of declining ad sales revenues, the partial discontinuation of its business media along with other disposals, increased investment in the digital business and a decline in the international business. Revenues reached €2.1 billion after €2.2 billion the previous year (-6.9 percent). Operating EBIT was down by 13.1 percent to €146 million (previous year: €168 million). Return on sales decreased to 7.1 percent (previous year: 7.6 percent). Operating EBITDA was €193 million against €213 million in the previous year. At year-end, Gruner + Jahr employed 10,819 people (December 31, 2012: 11,585). Since April 2013, Gruner + Jahr has been jointly managed by Julia Jäkel (CEO), Stephan Schäfer and Oliver Radtke.

G+J Germany managed to improve its result year on year. Sales revenues dipped in line with market conditions but adjusted for portfolio changes the advertising business developed positively, bucking the market trend. In Germany the business structures were fundamentally changed. With its realignment along eight Communities of Interest, G+J is resolutely focusing on the interests of its readers, users and customers. For instance, its strong position in the Living, Food and Family communities was expanded with investments in digital offers such as the Home and Furniture community Roomido, the online store for high-end foods Delinero and the online store for baby and children’s clothing Tausendkind. “Chefkoch” and “Flow” enhanced the print portfolio of the Food and Women communities with two innovative new titles. G+J Media Sales added market share in the ad sales market, and both G+J’s digital marketer EMS and the performance marketer Ligatus recorded continued dynamic growth.

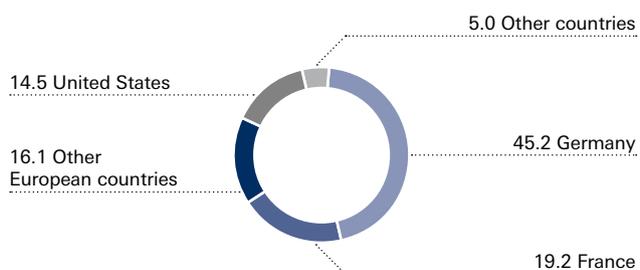
Prisma Media’s magazine business in France declined due to difficult market conditions. The expansion of the digital business was successfully advanced, including through targeted acquisitions. For instance, the reporting period saw the acquisition of the two digital ad sales houses Mob Value and P Comme Performance.

Verlagsgruppe News in Austria declined, underperforming the market mainly in the ad sales business. In the reporting year, its activities in Southern Europe continued to be affected by difficult macroeconomic conditions. The company sold off its operations in Poland and parts of the operations in South-eastern Europe.

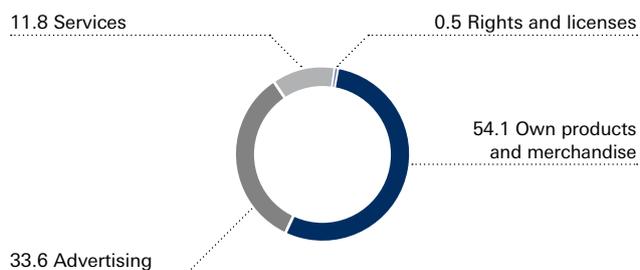
Gruner + Jahr’s activities in China reported declines due to a first-time reduction in the Chinese ad sales market. In the United States, the offset printing company Brown Printing saw a fall in revenues and earnings due to lower utilization. The business of Dresdner Druck- und Verlagshaus was mostly stable.

During the reporting period, G+J journalists and authors won a variety of prestigious awards for their work; in Germany alone, they won more than any other publisher.

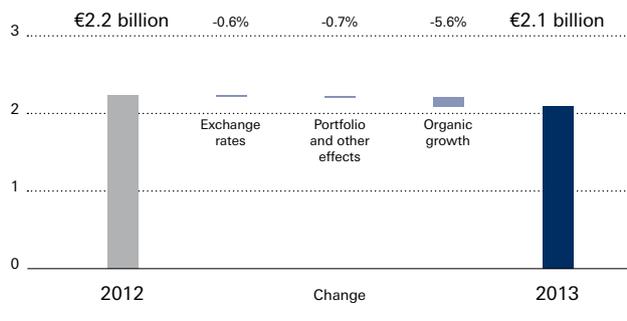
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Arvato

The international service provider Arvato delivered a robust business performance in financial year 2013. Revenues remained stable at €4.4 billion (previous year: €4.4 billion). Operating EBIT remained stable at €244 million (previous year: €244 million). Return on sales thus remained at 5.5 percent (previous year: 5.5 percent). Operating EBITDA increased to €401 million (previous year: €391 million). There was a management changeover at the top of Arvato: Achim Berg has led the group as Chief Executive Officer since April 2013. A new organizational structure arranges the businesses by Solution Groups and countries, and a central Key Account Management system was introduced for major international clients. At year-end, Arvato employed 66,410 people (December 31, 2012: 63,627).

During the reporting period Arvato registered significant growth mainly at IT Services and supply chain management solutions for international customers in the Internet, high-tech and consumer goods sectors, as well as in China. Arvato's acquisition of Gothia Financial Group, completed in June 2013, advanced its internationalization and turned it into the third-largest service provider in Europe in the rapidly growing market for business information and financial services.

Operating EBIT also reflects upfront costs for acquisitions and set-up costs for newly acquired customers in the supply chain management and e-commerce businesses.

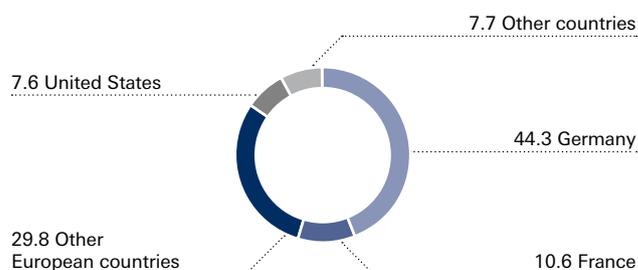
In the reporting period, the customer relationship management business showed a positive development in Germany and Spain, and declined slightly in France. In South America, Asia and Africa, new offshore sites for customer communications solutions were established or expanded to increase competitiveness.

Arvato's Print Services asserted its position in a difficult market environment. Revenues in Replication declined as expected. In Brazil and China, Arvato sold holdings in replication factories.

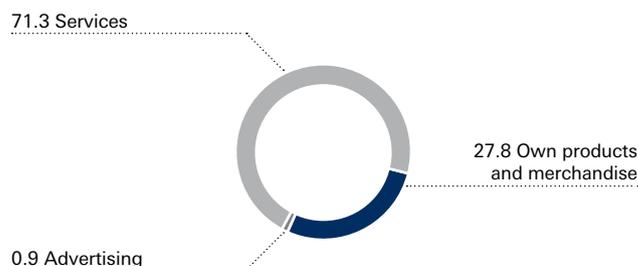
The development of Arvato's businesses varied from region to region. For example, performance was satisfactory in the European core countries given the difficult economic situation. In the UK, a major new government services client, the Department for Transport, was acquired. The service activities in Spain saw profitable growth despite the economic crisis. Meanwhile, the services businesses in France were not quite able to maintain the previous year's high levels. In the North American market, the portfolio of customers and locations was systematically culled to increase the profitability of the businesses. In Turkey, Arvato's services businesses grew dynamically, and in China the company's logistics network was expanded considerably yet again.

Arvato won prestigious awards in various countries around the world for its tailored customer solutions.

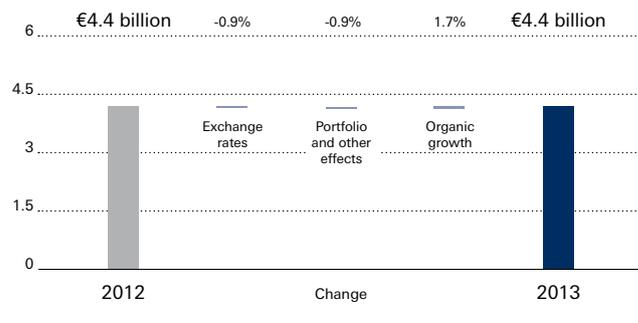
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Be Printers

In 2013, Bertelsmann's gravure and international offset printing activities, grouped into Be Printers, generated revenues of €1.1 billion in a difficult market environment, down 7.5 percent from the previous year (€1.2 billion). Operating EBIT declined by 29.3 percent to €41 million (previous year: €58 million), and return on sales thus amounted to 3.7 percent (previous year: 4.8 percent). Operating EBITDA decreased to €92 million (previous year: €115 million). At year-end, Be Printers employed 6,201 people (December 31, 2012: 6,571).

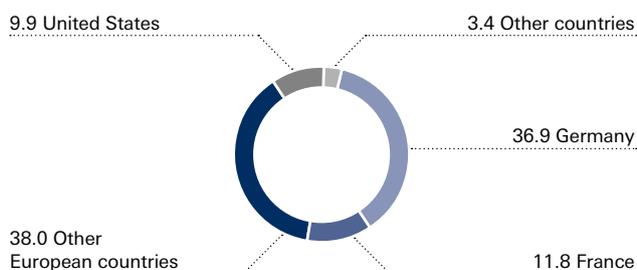
Declining print runs characterized Be Printers' printing operations in the reporting period, as did continuing price pressure and high excess capacity in the industry. The group responded with new offers as well as various programs to increase efficiency and lower costs.

Specifically, the gravure division Prinovis realized savings in personnel costs and materials purchasing. Provisions for restructuring costs were formed for the planned closure of the Itzehoe site in April 2014. As a special item, these are not shown under operating EBIT. The fire at a gravure printing press in Dresden led to restrictions on production; at the same time, Prinovis received a compensation payment from the machine's property insurance. As a special item, this is not shown under operating EBIT. In the UK, a major customer cut order volumes. Overall, revenues and earnings were down at Prinovis. During the reporting period, several of Prinovis' print products and digital offers won industry awards for their high quality.

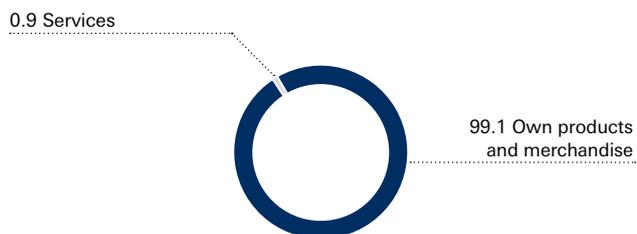
Be Printers' Southern European printing companies did business in a difficult market environment that was further exacerbated by macroeconomic developments in Italy and Spain. The units recorded declining volumes. Management countered this with measures to increase sales and cut costs, for example, in the areas of procurement and IT. The merger of the Italian and German calendar businesses also improved productivity and competitiveness.

Be Printers Americas bucked the declining market development and kept its earnings stable. Growing business with clients outside the publishing industry – such as communications services for companies in the health-care sector – cushioned the decline in revenues. In 2013, major existing customers renewed their contracts with Be Printers Americas.

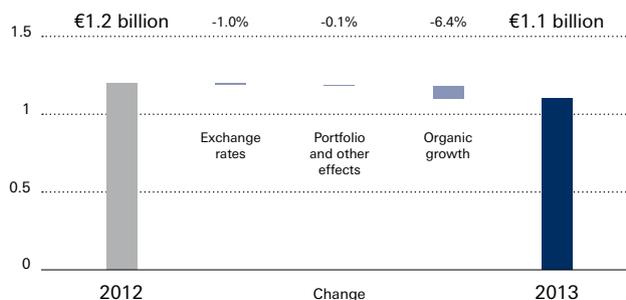
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Corporate Investments/Corporate Center

In 2013, Corporate Investments, which includes all of Bertelsmann's other operating activities, recorded significantly increased revenue of €582 million (previous year: €471 million) and operating EBIT of €-40 million (previous year: €-38 million). Operating EBITDA was €10 million compared with €-29 million in the previous year. The acquisition of full ownership of the BMG Music Rights subsidiary, completed in April 2013, helped to boost revenues. This was partly offset by declining revenues in the Club and Direct Marketing businesses. Operating EBIT reflects start-up losses, among other things for business expansion in the education sector, and a decline in earnings in the Club business. At year-end, Corporate Investments had 4,342 employees (December 31, 2012: 4,289).

Jointly established by Bertelsmann and KKR, the music rights company BMG has once again been fully owned by Bertelsmann since the end of March 2013 and grew strongly during the reporting period. BMG acquired several catalogs of song and master rights: Primary Wave, Sanctuary, Mute and Virgin/Famous. Numerous national and international artists signed new contracts including Mick Jagger and Keith Richards of the Rolling Stones, Robbie Williams and the Backstreet Boys. BMG expanded its presence in all major music markets, including opening a branch in Canada.

In the reporting period, Bertelsmann invested in developing its new line of business: education. The University Ventures Fund, jointly established with other investors, expanded its international portfolio of holdings. Bertelsmann also made direct investments to increase its stake in Synergis Education, a service provider that supports academic institutions in establishing accredited online degree programs, and in the innovative US online education provider University Now.

The Bertelsmann Digital Media Investments (BDMI) and Bertelsmann Asia Investments (BAI) funds expanded their portfolios. For instance, BDMI joined RTL Group in investing in the online video network StyleHaul, which brought its holdings to a total of 49 at year-end. BAI acquired five new holdings – including providers of mobile payment services, car purchasing and cloud computing – and divested from three companies, realizing high capital gains in the process. The remaining portfolio, consisting of 20 holdings, developed very well. In India, two direct investments were made, including in the real estate portal indiaproerty.com. In Brazil, investments were also made in two online media start-ups.

Revenues in the Club business declined as planned in 2013. The operational business of the direct marketing company Inmediaone will be gradually phased out by mid-2014. The dismantling of the German Club continued with store closures,

and the businesses in the Czech Republic and Slovakia were sold to a strategic investor.

The Corporate Center department, which comprises all of the Group's Corporate Centers around the world, controlled and supported several large transactions in 2013, including the merger of Penguin and Random House into the world's leading trade book publishing group and the incremental placement of RTL Group shares on the Frankfurt Stock Exchange. Its work during the year also focused on the organization of a Management Meeting and "State of the Art Forum" in Silicon Valley, as well as the global employee survey. In the first half of 2013 the Bertelsmann Executive Board launched the operational excellence program, which is designed to monitor processes and structures in the financial, HR, IT and procurement departments across the Group. The program will support Group strategy by modernizing structures, improving efficiency and creating uniform standards of quality. It will be implemented in several stages over a period of up to five years.

General Statement by the Company Management on the Economic Situation

2013 was a successful financial year for Bertelsmann, in which progress was made in all strategic priorities. Of the existing businesses, the German television business in particular achieved solid growth. Despite the uneven development of the European advertising markets and the structurally declining businesses, Bertelsmann was able to fulfill its revenue and earnings expectations. In 2013, Bertelsmann generated consolidated revenues of €16.4 billion, an increase of 1.8 percent. On an organic basis, adjusted for currency and portfolio effects, consolidated revenues fell by 2.8 percent. The organic revenue decline is attributable to the weak European advertising markets overall, the extraordinarily strong previous year at Random House, the impact of structurally declining businesses and deliberately managed revenue development at Arvato. Taking into account the normalized book publishing business, revenue development was in line with expectations (outlook in Annual Report 2012: stable or slightly declining). Operating EBIT of €1,754 million (previous year: €1,732 million) was slightly above the previous year (outlook in Annual Report 2012: moderately below the previous year's figure). Operating EBIT includes investments in digitization projects and start-up losses for new businesses. Return on sales achieved a solid level of earnings at 10.7 percent (outlook in Annual Report 2012: at least 10 percent).

In 2013, the successful implementation of strategic measures paved the way for Bertelsmann to become a faster-growing, more digital and more international Group. Strengthening the core businesses in the reporting period resulted in the expansion of the families of channels at RTL Group, the merger of Penguin and Random House and the new organizational structures at Gruner + Jahr and Arvato. At the same time the structurally declining businesses were scaled back. This is shown in the initiated closure of the gravure printing location at Itzehoe, the disposal of the replication business in Brazil as well as the announcement that the activities of the direct marketing company Inmediaone will be terminated. The digital transformation was driven forward through the expansion of the nonlinear TV offerings at RTL Group, the increase in e-book revenues at Penguin Random House and the specific alignment of Gruner + Jahr Germany according to defined Communities of Interest. The growth platforms were developed in particular through the acquisition of the financial service provider Gothia, the full takeover of BMG and additional investments in University Ventures. The presence in growth regions was strengthened in particular by RTL Group's participation in RTL CBS Asia Entertainment Network in Southeast Asia, the growth of Arvato China and through Bertelsmann Asia Investments.

Bertelsmann's net assets and financial position remain positive. The financial strength was improved as a result of the proceeds generated from the reduction in the RTL shareholding in the reporting period. In view of the cash and cash equivalents available as of December 31, 2013, of €2.7 billion, the liquidity situation is good. The ratings agencies Moody's and S&P rated Bertelsmann as "Baa1" and "BBB+" respectively and with a stable outlook. Taking into account the solid liquidity and financing base as well as the positive business performance, Bertelsmann considers that the Group's overall financial situation is positive and thus provides a suitable starting basis for further implementation of the strategic growth targets.

Significant Events After the Balance Sheet Date

In January 2014, Arvato took over significant parts of 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.

In February 2014, BMG acquired a 100-percent interest in the Dutch music publishing company Talpa Music B.V. The music company currently owns over 37,000 songs including many electronic dance music titles. The company also represents the publishing interests of various dance labels.

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

Non-Financial Performance Indicators

Employees

At the end of the financial year, the Group had 111,763 employees worldwide (previous year: 104,286). The increase of 7,477 employees is attributable primarily to strategic portfolio expansions. In 2013, there were 1,304 people (previous year: 1,254) serving in trainee positions in Bertelsmann companies in Germany.

Implementing and developing the partnership-based corporate culture is one of the top priorities of human resources (HR). For this reason, in 2013 the HR strategy initiatives that were agreed in the previous year were driven forward. For example, the new executive remuneration structure was introduced on other levels. The system that had previously been dominated by financial objectives was extended to include other objective criteria, including a number of qualitative criteria. Thus, among other things, the quality of management performance is included as a criterion for determining variable remuneration.

The focus of HR work in 2013 was the global employee survey. Once again, the survey achieved a record level of participation at 86.9 percent. The results were broken down to the departmental level and compiled into approximately 10,000 result reports and were made available to executives. This ensures that the results are worked on not only at divisional and Group level but also at team and company level.

Bertelsmann aims to promote diversity at all levels of the company. The diversity conference, which took place for the first time in February 2013, provided a forum for discussions about the level of diversity within the Group. Together with international executives from the Group, the conference developed and discussed key work aspects and measures to strengthen diversity.

In order to promote internationality and diversity within the Group, the annual careers event "Talent Meets Bertelsmann" was given an international focus. Over 450 people applied, and 63 of these were invited to Berlin for three days to exchange ideas with 80 company representatives, to receive professional career coaching and to present the results of their workshop to members of the Executive Board and the GMC. Since 2012, two women have been on the Executive Board of Bertelsmann Management SE, and the GMC has 15 members from seven countries – including six women.

In August 2013, "peoplenet" was introduced to make it easier for employees to access further training measures worldwide. Employees can use this online platform to find comprehensive information about all relevant training and further education programs and can apply for these directly on the system. At the end of 2013, "peoplenet" was initially made available to around 30,000 employees in Germany, and it will be extended to other locations in 2014. In parallel, Bertelsmann University and Bertelsmann Academy are continuously working on the development of their courses in line with the new Group strategy. For example, Bertelsmann University is largely responsible for designing and implementing the Digital Excellence Initiative in cooperation with Corporate Development.

Corporate Responsibility

Taking responsibility – for employees, for the quality of media and services and for the impact the corporate activities have on society and the environment – is a key component of Bertelsmann's corporate culture. For decades, the Bertelsmann Essentials have specified corporate responsibility as one of their main goals and as a basic value for all of the company's employees, executives and shareholders.

Since 1974, Bertelsmann has regularly published an account of its commitment and activities in addition to the financial performance targets. To satisfy the growing demands of its stakeholders in relation to social and ecological topics, the Group publishes relevant information and facts and figures about corporate responsibility and compliance on its website. Since 2008, Bertelsmann has been a member of the UN Global Compact and, as part of the annual progress reporting, provides information about the measures that have already been realized and those that are planned. In accordance with the partnership-based principle of delegating responsibility, specific corporate responsibility projects are implemented in a decentralized way in the individual divisions. Key action areas are employee responsibility, promoting reading and media literacy, aid and donation campaigns through the media, responsibility for content, and environmental and climate protection.

Bertelsmann's "be green" environmental initiative promotes corporate responsibility in the areas of environment and climate protection. With the support of the independent ecological research institute IFEU, Bertelsmann produces a regular carbon footprint report in accordance with the globally recognized stipulations of the GHG protocol. This report was drawn up again in 2013 and audited by the auditing firm PwC. The carbon footprint report is an important component of the further development of the corporate responsibility strategy with the aim of ensuring that Bertelsmann as a company will use resources in a more eco-friendly and efficient way in order to remain competitive over the long term. On June 5, 2013, UN "World Environment Day," the global "be green Day" was held for the fourth time across the Group. Employees at around 40 locations in 13 countries took part.

Innovations

Businesses traditionally invest in the research and development of new products in order to ensure their long-term competitiveness. The media sector has a similar imperative to create innovative media content and media-related products and services in a rapidly changing environment. This means that rather than traditional research and development

activities, for Bertelsmann, its unique power of innovation is important. Long-term success of the Group depends heavily on using flexible business models, investing in growth markets and integrating new technologies. Innovative expertise is also a key driver of Bertelsmann's organic growth.

Bertelsmann relies on innovation and growth in core operations and new business fields. The key factors of Bertelsmann's innovation management include continuously following cross-industry trends and observing new markets. At a Group level, Bertelsmann works with the divisions to continuously identify and implement innovative business strategies. Alongside the market-oriented activities, support is given to Group-wide initiatives that actively promote knowledge transfer and collaboration. At regular innovation forums, executives meet with internal and external experts to examine relevant technological, economic and social trends and develop recommendations for action for their own businesses. This form of collaboration, network building and organized collective knowledge transfer is essential to Bertelsmann in order to turn business ideas and innovations into business reality. This close link between centralized and decentralized elements of innovation management allows Bertelsmann to play an active role in shaping the rapidly transforming media business and ensuring long-term success.

RTL Group's innovation management is focused on three core topics: developing and acquiring new, high-quality TV formats; using all digital distribution means; and expanding various forms of marketing and monetization. Further developing nonlinear and mobile TV services is particularly important. Besides the popular ad-financed catch-up TV services such as RTL Now in Germany and 6Play in France, the RTL Group channels are also working to establish pay models in the on-demand business. For example, RTL Nederland acquired the majority share of the leading pay-video-on-demand service in the Netherlands in June 2013. Furthermore, in spring 2014, in conjunction with SBS and the Dutch public broadcasting service, RTL Nederland will launch the platform NL Ziet, where users can stream content from the three families of channels via a single contact point. RTL Group is also working on securing a leading position on the video portal YouTube. Here, the production subsidiary Fremantle Media and the recently acquired majority stake in the multichannel network BroadbandTV play a key role. Mediengruppe RTL Deutschland is expanding its digital distribution through new agreements governing the broadcasting of linear TV channels via the online platforms Zattoo and Magine. The continued development of online video advertising sales on all screen and TV platforms is one of the key digital growth segments for RTL Group. RTL Group offers advertisers a large number of new interactive forms of advertising parallel to linear TV

use, for example, via M6 Connect or the dynamic integration of advertising spots in closed TV services such as RTL Now and Vox Now on "Select Video" from Kabel Deutschland. Synergy Committees act as an organizational platform for exchanging information and knowledge in the decentralized RTL Group. These are made up of executives and experts from the RTL Group's operating units and Corporate Center and hold meetings several times a year.

The newly merged Penguin Random House brings together and leverages the previously individual Penguin and Random House innovative initiatives for the entire publishing process on a global scale. Penguin Random House is constantly exploring new ways to discover and nurture authors' voices, enhance the power of their writing, and spread their messages everywhere with traditional and developing content platforms. As a leading content provider, the publisher offers more than 77,000 e-books worldwide, and an increasing, wide array of award-winning apps and format start-up partnerships. Penguin Random House is rapidly expanding its social media reach to intensify relationships with readers and its publisher and author brands. Through its growing investments in virtual information and service platforms, Penguin Random House will continue to present its authors with tools and tutorials to enhance their connectivity and discoverability.

Gruner + Jahr is expanding its publishing business along all media-based platforms and value chains. This includes the qualitative development of the existing portfolio, the launch of new titles, the digital transformation of journalistic content into new digital channels and the development and expansion of complementary services offered in the Communities of Interest prioritized by Gruner + Jahr. In advertising marketing, the focus was on gaining additional market shares, expanding cross-media marketing, the international roll-out of performance marketing and expanding the mobile unit.

Arvato is aiming to become the best business partner for its customers by being innovative, agile, flexible and international. In order to increase its innovative power, Arvato adapted its internal structures in 2013 and, in the future, will be organized according to seven Solution Groups (CRM, SCM, Financial Solutions, IT Solutions, Digital Marketing, Print Solutions and Replication). These competence areas will be responsible for the global development of Arvato in the respective business segments. Their primary aim is to develop and market innovative, integrated solutions. Arvato is also increasing its innovative power by investing in new technologies and by taking over companies in fast-growing service segments. In 2013, for example, it acquired the international Gothia Financial Group, which has an innovative service portfolio particularly in the growing e-commerce services market.

Be Printers is developing and investing in print-related solutions and products for its customers in order to generate new business and strengthen the business relationship through additional offers. In 2013, innovations in the digital solutions sector and in the non-book business were developed further. These primarily consist of the POS Marketing Terminal (customer terminal for retailers) and print-based communication campaigns in traditional direct marketing. In addition, Be Printers is continuously working on concepts for the further development of print products, looking above all at the interaction with digital media.

Risks and Opportunities

Risk Management System

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

The risk management process is based on the international accepted frameworks of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Enterprise Risk Management – Integrated Framework and Internal Control – Integrated Framework, respectively) and is organized in sub-processes of identification, assessment, management, control and monitoring. A major element of risk identification is the risk inventory that lists significant risks year by year, from the profit center level upward, and then aggregates them step by step at the division and Group levels. This ensures that risks are registered where their impact would be felt. There is also a Group-wide reassessment of critical risks every six months and quarterly reporting even if no risk event occurs. Ad hoc reporting requirements ensure that significant changes in the risk situation during the course of the year are brought to the attention of the Executive Board. The risks are compared against risk response and control measures to determine the so-called net risk. Both one-year and three-year risk assessment horizons are applied to enable the timely implementation of risk management measures. The basis for determining the main Group risks is the three-year period, similar to the medium-term corporate planning. The risk, measured against

possible financial loss, is the product of the estimated negative impact on the free cash flow should the risk occur and the estimated probability of occurrence. Risk monitoring is conducted by Group management on an ongoing basis. The RMS, along with its component ICS, is constantly undergoing further development and is integrated into ongoing reporting to the Bertelsmann Executive Board and Supervisory Board. Corporate risk management committees and divisional risk meetings are convened at regular intervals to ensure compliance with statutory and internal requirements.

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

Accounting-Related Risk Management System and Internal Control System

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

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

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

Major Risks to the Group

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

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

Strategic and Operational Risks

The development of the global economy in 2013 reflected the moderate growth level of the previous year. In 2014, the subdued global growth dynamic of recent years is expected to accelerate slightly. Although uncertainty over economic developments has eased somewhat, Bertelsmann's business development is still dogged by certain risks. Assuming the continuing normalization of the overall economic situation, Bertelsmann expects stable development of Group revenues for 2014. In addition to the risk from economic development, other significant Group risks include customer risks, the risks from changes in the market environment, supplier relationship risks and pricing and margin risks. How these risks develop depends, among other things, to a large extent on changes in customer behavior due to factors such as the digitization of media, the development and implementation of products and services by current and future competitors, bad debt losses as

Overview of Major Risks to the Group

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

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

■ Existing risks

well as default and interference along the production chains in individual sectors such as IT. Employee-related risks, the integration risks associated with the Penguin Random House merger and the audience and market share are moderate risks for Bertelsmann.

The most important risks for RTL Group are a decrease in audience and advertising market shares as well as risks arising from changes in market environment and economic downturns. A decrease in audience shares could lead to decreasing revenues. RTL Group actively monitors international market changes and program trends. This is increasingly the case in the digital world, where audiences generally have more choice and market entry barriers are reduced. Higher competition in program acquisition, ongoing audience fragmentation and expansion of platform operators may also impact RTL Group's ability to generate revenues. Furthermore, economic development directly impacts the advertising market and therefore RTL Group revenue. With a focus on developing non-advertising revenue streams this risk is countered. Apart from potential cost increases triggered by content suppliers, the business can be impacted by the risk of losing key suppliers of content and customers. To address these risks, long-term contracts with major content providers are closed, and active customer relationship management is established. RTL Group's strategy is also to further diversify its business by establishing complementary families of channels and utilizing the opportunities presented by digitization.

The principle risk for Penguin Random House arises from the merger of the two companies. As with any merger of this size, the process of integrating the two companies, and in particular

the process of integrating the companies' IT systems, creates significant risks. Management has established work streams to carry out the integration plan and is closely monitoring its progress. Otherwise, the creation of the larger company has increased the scale of, but has not significantly altered the nature of, the risks that Random House faced prior to the merger. The increase in the digital portion of the business presents opportunities, but also creates challenges related to pricing and customer margin. The overall market trend, especially toward declining physical sales in book stores, could threaten the long-trend viability of certain customers and will likely result in continued margin pressure. Also, higher paper prices and general economic uncertainty continue to pose risks. The risk minimization strategy includes credit insurance to limit bad debt risks, long-term contracts with suppliers and a flexible cost structure in response to economic downturns. The continuing decline in store space of physical book retailers will be partially mitigated by e-book and online sales of physical books and further measures to improve the competitive situation.

The risks from a changing market environment constitute the greatest risk position for Gruner + Jahr. There is also the particular risk that higher agency discounts in the German advertising markets and the growing significance of digital advertising will lead to falling margins. The aim is to reduce risks through active customer management, including new forms of offers. The risk of a deterioration of the overall market environment and resulting falls in advertising and circulation revenues remains. Countermeasures include cost savings and reviewing individual titles. On the supplier side, there is still a risk of increasing commissions being charged by individual

distributors. Furthermore, there is the risk of losing key customers, for example as advertising customers could switch to other media, coupled with the risk associated with upcoming tenders in the client business. These are to be addressed through targeted measures for key account customers as well as marketing measures. Advertising restrictions discussed at the EU level (e.g., car advertising) could lead to declining advertising revenues.

Arvato sees itself particularly exposed to risks from customer relationships, risks from a changing market environment as well as risks from supplier relationships. The reorganization in the form of a matrix and a clear division into Solution Groups while simultaneously taking into account the regional dimension will make it possible to target customers more effectively and help to reduce these risks. The potential loss of key customers is being counteracted through active key account management, long-term contracts with flexible cost structures and through integrated service elements. Offering key customers a successful bundle of services reduces the risk of losing an entire service relationship. The markets in which Arvato operates and that are characterized by overcapacity (primarily replication) show sustained price pressure. In other areas, competitors are following Arvato's strategy by expanding their value chains, which is increasing the level of competition. New competitors entering the market could intensify the competitive pressure and lead to lower margins. By constantly developing the range of services, the aim is to improve the competitive position and increase customer loyalty through integrated solutions together with a trend toward higher value added. A worsening of the economic environment could result in declining revenues and thus lower margins, which would necessitate cost-cutting measures and capacity downsizing. The broad diversification across customers, sectors and regions helps to reduce this risk. On the procurement side is the risk that the procured intermediate products could be of inferior quality, leading to corresponding subsequent costs. Increased procurement prices that cannot be passed on to customers constitute further risks. Countermeasures include agreeing long-term contracts and monitoring the supplier market. The ongoing trend toward digitization entails further risks for individual customer segments of Arvato, particularly in the manufacturing and distribution of physical media products. These risks are being addressed, for example, by developing business priorities, which comprise digital services. Furthermore, business segments that offer no strategic or economic prospects are being deliberately scaled back. The handling of IT risks with sector-specific requirements (data protection and data security requirements) is an additional risk for Arvato as an international service provider. This risk is being reduced by introducing an Information

Security Management System based on the ISO 27001 standard, which is used to systematically identify and resolve information security risks.

Customer risks, in particular the greater dependence on a few major customers in structural terms, are the most significant risks for Be Printers. There are also risks from the market environment, which is characterized by shrinking markets and overcapacity. Risks can arise from a continuing market concentration leading to tougher price competition and lower margins. Deterioration in the economic environment may lead to declining circulations with a negative impact on earnings. The same applies to the increasing spread of digital end devices, which is resulting in a decline in printed media. There are further risks on the supplier side associated with rising raw material prices – particularly for paper – that cannot be passed on to customers. The risk minimization strategy is based, among other things, on flexible contractual arrangements, particularly for key accounts. Other key elements of this strategy include the agreement of price-adjustment clauses, optimizing cost structures and making them more flexible as well as ongoing market monitoring.

Corporate Investments essentially comprises the fund investments and BMG as well as the Group's remaining Club and Direct Marketing activities. From a Group perspective, the identified risks are of minor importance.

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

Integration Risks from Acquisitions Carried Out

As well as organic growth, the Group's development strategy includes targeted acquisitions of promising businesses. These types of acquisitions, such as in 2013 the merger of Penguin Random House, the takeover of the remaining shares in BMG and the acquisition of Gothia, present opportunities as well as risks. Integration into the Group requires one-time costs that are usually offset by increased benefits in the long term thanks to synergy effects. In this context, there are risks in that the integration costs may be higher than expected or the predicted level of synergies may not materialize. The integration processes are therefore being permanently monitored by management.

Information Technology Risks

For a global media company like Bertelsmann, the reliability and security of information technology is crucial. This means that the Group is now facing a wide range of IT risks. Challenges are constantly increasing as the business environment becomes more and more complex due to the increasing networking and IT penetration of business processes, many internal processes that are not yet standardized and potential external risks. In the future, this issue will be actively addressed by the introduction of the Group-wide Information Security Management System. The implementation of the management system includes regular and structured monitoring of compliance with the regulations as well as systematic recording of information security risks and deriving appropriate measures.

Legal and Regulatory Risks

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

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

At the end of January 2013, Kabel Deutschland (KDG) appealed a decision of the German Federal Cartel Office to settle a case in accordance with section 32b of the German Act Against Restraints of Competition following commitments of the channels of Mediengruppe RTL Deutschland to broadcast digital channels in standard quality unencrypted and to refrain from certain restrictions on the usage of digital signals in standard quality. The preliminary oral proceeding is scheduled for September 2014.

Foreign investments in media companies in the People's Republic of China are subject to restrictions. In order to comply with local legal provisions, some of the Bertelsmann participations in China are held by trustees. Bertelsmann has agreements with these trustees with respect to the securing

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

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

Financial Market Risks

As an international corporation, Bertelsmann is exposed to various forms of financial market risk, especially interest rate and currency risks. These risks are largely controlled centrally on the basis of guidelines established by the Executive Board. Derivative financial instruments are used solely for hedging purposes. Bertelsmann uses currency derivatives mainly to hedge recorded and future transactions involving foreign currency risk. Some firm commitments denominated in foreign currency are partially hedged when they are made, with the hedged amount increasing over time. A number of subsidiaries are based outside the euro zone. The resulting translation risk is managed based on economic debt in relation to operating EBITDA (leverage factor). Bertelsmann's long-term focus is on the maximum leverage factor permitted for the Group. Foreign currency translation risks arising from net investments in foreign entities are not hedged. Interest rate derivatives are used centrally for the balanced management of interest rate risk. The cash flow risk from interest rate changes is centrally monitored and controlled as part of interest rate management. The aim is to achieve a balanced ratio of different fixed interest rates by selecting appropriate maturity periods for the originated financial assets and liabilities affecting liquidity, and through the ongoing use of interest rate derivatives. The liquidity risk is regularly monitored on the basis of the planning calculation. The existing syndicated loan,

as well as appropriate liquidity provisions, form a sufficient risk buffer for unplanned payments. Counterparty risks exist in the Group in invested cash and cash equivalents and in the default of a counterparty in derivatives transactions. Financial transactions and financial instruments are restricted to a rigidly defined group of banks with an excellent credit rating. Existing risks from investing cash and cash equivalents are continuously monitored. Financial investments are generally made on a short-term basis so that the investment volume can be reduced if the credit rating changes (see also further explanatory remarks on “Financial Risk Management” in section 25 of the notes).

Overall Risk

The overall risk position has increased year on year primarily due to the increase in business volume through the Penguin Random House merger. The risks arising from the process of integrating the two companies are shown as an individual risk. Risks from technological challenges that were included in the top ten Group risks last year remain but they have become less significant. The continuing digital transformation of businesses is already largely anticipating the technological changes so that the risks in this connection are being increasingly reflected in other operating risks such as pricing and margin risks. As a result of the diversification of Group businesses, there are no concentration risks stemming from dependency on individual business partners or products in either procurement or sales. The Group’s financial position is solid, with liquidity needs currently covered by existing liquidity and available credit facilities.

No risks endangering Bertelsmann’s continued existence were identified in financial year 2013, nor are any substantial risks discernible from the current perspective that could threaten the continued existence of the Group.

Opportunity Management System

An efficient opportunity management system enables Bertelsmann to secure its corporate success in the long term and to exploit potential in an optimum way. Opportunities are possible future developments or events that could result in a positive deviation from outlook or objective for Bertelsmann. The opportunity management system, like the RMS, is an integral component of the business processes and company decisions. During the planning process, the significant opportunities are determined each year, from the profit center level upward, and then aggregated step by step at the division and Group levels. By systematically recording them on several reporting levels, opportunities that arise can be identified and

exploited at an early stage. This also creates an interdivisional overview of Bertelsmann’s current opportunities. A review of major changes in opportunities is conducted at divisional level every six months. In addition, the largely decentralized opportunity management system is coordinated by central departments in the Group. The department of Business Development and New Businesses continuously pursues strategic opportunity potential and seeks to derive synergies through targeted cooperation in the individual divisions. The interdivisional experience transfer is reinforced by regular meetings of the Group Management Committee.

Opportunities

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

Strategic opportunities can be derived primarily from the Group’s four strategic priorities. Strengthening core businesses, driving forward the digital transformation, developing growth platforms and expanding in growth regions constitute the most important long-term growth opportunities for Bertelsmann (see section “Strategy”). In particular, there are general opportunities for exploiting synergies as a result of the portfolio expansions. Furthermore, there is potential in the existing divisions for efficiency improvements and the possibility of more favorable economic development as well as individual operational opportunities. For RTL Group, the TV advertising markets in some core markets could develop better than expected. The many different possible applications for the increasingly digital means of distribution will allow RTL Group to target their end customers and advertising customers more effectively. At Penguin Random House, successful debut publications, strong market growth and higher e-book revenues provide further opportunities. Gruner + Jahr has opportunities in international markets through new and digital businesses. In the magazine business, growth may be achieved particularly in Spain, China and India through higher advertising revenues. At Arvato, the ongoing trend toward outsourcing and the successful development of new businesses are creating opportunities. Arvato could benefit in particular from higher growth of SCM activities in the e-commerce, high-tech and health-care segments and additional new business from the CRM Solution Group. There are also opportunities for growth in the Solution Groups: IT Solutions, Financial Solutions, Digital Marketing and Print Solutions. The Be Printers print businesses, particularly in

Southern Europe, may decline less steeply through additional volume and new customers. This would provide opportunities from the targeted servicing of market segments that are still growing. At Corporate Investments, there is potential for growth thanks to lower restructuring costs in the Club and Direct Marketing businesses. In addition, potential artist signings or music catalog takeovers could offer growth opportunities for BMG. The current innovation efforts detailed in the "Innovations" section offer further potential opportunities for the individual divisions.

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

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

Outlook

Anticipated Overall Economic Development

Bertelsmann anticipates the economic conditions will develop as follows in 2014. In the reporting period, the subdued global growth dynamic of recent years is expected to accelerate slightly. The Institute for the World Economy at the University of Kiel (IfW) forecasts that the global economy will grow by 3.7 percent in real terms in 2014. The recovery based on the gradually stabilizing economic conditions in Europe and the ongoing course of recovery in the United States is being supported by the continuing expansive monetary policy. However, compared with the high level of previous years, fewer growth stimuli for the global economy are expected from the threshold countries.

For the United States, the IfW expects real growth of 2.3 percent in 2014. According to the IfW forecast, the euro zone will strengthen over the course of 2014 and achieve a real growth rate of 0.9 percent. The European Central Bank estimates that the economy in the euro zone will benefit from a recovery in domestic demand and a gradual increase in the demand for exports. Nonetheless, European economic development will still be adversely affected by the consolidation measures of indebted member states as well as by high unemployment. In view of the clear upturn in the UK, real growth of 2.0 percent is expected in 2014. The recovery of the euro zone will also improve German economic development. For 2014, the IfW expects real growth of 1.7 percent in Germany. Domestic stimuli are playing a key role in the positive expectations. Private consumption benefited from favorable employment and income prospects, and investments are being driven by

the improving global economic environment and the easing of uncertainty.

Anticipated Development in Relevant Markets

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

In 2014, a stable overall development in the TV advertising markets in Germany and Benelux, declines in France and a slight to moderate recovery in Southern and Eastern Europe is expected. The English-, German- and Spanish-language book markets are expected to show largely stable development in 2014. In the magazine business, the advertising and circulation markets in Germany, France, Spain and China in 2014 are expected to continue to decline. In 2014, the services markets are expected to achieve growth similar to 2013, and the storage media markets are expected to continue to decline at the same rate as in the previous year. The European print markets for magazines, catalogs and promotional materials and the print market for books in the United States are expected to continue to decline in 2014.

Expected Performance

Despite the gradually easing uncertainty over economic developments, the forecasts are still subject to certain risks. The following expectations are therefore based on the assumption that the normalization of the overall economic situation will continue, and that most of the forecast market developments and the economic predictions of the research institutions will be realized.

Bertelsmann's business development will be determined by the diversity of some of its businesses. The presence in different markets and regions reduces possible fluctuations and has a stabilizing effect. For financial year 2014, Bertelsmann

anticipates that the positive business development will be driven by the stable market expectations for the TV advertising markets in Germany and Benelux, the stable book markets and the continuously growing service markets. The growth stimuli created in financial year 2013 through the strategic portfolio expansions will have a positive impact on Bertelsmann's growth profile over the next few years. The accelerated scaling back of structurally declining businesses – in particular, print, replication, Club and Direct Marketing – will also help to mitigate their negative impact.

In addition to the assumed market developments, the predicted economic developments in the geographic core markets of Western Europe and the United States are the basis of the expected business development. With the revenue and earnings share within the euro zone expected to remain at around 75 percent, the extent of growth is based on the forecasted real and nominal economic development. The IfW assumes that GDP in the euro zone will increase by 2.2 percent in nominal terms and by 0.9 percent in real terms in 2014. The OECD predicts that GDP in the euro zone will increase by 2.0 percent in nominal terms and by 1.0 percent in real terms in 2014. In view of these economic forecasts, Bertelsmann expects a stable development of Group revenues for 2014. Taking into account the strategic portfolio expansions made in the reporting period but not included for the whole year as of December 31, 2013, Bertelsmann expects a significant increase in Group revenues in financial year 2014. Despite incurring start-up losses for digitization projects and new businesses, Bertelsmann expects stable to slightly increasing operating EBIT compared with the previous year, which will more than offset the negative impact of structurally declining businesses. As a result of the

strategic portfolio expansions in financial year 2013, which are taken into account for the full year's period for the first time in 2014 as well as higher operating investments, Bertelsmann anticipates a significant increase in the level of invested capital in financial year 2014. Consequently, a low overall return on investment and a strong fall in BVA are expected.

The revenues of Penguin Random House will be strongly above the previous year's figure as they are taken into account for the full year's period in the consolidated financial statements for financial year 2014. Otherwise, the expected performance of any individual unit of key significance for the Bertelsmann Group is not expected to deviate significantly from that of the Group.

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

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

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			
Impairments on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations	7	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

	Subscribed capital	Capital reserve	Retained earnings				Bertelsmann shareholders' equity	Non-controlling interests	Total	
			Other retained earnings	Cumulated other comprehensive income ¹⁾						
				Currency translation differences	Available-for-sale financial assets	Cash flow hedges	Share of other comprehensive income of investments accounted for using the equity method			
in € millions										
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.

Notes

Segment Information (Continuing Operations)

in € millions	Penguin Random							
	RTL Group		House		Gruner + Jahr		Arvato	
	2013	2012 (adjusted)	2013	2012 (adjusted)	2013	2012 (adjusted)	2013	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		France		Other European countries		United States		Other countries		Continuing operations	
	2013	2012 (adjusted)	2013	2012 (adjusted)	2013	2012 (adjusted)	2013	2012 (adjusted)	2013	2012 (adjusted)	2013	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
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)

in € millions	Own products and merchandise		Advertising		Services		Rights and licenses		Continuing operations	
	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.

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

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

in € millions	BMG		Gothia Financial Group		Penguin Group		Other		Total	
	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

Foreign currency unit per €1		Average rate		Closing rate	
		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.

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

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.

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

in € millions	12/31/2013		12/31/2012	
	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	Other intangible assets						Total
	Goodwill	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

in € millions	Goodwill		Other intangible assets with indefinite useful life	
	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 equip- ment	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		At fair value		Derivatives with hedge relation		Total	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	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 price to be paid when exercising the remaining options is the average value of the shares of Métropole Télévision on the Paris Stock Exchange, taken over 20 trading days prior to the date of grant. The management free share allocation plan forms an exception to the above.

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

Options (Groupe M6)

in thousands	Average exercise price in € per share	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
	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	
Grant date										
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

in € millions	12/31/2012		Additions	Reversal	Usage	Other effects	Change of consolidation scope	Accrued interest	12/31/2013	
		of which > 1 year								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

in € millions	Current		Non-current			
	12/31/2013	12/31/2012	Remaining term in years		12/31/2013	12/31/2012
			1 to 5 years	> 5 years		
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

in € millions	12/31/2013		12/31/2012	
	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

in € millions	12/31/2013			12/31/2012		
	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

in € millions	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
		< 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			Total
		Up to 1 year	1 to 5 years	Over 5 years	
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

in € millions	Remaining term of liabilities		
	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

in € millions	Remaining term of liabilities		
	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

in € millions	Undiscounted interest payments			
	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

Measurement	Category according to IAS 39					Derivatives with hedge relation
	Loans and receivables	Available-for-sale	Financial assets initially recognized at fair value through profit or loss	Financial assets held for trading		
	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

Measurement	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
	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				
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					Balance as of 12/31/2012
	Financial liabilities at amortized cost	Financial liabilities held for trading	Derivatives with hedge relation	Payables out of scope of IAS 39		
					At amortized cost	
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

	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2013
in € millions				
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

	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2012
in € millions				
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

	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
in € millions					
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				
	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	Related amounts not set off 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				
	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	Related amounts not set off 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

in € millions	Nominal volume as of 12/31/2013				Nominal volume as of 12/31/2012			
	< 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

in € millions	Nominal volume		Fair values	
	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

in € millions	12/31/2013		12/31/2012	
	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. Inter-company 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:

"I 2 I" Musikproduktions- und Musikverlagsgesellschaft mbH	Cologne	arvato Print Management GmbH	Gütersloh
adality GmbH	Munich	arvato services Chemnitz GmbH	Chemnitz
arvato AG	Gütersloh	arvato services Duisburg GmbH	Duisburg
arvato analytics GmbH	Gütersloh	arvato services Erfurt GmbH	Erfurt
arvato backoffice services Erfurt GmbH	Erfurt	arvato services Essen GmbH	Essen
arvato direct services Brandenburg GmbH	Brandenburg	arvato services Leipzig GmbH	Leipzig
arvato direct services Cottbus GmbH	Cottbus	arvato services München GmbH	Munich
arvato direct services Dortmund GmbH	Dortmund	arvato services Rostock GmbH	Rostock
arvato direct services eiweiler GmbH	Heusweiler-Eiweiler	arvato services Schwerin GmbH	Schwerin
arvato direct services Frankfurt GmbH	Frankfurt am Main	arvato services solutions GmbH	Gütersloh
arvato direct services GmbH	Gütersloh	arvato services Stralsund GmbH	Stralsund
arvato direct services Gütersloh GmbH	Gütersloh	arvato services technical information GmbH	Harsewinkel
arvato direct services Münster GmbH	Münster	arvato services Teltow GmbH	Teltow
arvato direct services Neckarsulm GmbH	Neckarsulm	arvato Systems Business Services GmbH	Dortmund
arvato direct services Neubrandenburg GmbH	Neubrandenburg	arvato systems GmbH	Gütersloh
arvato direct services Potsdam GmbH	Potsdam	arvato Systems perdata GmbH	Leipzig
arvato direct services Rostock GmbH	Rostock	arvato systems S4M GmbH	Cologne
arvato direct services Schwerin GmbH	Schwerin	arvato systems Technologies GmbH	Rostock
arvato direct services Stralsund GmbH	Stralsund	arvato telco services Erfurt GmbH	Erfurt
arvato direct services Stuttgart GmbH	Kornwestheim	AVE Gesellschaft für Hörfunkbeteiligungen mbH	Berlin
arvato direct services Wilhelmshaven GmbH	Schortens	AZ Direct Beteiligungs GmbH	Gütersloh
arvato distribution GmbH	Harsewinkel	AZ Direct GmbH	Gütersloh
arvato Entertainment Europe GmbH	Gütersloh	BAG Business Information Beteiligungs GmbH	Gütersloh
arvato infoscore GmbH	Baden-Baden	BAI GmbH	Gütersloh
arvato IT services GmbH	Gütersloh	BC Bonusclub GmbH	Berlin
arvato Logistics, Corporate Real Estate & Transport GmbH	Gütersloh	BDMI GmbH	Berlin
arvato media GmbH	Gütersloh	Be Accounting Services GmbH	Gütersloh
		BePeople GmbH	Gütersloh
		Bertelsmann Aviation GmbH	Gütersloh

Bertelsmann Business Consulting GmbH	Gütersloh	Print Service Gütersloh GmbH	Gütersloh
Bertelsmann Capital Holding GmbH	Gütersloh	Probind Mohn media Binding GmbH	Gütersloh
Bertelsmann Music Group GmbH	Gütersloh	PSC Print Service Center GmbH	Oppurg
Bertelsmann Transfer GmbH	Gütersloh	Random House Audio GmbH	Cologne
Bertelsmann Treuhand- und Anlagegesellschaft mit beschränkter Haftung	Gütersloh	Reinhard Mohn GmbH	Gütersloh
BFS finance GmbH	Verl	rewards arvato services GmbH	Munich
BFS finance Münster GmbH	Münster	RM Buch und Medien Vertrieb GmbH	Gütersloh
BFS health finance GmbH	Dortmund	RM Customer Direct GmbH	Nordhorn
BFS risk & collection GmbH	Verl	RM Filial-Vertrieb GmbH	Rheda-Wiedenbrück
CBC Cologne Broadcasting Center GmbH	Cologne	RM Kunden-Service GmbH	Gütersloh
DeutschlandCard GmbH	Munich	RTL Creation GmbH	Cologne
DirectSourcing Germany GmbH	Munich	RTL Group Cable & Satellite GmbH	Cologne
Erste TD Gütersloh GmbH	Gütersloh	RTL Group Central & Eastern Europe GmbH	Cologne
Erste WV Gütersloh GmbH	Gütersloh	RTL Group Deutschland GmbH	Cologne
European SCM Services GmbH	Gütersloh	RTL Group Deutschland Markenverwaltungs GmbH	Cologne
Fremantle Licensing Germany GmbH	Potsdam	RTL Group Licensing Asia GmbH	Cologne
Gerth Medien GmbH	Aßlar	RTL Hessen GmbH	Frankfurt am Main
GGP Media GmbH	Pößneck	RTL interactive GmbH	Cologne
Global Assekuranz Vermittlungsgesellschaft mit beschränkter Haftung	Gütersloh	RTL Nord GmbH	Hamburg
Gothia Deutschland GmbH	Mainz	RTL Radio Berlin GmbH	Berlin
Gute Zeiten - Schlechte Zeiten Vermarktungs-gesellschaft mbH	Cologne	RTL Radio Center Berlin GmbH	Berlin
infoNetwork GmbH	Cologne	RTL Radio Deutschland GmbH	Berlin
informa Insurance Risk and Fraud Prevention GmbH	Baden-Baden	RTL Radiovermarktung GmbH	Berlin
informa Solutions GmbH	Baden-Baden	RTL West GmbH	Cologne
infoscore Business Support GmbH	Baden-Baden	rtv media group GmbH	Nuremberg
infoscore Consumer Data GmbH	Baden-Baden	Smart Shopping and Saving GmbH	Berlin
infoscore Finance GmbH	Baden-Baden	SSB Software Service und Beratung GmbH	Munich
infoscore Forderungsmanagement GmbH	Baden-Baden	UFA Cinema GmbH	Potsdam
inmediaONE GmbH	Gütersloh	UFA Cinema Verleih GmbH	Potsdam
IP Deutschland GmbH	Cologne	UFA Factual GmbH	Berlin
KWS Kontowechsel Service GmbH	Schortens	UFA Fiction GmbH	Potsdam
maul + co - Chr. Belser GmbH	Nuremberg	UFA Film und Fernseh GmbH	Cologne
Media Service Gesellschaft mbH	Verl	UFA GmbH	Potsdam
MEDIASCORE Gesellschaft für Medien- und Kommunikationsforschung mbH	Cologne	Ufa Radio-Programmgesellschaft in Bayern mbH	Ismaning
Medien Dr. phil. Egon Müller Service GmbH	Verl	UFA Serial Drama GmbH	Potsdam
Medienfabrik Gütersloh GmbH	Gütersloh	Universum Film GmbH	Munich
Mohn Media Energy GmbH	Gütersloh	Verlag RM GmbH	Gütersloh
MOHN Media Kalender & Promotion Service GmbH	Gütersloh	Verlagsgruppe Random House GmbH	Gütersloh
Mohn Media Mohndruck GmbH	Gütersloh	Verlegerdienst München GmbH	Gilching
Nayoki Interactive Advertising GmbH	Munich	Viasol Reisen GmbH	Berlin
NIONEX GmbH	Gütersloh	VIVENO Group GmbH	Gütersloh
Norddeich TV Produktionsgesellschaft mbH	Cologne	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	G+J Immobilien GmbH & Co. KG	Hamburg
11 Freunde Verlag GmbH & Co. KG	Berlin	G+J Wirtschaftsmedien AG & Co. KG	Hamburg
AZ fundraising services GmbH & Co. KG	Gütersloh	Gruner + Jahr AG & Co KG	Hamburg
Berliner Presse Vertrieb GmbH & Co. KG	Berlin	infoscore Portfolio Management GmbH & Co. KG	Verl
Dresdner Druck- und Verlagshaus GmbH & Co. KG	Dresden	Motor Presse Stuttgart GmbH & Co. KG	Stuttgart
G+J / Klambt Style-Verlag GmbH & Co. KG	Hamburg	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

Corporate Governance at Bertelsmann

The recognized standards stipulated in the German Corporate Governance Code in the version dated May 13, 2013 form the basis for Bertelsmann's guidelines on good and responsible corporate management and governance.

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

Corporate Management: Transparent Structures and Clear Decision-Making Processes

The general partner, Bertelsmann Management SE, represented by its Executive Board, is responsible for independently managing the company. The duties consist of determining the corporate objectives, the strategic direction of the Group, Group management, management training, as well as corporate planning and financing. The Executive Board provides the respective Supervisory Boards with regular, prompt and comprehensive reports on all matters that are relevant to business development and strategy implementation, planning, financial and earnings position, as well as risk situation and risk management. It ensures compliance with the provisions of law and corporate guidelines within the Group. The Executive Board Chairman coordinates the cooperation between the Executive Board and the Supervisory Boards and has regular consultation meetings with the chairmen of the two Supervisory Boards.

In addition, the Executive Board has established the Group Management Committee (GMC), which advises on important corporate strategy and development matters as well as other issues that affect the Group as a whole. This Committee, currently comprising 15 members, is composed of all members of the Executive Board and executives representing key businesses, countries, regions and selected Group-wide functions.

The Supervisory Board of Bertelsmann SE & Co. KGaA supervises the management of the business by the general partner and uses its extensive information and control rights for this purpose. In addition, the Supervisory Boards advise the Executive Board on strategic matters and significant business operations. The Executive and Supervisory Boards work in close cooperation and are therefore able to reconcile the demands of effective corporate governance with the need for rapid decision-making. Fundamental matters of corporate strategy and their implementation are discussed openly and coordinated in joint sessions. Any significant measures to be taken by the Executive Board are subject to the approval of the Supervisory Board. The Bertelsmann SE & Co. KGaA and Bertelsmann Management SE shareholders exercise their rights and vote at the respective General Meetings. The General Meetings vote on matters such as amendments to the articles of association and the appropriation of net income, and elect members to the respective Supervisory Board. The members of the Executive and Supervisory Boards are obliged to serve the company's best interests in their work. For some time, the delegation of tasks to committees of experts has been an integral component of the Supervisory Board's work at Bertelsmann. It serves to increase the monitoring efficiency and advisory expertise of the Supervisory Boards. The Supervisory Board of Bertelsmann Management SE has formed a Personnel Committee, and the Supervisory Board of Bertelsmann SE & Co. KGaA has formed an Audit and Finance Committee and a Working Group of Employee and Management Representatives. The Personnel Committee also performs the tasks of a nomination committee, in which capacity it recommends to the Supervisory Board of Bertelsmann Management SE suitable candidates for endorsement at the General Meeting. The Audit and Finance Committee of the Supervisory Board of Bertelsmann SE & Co. KGaA is also regularly involved in the accounting process and monitors the effectiveness of the internal control system, risk management system and internal auditing system. It also monitors the compliance

architecture within the Group. These committees prepare the topics to be addressed during the plenary meetings of the Supervisory Boards. The chairperson of the committees then report to the plenary meetings on the work performed. The Supervisory Boards' decision-making powers have been transferred to the committees to the extent permitted by law. The breadth and range of responsibilities and tasks delegated to these committees is continuously reviewed through various evaluation processes. The appropriate size of the Supervisory Boards and the experience and professional expertise of their members, who are drawn from a broad range of industries and areas of activity, are key factors in Bertelsmann's effectiveness and independence.

Diversity in Practice

At a global company like Bertelsmann, diversity should contribute to the Group's long-term economic success. This is reflected in the Group's management levels, among other areas. The Executive Board comprises three male and two female members. The 15-strong GMC has members from seven different countries, with female executives making up over 40 percent of the Committee. Furthermore, Bertelsmann aims to promote diversity at all levels of the company. Corresponding initiatives for strengthening diversity are being continuously expanded (see also section "Employees" in the Group Management Report). The diversity within the management positions is also reflected in the heterogeneous composition of the Supervisory Boards. Both Supervisory Boards are largely composed of professionally qualified and highly capable members with management experience, representing a broad range of backgrounds and lifestyles. Achieving diversity is an important consideration of the Supervisory Boards when nominating candidates for election by the General Meeting. The Supervisory Boards already have a significant proportion of female members. When nominating candidates for the Supervisory Boards, extensive consideration is always given to the aim of increasing the proportion of female members with suitable candidates; however, efforts to formally stipulate a binding female quota are not being undertaken. The same applies for stipulating the number of independent Supervisory Board members pursuant to the German Corporate Governance Code, as the Supervisory Board has always had what it considers to be a high proportion of independent members. Age limits

for members of the Supervisory Board are regulated in the respective articles of association.

Closed Group of Shareholders

Three foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) indirectly hold 80.9 percent of Bertelsmann SE & Co. KGaA shares, with the remaining 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the Bertelsmann SE & Co. KGaA and Bertelsmann Management SE General Meetings. BVG is responsible for upholding the interests of the foundations participating in Bertelsmann and of the Mohn family as indirect Bertelsmann SE & Co. KGaA shareholders, ensuring the continuity and autonomy of the company's management and preserving and cultivating Bertelsmann's distinctive corporate culture. BVG is controlled by a steering committee composed of three representatives of the Mohn family and three additional members who are not members of the Mohn family. Bertelsmann SE & Co. KGaA is a capital-market-oriented company but is unlisted. Nevertheless, its corporate governance activities closely follow the recommendations of the German Corporate Governance Code in the version dated May 13, 2013, which are primarily aimed at listed companies and those with access to capital markets within the meaning of section 161, paragraph 1, clause 2 of the German Stock Corporation Act (Aktiengesetz). Exceptions relate primarily to those guidelines that, in the opinion of Bertelsmann SE & Co. KGaA, apply to publicly held enterprises with large numbers of shareholders or anonymous shareholders. The individual remuneration and incentives paid to the members of the Executive Board and Supervisory Boards are not made public, and accordingly no remuneration report is prepared.

Compliance

Social responsibility and appropriate conduct toward employees, customers, business partners and public authorities are key elements of Bertelsmann's value system. This means that Bertelsmann has always given the highest priority to the principle of adhering to statutory provisions and internal regulations on the prevention of legal risks and their consequences. The Executive Board has continuously developed and expanded Bertelsmann's compliance structure and organization over time, including during financial year

2013. In particular, an update was made to the Code of Conduct originally introduced in 2008. The Code outlines binding minimum standards for responsible conduct within the company and raises awareness concerning potential legal risks. The Code also specifies contacts who can be consulted for advice, for reporting potential compliance violations in a secure and confidential manner, and for submitting suggestions for the improvement of compliance-related processes. Furthermore, the anti-corruption training and communication measures that were introduced during the previous year were continued in 2013. The Corporate Compliance Committee (CCC) established within the framework of the compliance organization holds regular meetings. The responsibilities of the CCC include monitoring the investigation of potential compliance violations and the measures taken. The CCC submitted the annual Compliance Report to the Executive Board and advised it on specific

and general responses to violations and compliance-related developments. The Ethics & Compliance (E&C) department has operational responsibility for compliance activities in the Bertelsmann Group, such as conducting training sessions, reviewing the reports received through the various whistle-blowing channels and coordinating investigations. It is supported within the divisions by E&C representatives who are responsible for implementing the E&C program at all levels of the company. The Executive Board and CCC submitted the annual Compliance Report to the Supervisory Board. All the reports of compliance violations received were investigated, and appropriate actions were taken. The report also included suggestions for increasing the effectiveness of measures designed to ensure compliance.

Executive Board

Supervisory Board

Report of the Supervisory Board



Christoph Mohn

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

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

Advising and Monitoring the Executive Board of Bertelsmann Management SE

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

The personally liable partner, represented by the Executive Board of Bertelsmann Management SE, provided the Supervisory Board with regular, prompt and comprehensive written and verbal reports on all significant issues of strategy, planning, business performance, the intended business policies and other fundamental management issues. A wide range of topics and projects were presented for discussion at the meetings of the Supervisory Board. Reporting of the Executive Board concerned, but was not limited to, the position and development of the company, especially the current business and financial position, and material business transactions, particularly major planned investments and divestments. Instances where business performance deviated from

official projections and targets were discussed in detail with the Supervisory Board, which reviewed these matters on the basis of the documentation submitted. The Supervisory Board obtained regular information concerning financial debt levels. The risk situation and risk management were also a focus of the work of the Supervisory Board. The internal control system, risk management system and internal auditing system were the subject of regular reports and discussions. The Supervisory Board also monitored and carefully followed corporate governance and compliance developments at Bertelsmann on an ongoing basis. The Executive Board and the Supervisory Board report jointly on corporate governance and compliance at Bertelsmann on pages 170–172.

Supervisory Board Plenary Meeting

In the plenary meetings, the Supervisory Board of Bertelsmann SE & Co. KGaA regularly heard reports from the Executive Board on the current business and financial position of the Group and of the individual divisions as well as reports on Group planning and material business transactions, particularly major planned investments and divestments. In connection with this, the Supervisory Board followed the progress of the merger of Random House and Penguin Books, the reorganization of Gruner + Jahr and Arvato, the acquisition of the remaining shares of BMG and the sale of RTL Group shares. In addition, the acquisition of the Norwegian company Gothia Financial Group and the e-commerce and logistics service provider Netrada by Arvato were addressed by the Supervisory Board. It also examined the closure of the Prinovis gravure printing location at Itzehoe and the termination of the direct marketing business of Inmediaone.

The Supervisory Board was kept regularly informed of the status of the implementation of the Group's strategy. During a full-day meeting in summer 2013 with the Bertelsmann Management SE Executive Board, the Bertelsmann SE & Co. KGaA Supervisory Board discussed fundamental issues of strategic Group development and was able to form an opinion on the status of the transformation of the Group portfolio into a more rapidly growing and more digital and international portfolio. Additional important topics in the Supervisory Board meetings included the discussion of the Group's guiding principle and leadership structure, and reviewing the results of the employee survey conducted in 2013. To the extent stipulated by law, the articles of association or bylaws, the plenary meeting took the necessary decisions. Thus, the annual and consolidated financial statements of Bertelsmann SE & Co. KGaA, as well as the proposal of the personally liable partner for appropriation of net income, were thoroughly

reviewed and approved in the Supervisory Board's financial review meeting in March 2014.

In financial year 2013, the Supervisory Board met for four meetings and one strategy retreat together with the Executive Board. The Audit and Finance Committee of Bertelsmann SE & Co. KGaA met four times and held two conference calls during this period. The Working Group of Employee Representatives on the Supervisory Board met a total of four times. The Supervisory Board Chairman maintained ongoing contact with the Executive Board outside the framework of Supervisory Board meetings, in particular with the Executive Board Chairman, in order to stay abreast of the current business situation and significant transactions. With one exception, all Supervisory Board members attended at least half of the Supervisory Board meetings convened, and no potential conflicts of interest arose on the Supervisory Board.

The Supervisory Board addressed the German Corporate Governance Code and Bertelsmann's compliance therewith. A joint report by the Supervisory and Executive Boards of Bertelsmann Management SE on corporate governance within the company is provided on page 170f. of this Annual Report. As a non-listed company, Bertelsmann also opted not to issue a formal declaration of compliance as per section 161 of the German Stock Corporation Act.

Supervisory Board Audit and Finance Committee

Within its sphere of responsibility, the Supervisory Board of Bertelsmann SE & Co. KGaA established the Audit and Finance Committee to perform its tasks efficiently. The Audit and Finance Committee has six members, while the Chair of the Supervisory Board does not lead this Committee. The German Corporate Governance Code stipulates that the Chair of the Audit and Finance Committee is independent for the purposes of the Code requirements and has special knowledge and experience in the application of accounting standards and internal control procedures. In particular, and in accordance with its mandate, the Audit and Finance Committee discussed issues of corporate financing and financial planning, fiscal policy, improvement of the internal control system and monitoring the Operational Excellence project – the goal of which is to evaluate and optimize structures and processes of the support functions of finance, IT and human resources – as well as any negative deviations of business performance from budgeted performance. A further focus was the auditing of the annual financial statements and the consolidated financial statements in March 2014. In this role, the Committee also addressed the independence of the auditor and the additional services performed by the latter. The Audit and Finance Committee discussed initial findings from the audit of the annual financial statements in a conference call with

the auditor before the actual financial review meeting. The 2013 Interim Report was extensively discussed with the Committee prior to publishing in August 2013. In the reporting period, the Committee also thoroughly examined the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, and it also requested regular reports from the Head of Corporate Audit and Consulting. In financial year 2013, the Audit and Finance Committee also closely addressed the issue of compliance and the compliance structures in the Bertelsmann Group and requested regular reports from the Executive Board.

Working Group of Employee Representatives on the Supervisory Board

In addition to the Audit and Finance Committee, the Supervisory Board also established the Working Group of Employee Representatives on the Supervisory Board. This Committee facilitates the Executive Board's dialog with employee representatives on the Supervisory Board about corporate culture issues as well as the preparation and discussion of matters that are relevant to the Supervisory Board. The creation of this Working Group is indicative of the special corporate culture at Bertelsmann, which promotes active partnership, and this idea has proven highly productive in practice.

Audit of the Annual and Consolidated Financial Statements

PricewaterhouseCoopers AG, Frankfurt, audited the annual and consolidated financial statements produced by the Bertelsmann Management SE Executive Board for the financial year January 1 through December 31, 2013, as well as the Bertelsmann SE & Co. KGaA management and Group management reports dated December 31, 2013, each of which received an unqualified auditor's opinion. The annual financial statements were produced in accordance with HGB (German Commercial Code), and the consolidated financial statements of Bertelsmann SE & Co. KGaA were produced in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union in line with section 315a HGB. The Supervisory Board's Audit and Finance Committee mandated the auditor of the annual financial statements and consolidated financial statements in accordance with the Annual General Meeting resolution. The auditor performed the audit in observance of German accepted auditing principles established by the German Institute of Independent Auditors (IDW). The auditor was additionally instructed to audit the risk early warning system at Bertelsmann SE & Co. KGaA, which it found to be satisfactory as per section 91 (2) AktG (German Stock Corporation Act). The auditor and Group auditor of the annual and consolidated financial statements promptly submitted financial statement documents and the audit reports to

all members of the Supervisory Board by the specified deadline in advance of the financial review meeting. On March 21, 2014, the auditor attended the financial review meetings in both the Audit and Finance Committee and the plenary session of the Supervisory Board and gave an extensive report and answered questions. He was able to confirm that, in the course of the audit, no significant weaknesses had been identified in the accounting-related internal control system. The Audit and Finance Committee discussed the annual financial statement documents and audit reports in detail. The findings of the auditor and Group auditor of the annual and consolidated financial statements were carefully reviewed in an internal audit of the annual and consolidated financial statements. The Audit and Finance Committee reported comprehensively to the plenary session of the Supervisory Board concerning the audit of the annual and consolidated financial statements and the audit reports.

The plenary session of the Supervisory Board reviewed the annual financial statements, management report, consolidated financial statements and Group management report, taking into account the recommendations of the Audit and Finance Committee and those contained in the audit reports and following further discussion with the auditor. The Supervisory Board concurs with the audit findings. After its own final scrutiny of the annual and consolidated financial statements and the management and Group management reports, the Supervisory Board – acting in accordance with the Audit and Finance Committee’s recommendation – has raised no objections. The financial statements produced by the Bertelsmann Management SE Executive Board are thus approved.

The Supervisory Board has furthermore reviewed the Bertelsmann Management SE Executive Board proposal as to the amount of net retained profits for appropriation to shareholders and concurs with said proposal. The amount of the dividend proposed by the Executive Board of Bertelsmann Management SE is appropriate, in the view of the Supervisory Board, in consideration of the economic environment, the company’s economic situation and the interests of the shareholders.

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

Since the completion of the change of legal form in 2012, the business of Bertelsmann SE & Co. KGaA has been managed by the personally liable partner, Bertelsmann Management SE, represented by its Executive Board. The past financial year saw the following changes to the Executive Board of Bertelsmann Management SE: On November 30, 2012, Mr. Achim Berg was appointed as a member of the Executive Board of Bertelsmann Management SE with effect from April 1, 2013.

Effective December 31, 2013, Dr. Thomas Hesse resigned from the Executive Board of Bertelsmann Management SE. The Supervisory Board would like to thank Dr. Hesse for his valuable contribution to the development of the corporate strategy and the transformation of the businesses.

The reporting period saw the following changes to the Supervisory Board:

Since January 1, 2013, Mr. Christoph Mohn has been the new Supervisory Board Chairman. In this position, he succeeded Mr. Gunter Thielen, who resigned from the Supervisory Board upon reaching retirement age as of the end of 2012. Upon completion of the Annual General Meeting of Bertelsmann SE & Co. KGaA on May 6, 2013, Ms. Christa Gomez resigned as a member of the Supervisory Board. The Annual General Meeting of Bertelsmann SE & Co. KGaA elected Ms. Christiane Sussieck as the employee representative member of the Supervisory Board. The Supervisory Board would like to thank Ms. Christa Gomez for the constructive cooperation over many years. Currently, all twelve members of the Supervisory Board of Bertelsmann Management SE are also members of the presently 17-strong Supervisory Board of Bertelsmann SE & Co. KGaA.

In 2013, the growth of the global economy slowed slightly. With the exception of Germany, the TV advertising markets in the key European countries declined. The English-, Spanish- and German-language book markets showed largely stable development, despite the strong bestseller performance in the previous year. The European magazine markets were characterized by sharply falling advertising and circulation business in some areas. The decline in the European print and global storage media markets also continued. Due to the ongoing outsourcing trend, the service markets continued to develop positively. Overall, the Group achieved a good operating result and an adequate return on sales with slight revenue growth.

The Supervisory Board would like to express its gratitude for the excellent work of the Executive Board during financial year 2013 and would like to thank all executives and employees for their commitment and achievements.

Gütersloh, March 21, 2014



Christoph Mohn
Chairman of the Supervisory Board

Supervisory Board

Christoph Mohn

Chairman

Chairman of the Reinhard Mohn Stiftung
Managing Director, Christoph Mohn Internet Holding GmbH

- Bertelsmann Management SE (Chairman)

Liz Mohn

Chairwoman of the Board of
Bertelsmann Verwaltungsgesellschaft mbH (BVG)
Vice Chairwoman of the Executive Board,
Bertelsmann Stiftung

- Bertelsmann Management SE

Prof. Dr.-Ing. Joachim Milberg

Vice Chairman

Chairman of the Supervisory Board, BMW AG

- Bertelsmann Management SE (Vice Chairman)
- BMW AG (Chairman)
- Festo AG (Chairman until April 18, 2013)
(Vice Chairman since April 19, 2013)
- Deere & Company

Prof. Dr.-Ing. Werner J. Bauer

Former Executive Vice President of Nestlé AG,
Chief Technology Officer, Head of Innovation,
Technology, Research and Development

- Bertelsmann Management SE
(since January 28, 2013)
- GEA-Group AG
- Nestlé Deutschland AG (Chairman)
- LONZA S.A. (since April 9, 2013)

Dr. Wulf H. Bernotat

Former Chairman of the Executive Board, E.ON AG

- Allianz SE
- Bertelsmann Management SE
- Deutsche Annington Immobilien SE (Chairman)
(since June 18, 2013)
- Deutsche Telekom AG
- Metro AG

Kai Brettmann

Editorial Director Online, RTL Nord GmbH, Hamburg
Chairman of the RTL Group European Works Council
Chairman of the Mediengruppe RTL Deutschland Corporate
Works Council
Chairman of the Works Council of RTL Nord

Helmut Gettkant

Vice Chairman of Bertelsmann SE & Co. KGaA
Corporate Works Council

Christa Gomez (until May 6, 2013)

Vice Chairwoman
of arvato Media (VVA) Works Council

Ian Hudson

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

Horst Keil

Chairman of the Bertelsmann SE & Co. KGaA
Corporate Works Council

Dr. Karl-Ludwig Kley

Chairman of the Executive Board,
Merck KGaA

- Bertelsmann Management SE
- BMW AG (Vice Chairman)
- Deutsche Lufthansa AG (since May 7, 2013)
- 1. FC Köln GmbH & Co. KGaA (Chairman)
(until June 30, 2013)

Dr. Brigitte Mohn

Chairwoman of the German Stroke Foundation
Member of the Executive Board,
Bertelsmann Stiftung

- Bertelsmann Management SE
- Phineo gAG
- Rhön-Klinikum AG

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

Hartmut Ostrowski

Former Chairman of the Executive Board of Bertelsmann AG

- Bertelsmann Management SE
- DSC Arminia Bielefeld GmbH & Co. KGaA (Chairman)
(since November 18, 2013)

Hans Dieter Pötsch

Member of the Executive Board, Volkswagen AG, Finance and Controlling Division

Chief Financial Officer, Porsche Automobil Holding SE

- AUDI AG, Ingolstadt
- Autostadt GmbH, Wolfsburg (Chairman)
- Bertelsmann Management SE
- Dr. Ing. h.c. F. Porsche AG
- VOLKSWAGEN FINANCIAL SERVICES AG, Braunschweig (Chairman)
- Bentley Motors Ltd., Crewe
- MAN SE
- Porsche Austria Gesellschaft m.b.H., Salzburg
- Porsche Holding Gesellschaft m.b.H., Salzburg
- Porsche Holding Stuttgart GmbH, Stuttgart
(since February 4, 2013)
- Porsche Retail GmbH, Salzburg
- Scania AB, Södertälje
- Scania C.V. AB, Södertälje
- Volkswagen (China) Investment Company Ltd., Beijing
- Volkswagen Group of America, Inc., Herndon, Virginia

Kasper Rorsted

Chairman of the Executive Board, Henkel AG & Co. KGaA

- Bertelsmann Management SE
- Danfoss A/S

Lars Rebien Sørensen

President and CEO, Novo Nordisk A/S

- Bertelsmann Management SE
- Danmarks Nationalbank
- Thermo Fisher Scientific

Christiane Sussieck (since May 6, 2013)

Chairwoman of Corporate Center Works Council/
Management Club and Direct Marketing Businesses,
Bertelsmann SE & Co. KGaA

Bodo Uebber

Member of the Executive Board, Daimler AG

Finance & Controlling / Daimler Financial Services

- Bertelsmann Management SE
- Daimler Financial Services AG (Chairman)
- Daimler Luft- und Raumfahrt Holding AG (Chairman)
(until June 14, 2013)
- Dedalus GmbH & Co. KGaA (until April 30, 2013)
- Mercedes-Benz Bank AG
- BAIC Motor Corporation Ltd. (since November 18, 2013)
- Delta Top Ltd. (since May 16, 2013)
- EADS Participations B.V. (until March 27, 2013)
- European Aeronautic Defence and Space Company
EADS N.V. (until March 27, 2013)

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

Committees of the Supervisory Board 2013 Bertelsmann SE & Co. KGaA

Audit and Finance Committee

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

Working Group of Employee Representatives

Liz Mohn (Chairwoman)
Kai Brettmann
Helmut Gettkant
Christa Gomez (until May 6, 2013)
Ian Hudson
Horst Keil
Christiane Sussieck (since May 6, 2013)

Committee of the Supervisory Board 2013 Bertelsmann Management SE

Personnel Committee

Christoph Mohn (Chairman)
Dr. Karl-Ludwig Kley
Prof. Dr.-Ing. Joachim Milberg
Liz Mohn

Executive Board

Dr. Thomas Rabe

Chairman

- Arvato AG (Chairman)
- BMG RM Germany GmbH (Chairman)
(until September 13, 2013)
- Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft (Chairman)
- Symrise AG¹⁾ (Chairman)
- Bertelsmann Capital Investment S.A.
(until October 7, 2013)
- Bertelsmann Digital Media Investments S.A.
- Bertelsmann Inc. (Chairman)
- Edmond Israel Foundation¹⁾
- Penguin Random House LLC (since July 1, 2013)
- RTL Group S.A. (Chairman)
- Springer Science+Business Media S.A.¹⁾
(until June 18, 2013)

Achim Berg (since April 1, 2013)

Chairman of the Executive Board, Arvato AG

Markus Dohle

Chief Executive Officer, Penguin Random House

- Direct Group Grandes Obras S.L. (since June 26, 2013)
- Penguin Random House Grupo Editorial S.A.
(since March 28, 2013)
- Penguin Random House LLC (since July 1, 2013)
- Prestel Publishing LLC (until June 29, 2013)
- Random House Children's Entertainment LLC
- Random House, Inc. (Chairman) (until June 30, 2013)
- Random House LLC (Chairman) (since May 29, 2013)
- Random House Studio LLC

Dr. Judith Hartmann

Chief Financial Officer

- Arvato AG (Vice Chairwoman) (since January 14, 2014)
- Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft
(since August 20, 2013)
- Bertelsmann Inc.
- Penguin Random House LLC (since July 1, 2013)
- RTL Group S.A. (since April 17, 2013)

Dr. Thomas Hesse (until December 31, 2013)

President Corporate Development and New Businesses

- Arvato AG (Vice Chairman) (until December 31, 2013)
- BMG RM Germany GmbH (until September 13, 2013)
- Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft
(until December 31, 2013)
- Penguin Random House LLC
(from July 1, 2013 until December 31, 2013)
- RTL Group S.A. (until December 31, 2013)

Anke Schäferkordt

Co-Chief Executive Officer of RTL Group S.A.

Managing Director Mediengruppe RTL

Deutschland GmbH

Managing Director RTL Television GmbH

- BASF S.E.¹⁾
- Software AG¹⁾

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

1) External mandates.

Auditor's Report

We have audited the consolidated financial statements prepared by Bertelsmann SE & Co. KGaA, comprising the income statement and the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the Executive Board of the personally liable partner Bertelsmann Management SE. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Bielefeld, March 12, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the

development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

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

Selected Terms at a Glance

Bertelsmann Value Added (BVA)

A performance indicator for assessing the profitability of operations and return on invested capital. The BVA is the difference between net operating profit after tax (NOPAT), defined as operating EBIT adjusted for a flat 33-percent tax, and cost of capital. Cost of capital is the product of the weighted average cost of capital (a uniform 8 percent after taxes) and invested capital (operating assets less non-interest-bearing operating liabilities).

Cash Flow

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

Contractual Trust Arrangement (CTA)

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

Corporate Governance

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

Coverage Ratio

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

Customer Relationship Management (CRM)

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

IFRS

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

Impairment

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

Leverage Factor

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

Operating EBIT

Earnings before interest, taxes and special items.

Operating EBITDA

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

Rating

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

SE & Co. KGaA

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

Special Items

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

Supply Chain Management (SCM)

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

Syndicated Credit Facility

Loan facility involving a consortium of banks.

Financial Calendar

May 8, 2014

Announcement of figures for the first three months of 2014

May 12, 2014

Payout of dividends on profit participation certificates for the 2013 financial year

August 29, 2014

Announcement of figures for the first half of 2014

November 13, 2014

Announcement of figures for the first nine months of 2014

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For global jobs and careers

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www.createyourowncareer.com

Information about Bertelsmann as an employer is also available on:



The Annual Report and current information about Bertelsmann are also posted on:

www.bertelsmann.com

The Annual Report is also available in German.

Production Credits

Publisher

Bertelsmann SE & Co. KGaA
Carl-Bertelsmann-Strasse 270
33311 Gütersloh
Germany

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Visualization

Bureau Oberhaeuser, Hamburg

Design and production

Medienfabrik Gütersloh GmbH, Gütersloh

Print

Mohn Media Mohndruck, Gütersloh

Photography

Nils Hendrik Müller, Braunschweig

Photo Credits

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Bertelsmann
RTL Group
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