

Interim Report 2014



BERTELSMANN

At a Glance

Key Figures (IFRS)

in € millions	H1 2014	H1 2013
Business Development (continuing operations)		
Consolidated revenues	7,846	7,354
attributable to:		
– RTL Group	2,687	2,755
– Penguin Random House	1,461	915
– Gruner + Jahr	908	1,001
– Arvato	2,230	2,113
– Be Printers	482	512
Operating EBITDA	1,015	1,011
EBITDA margin in percent ¹⁾	12.9	13.7
Operating EBIT	726	768
Group profit	254	419
Investments ²⁾	460	928
	6/30/2014	12/31/2013
Consolidated Balance Sheet		
Equity	8,308	8,736
Equity ratio in percent	41.7	40.8
Total assets	19,942	21,393
Economic debt ³⁾	5,135	4,216
Employees (in absolute numbers)		
Germany	41,073	38,611
Other countries	70,688	72,488
Total	111,761	111,099

Figures adjusted for H1 2013 and total assets as of December 31, 2013.

1) Operating EBITDA as a percentage of revenues.

2) Taking into account the financial debt assumed, investments amounted to €469 million (H1 2013: €1,590 million).

3) Net financial debt plus pension provisions, profit participation capital and present value of operating leases.

Highlights of the First Six Months



- RTL Group launches three new TV channels: RTL Kockica in Croatia, Geo Television in Germany and RTL CBS Extreme HD in Southeast Asia.
- Fremantle Media buys 75 percent of shares in the reality-TV producer 495 Productions, expanding its presence in the US cable broadcasting market.
- Fremantle Media and Vice Media launch “Munchies,” a new multichannel platform for digital content related to food and nutrition.
www.rtl-group.com



- John Green’s #1 bestselling “The Fault in Our Stars” sells more than 5.7 million copies published by Penguin Random House imprints, January–June.
- Penguin Random House’s publishing presence in Spain and Latin America greatly expands with the acquisition of Santillana Ediciones Generales’s trade publishers on July 1, 2014.
- Penguin Random House’s new corporate logo and brand-identity system, featuring the imprint logos, is introduced worldwide.
www.penguinrandomhouse.com



- G+J strengthens its position in ad marketing by acquiring Veeseo and a stake in Trnd, becoming Europe’s biggest provider of content recommendations.
- In France, Prisma Media buys a stake in the country’s leading video marketer, Advideum, at the end of 2013, further enhancing its market position in digital marketing.
- G+J Germany celebrates the anniversary of the printed editions of “Brigitte” (60 years) and “Gala” (20 years), and expands its brands in digital to about 30 e-mags and more than 50 websites and apps.
www.guj.com



- Arvato’s acquisition of Netrada turns it into one of the leading European providers of integrated e-commerce services.
- Arvato acquires five more service centers in Germany.
- Expansion of services businesses and successful new customer recruitment in Turkey, Poland and India.
www.arvato.com



- Upcoming contract renewal with Penguin Random House increases volumes and boosts capacity utilization at Be Printers USA.
- Production of a major order for an Italian client on the occasion of the soccer World Cup.
- Adoption of a “Future Package” by the workforce safeguards jobs and significantly lowers costs at the Ahrensburg site.
www.be-printers.com



- BMG continues its expansionist course by taking over the music rights companies and catalogs Talpa Music, Montana and Hal David and initiates its market entry in China.
- Education business is expanded through commitment to invest an amount in the hundreds of millions in a second University Ventures fund.
- Digital activities in the growth regions China, India and Brazil strengthened through fund participations and direct investments.
www.bertelsmann.com

Interactive Interim Report

The Bertelsmann Interim Report 2014 can also be accessed online at:
ir2014.bertelsmann.com

Together with the latest Annual Report, from 2013, the online report offers lots of extra features, including several videos and extracts.

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

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Dr. Thomas Rabe
Chairman and CEO of Bertelsmann

Dear Readers, Dear Friends of Bertelsmann,

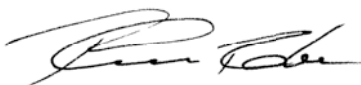
Bertelsmann's businesses performed well overall in the first half of 2014. Revenues reached €7.8 billion, their highest level in seven years, and at around €1 billion, operating EBITDA exceeded the previous year's high level. The transactions of the past 18 months significantly contributed to this: the combination of Penguin and Random House, the complete takeover of BMG and the acquisition of Gothia are bearing fruit and, in the long term, will help to ensure that Bertelsmann becomes a faster-growing, more digital and more international company.

In recent months, we also took important steps to put our corporate strategy into action, guided by our four strategic directions:

-  We **strengthened our core**: for example, by launching new TV channels and acquiring the book publisher Santillana. At the same time, we addressed the downscaling of structurally declining businesses in the first half of the year, closing the Prinovis Itzehoe site, selling Brown Printing and announcing our withdrawal from the club businesses in Germany and Spain.
-  We drove forward the **digital transformation** of our businesses. In the first half of 2014, RTL Group's online video sites registered more than three times the number of online video views seen in the first half of 2013, Penguin Random House advanced its market leadership in e-books and further expanded its portfolio, Gruner + Jahr acquired a majority stake in the video marketer Advideum and Arvato achieved growth with digital services for leading IT and high-tech companies.
-  We also expanded our **growth platforms** in the first half of 2014 – both organically and through acquisitions. New additions to our portfolio include the e-commerce service provider Netrada, the TV production company 495 Productions and the music publishers Talpa, Hal David and Montana. We will strengthen our education business going forward – as a strategic investor in the University Ventures Fund II, as well as through direct investments – and will build it into a third mainstay of the Bertelsmann portfolio, alongside media and services.
-  Progress was made in developing our **growth regions** as well. BMG now also operates in China, where our Bertelsmann Asia Investments fund has further expanded its portfolio and once again increased its value. In India, we invested in the e-commerce platform Pepperfry and a new digital fund. And in Brazil, we joined an investment partner in launching a venture capital fund.

So, Bertelsmann is programming for further growth, as is also demonstrated by RTL Group's recently announced majority takeover of the online video marketer SpotXchange. We will continue to leverage our strategic and financial room for maneuver – and I am delighted that you continue to take interest in and accompany us on this journey.

Yours sincerely,

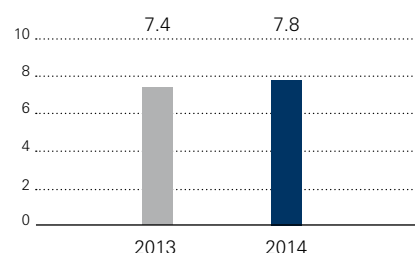


Thomas Rabe

Group Interim Management Report

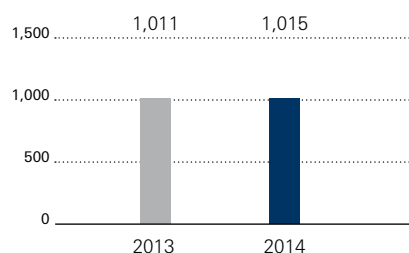
In the first half of 2014, Bertelsmann's businesses recorded solid development. Significant progress was also made with the implementation of the Group strategy. In the reporting period, Group revenues increased significantly by 6.7 percent to €7.8 billion. Operating EBITDA, which contains start-up losses for new businesses of €-32 million and negative exchange-rate effects of €-13 million, again reached a high level at €1,015 million and was slightly above the previous year's figure of €1,011 million. The EBITDA margin was 12.9 percent (H1 2013: 13.7 percent). The significant revenue growth was attributable to the transactions implemented since the previous year. These include the merger of Penguin and Random House, the takeover of the financial services provider Gothia and the e-commerce service provider Netrada by Arvato as well as the full takeover of the music rights company BMG. The Dutch and German television businesses, the book publishing business, some service businesses of Arvato and the music rights business positively impacted operating EBITDA. Weak market development in France had a negative impact on earnings, which overall resulted in a decline in operating EBITDA of €-33 million. In addition, the declining magazine businesses and a number of structurally declining businesses had a negative impact on operating EBITDA. Group profit, at €254 million, was lower than in the previous year (H1 2013: €419 million). The decline is attributable to an impairment loss in the Hungarian television business and the absence of positive special items from the previous year. Bertelsmann remains relatively optimistic about business development for the rest of the year and, despite uncertainty in the overall economic environment and the structurally declining businesses, expects solid business development to continue.

Revenues in € billions¹⁾



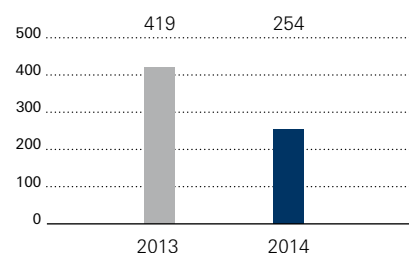
- Revenue growth of 6.7 percent
- Portfolio expansions will increase the growth profile in the long term
- Revenue losses due to structurally declining businesses and divestments

Operating EBITDA in € millions¹⁾



- Operating EBITDA slightly above the previous year's level
- Earnings reduced by weak market development in France, declining magazine businesses and structurally declining businesses
- EBITDA margin of 12.9 percent

Group Profit in € millions



- Group profit is down year on year
- Previous year's figure benefited from positive special effects from revaluations
- Negative special items, in particular impairment losses in the Hungarian television business

¹⁾ Figures adjusted for H1 2013.

Business and Economic Conditions

Description of Business and Organizational Structure

Bertelsmann operates in the core business fields of media and services in around 50 countries worldwide. Its geographic core markets are in Western Europe, in particular Germany, France, the UK and Spain, as well as in the United States. In addition, Bertelsmann is strengthening its involvement in growth markets such as China, India and Brazil. Bertelsmann's divisions are RTL Group, with television, radio and television production operations; the book publishing group Penguin Random House; the magazine publisher Gruner + Jahr; the international service provider Arvato and the international printing group Be Printers. Bertelsmann's other operating activities are grouped under Corporate Investments. Among others, these include the music rights company BMG and the remaining club and direct marketing businesses. In addition, the funds Bertelsmann Digital Media Investments (BDMI) and Bertelsmann Asia Investments (BAI), as well as other fund activities in the education sector and in the growth regions, are allocated to Corporate Investments.

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. Internal corporate management and reporting follow the Group's organizational structure, which consists of the operating divisions plus the Corporate Investments and Corporate Center.

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 of the voting rights at the Bertelsmann SE & Co. KGaA and Bertelsmann Management SE General Meeting.

Strategy

As an international media and services company, Bertelsmann develops offerings that excite people around the world and provide customers with innovative solutions. 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 more rapidly growing digital and international portfolio with an overall broader revenue structure. In the medium term, the company's two main earnings pillars at present, Media and Services, will be supplemented by a third pillar, Education. Against this backdrop, a strategy was defined on the basis of four directions: strengthening the core businesses, driving the digital transformation forward, developing growth platforms and expanding into growth regions.

In the first half of 2014 and in the following two months, Bertelsmann made significant progress with all four strategic directions. Strengthening the core businesses was achieved, e.g., through investment and acquisitions. For example, RTL Group further expanded its family of channels. Penguin Random House took over the Spanish and Portuguese-language book business from Santillana. The scaling back of structurally declining businesses was continued by the gradual withdrawal from the book club businesses in Germany and Spain and the sale of the US print business Brown Printing. The digital transformation was intensified through acquisitions such as RTL Group's majority share in SpotXchange, a marketing platform for online videos, and the growth of existing digital businesses such as the expanded e-book range offered by Penguin Random House. The growth platforms were expanded further. RTL Group secured a majority share in the TV production company 495 Productions, Arvato took over Netrada in the e-commerce services segment and BMG acquired the music publisher Talpa Music and the music catalogs Montana and Hal David. With an investment commitment as a strategic investor in the University Ventures Fund II, Bertelsmann is continuing to drive forward the expansion of its education business. In view of regional expansion, the music rights subsidiary BMG entered the Chinese market. In India, Bertelsmann acquired shares in the e-commerce platform Pepperfry and invested in an Indian digital fund. Together with a Brazilian investment company Bertelsmann also set up a new ventures capital fund focusing on technologies in the education sector in Brazil.

Value-Oriented Management System

In order to manage and control the Group, Bertelsmann uses revenue, operating EBITDA and Bertelsmann Value Added (BVA) as strictly defined central performance indicators to directly assess business development; these

correspondingly form the basis of the outlook report. In view of the Bertelsmann Group's growth strategy and the associated expansion of its investment activity, operating EBITDA has been used as a central performance indicator since the start of the 2014 financial year for determining the operating earnings power. Operating EBITDA is determined as earnings before interest, tax, depreciation and amortization and is adjusted for special items. This makes it a meaningful key performance indicator for determining a sustainable operating result.

Revenue as a growth indicator of businesses increased significantly in the first half of 2014 by 6.7 percent to €7.8 billion (H1 2013: €7.4 billion). Operating EBITDA of €1,015 million during the reporting period was above the previous year's figure (H1 2013: €1,011 million).

The central performance indicator for assessing the profitability from operations and return on invested capital is BVA. 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 is the basis for 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 less a standard 33 percent flat rate of tax. Cost of capital is the product of the weighted average cost of capital and the level of capital invested. The uniform weighted average cost of capital 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 into account when calculating the invested capital. BVA was €4 million in the first half of 2014 (H1 2013: €102 million). The decline is primarily attributable to the increase in invested capital as a result of the increased acquisition activity.

Bertelsmann's management and controlling system also includes the internal financial targets outlined under "Net Assets and Financial Position." The Group is managed and controlled on the basis of these financing principles and they form part of the value-oriented management system in the broader sense of the term, along with the EBITDA margin, the Cash Conversion Rate and non-financial performance indicators.

Overall Economic Developments

The gradual recovery of the global economy continued despite a slight weakness in the first quarter of 2014.

The economic upturn in the euro zone remained modest once more at the start of 2014. Compared to the previous quarter, real gross domestic product (GDP) in the euro zone rose by 0.2 percent in the first quarter of 2014 according to the Statistical Office of the European Union. Growth stagnated in the second quarter of 2014.

The economic situation in Germany improved during the first months of the current financial year. Compared to the previous quarter, real GDP rose by 0.7 percent in the first quarter of 2014, according to the Federal Statistical Office. In view of weaker foreign trade and a decline in investments, real GDP fell by -0.2 percent in the second quarter of 2014 compared to the previous quarter.

The French economy recorded zero growth in the first half of 2014. According to Insee, the French Statistical Office, real GDP in France stagnated in both the first and second quarters of 2014 compared to the previous quarters. France is suffering from high unemployment, which is undermining private consumption.

Projected over the whole year and in view of an unusually harsh winter, real GDP in the United States declined at an annual rate of -2.1 percent in the first quarter of 2014. According to the Bureau of Economics, real GDP is set to grow by an annualized rate of 4.0 percent in the second quarter.

So far, the overall economic developments are within the current-year trend anticipated in the 2013 Group Management Report.

Developments in Relevant Markets

The European TV advertising markets largely grew in the first six months of 2014. In particular, the TV advertising markets in the Netherlands, Spain and Croatia recorded significant growth in the reporting period. The German TV advertising market showed positive development, whereas the French TV advertising market declined.

Overall, the book markets in the United States, UK and Germany remained largely stable. Both in the United States and in the UK, the physical book trade developed largely in line with the previous year's level, while in Germany this market declined. On the other hand, the e-book business continued to grow, albeit at a slower pace.

The advertising and circulation markets for consumer magazines declined in the first half of 2014 in Europe and in China as a result of increased structural change and a shift of advertising budgets.

The service markets for Customer Relationship Management, Supply Chain Management, Financial Solutions, IT Solutions and Digital Marketing grew in the first six months of 2014. However, the storage media markets fell significantly due to the increasing significance of electronic means of distribution.

The European print markets for magazines, catalogs and promotional materials continued to shrink and were dogged by persistent price and volume competition.

So far, the developments in the relevant markets are essentially within the current-year trend anticipated in the 2013 Group Management Report.

Significant Events in the Current Financial Year

On February 1, 2014, Arvato acquired major parts of the business operations of the German Netrada Group and has since been combining both companies' e-commerce operations. As a result of the takeover, Arvato has become one of the leading European service providers for 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.

Likewise in February 2014, BMG acquired 100 percent of the Dutch music publisher Talpa Music B.V. As a result of the acquisition, BMG is becoming one of the leading publishers of local repertoire in the Benelux countries.

Based on an investment commitment announced at the end of March 2014, the education business will be further expanded. Bertelsmann is now a strategic investor in the University Ventures Fund II, a fund that is managed by experienced entrepreneurs and investors from the education segment. Bertelsmann is already the anchor investor in the predecessor fund University Ventures Fund I, which invests in innovative education providers in the United States and Europe and has also founded individual companies.

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

In June 2014, Bertelsmann announced that the German-speaking club businesses will be gradually closed down by the end of 2015 due to a lack of economic prospects. In

addition, Bertelsmann divested itself of its shares in the book club *Círculo de Lectores* in Spain. The shares were taken over by the Spanish publisher Grupo Planeta, which has held half of the shares in the Spanish book club since 2010. The business was closed at the end of July 2014.

Results of Operations

Revenue Development

In the reporting period, consolidated revenues increased by 6.7 percent to €7,846 million (H1 2013: €7,354 million). The significant increase in revenue was 10.3 percent attributable to portfolio and other effects, while exchange rate effects had an impact of -1.2 percent. Organic growth was -2.4 percent.

RTL Group posted a decline in revenues for the first half of the year, particularly due to the weak development of advertising revenues in France and the falling revenues at Fremantle Media. Penguin Random House recorded a sharp increase in revenues thanks to the merger that took place in the second half of 2013. At Gruner + Jahr, revenues fell as a result of an increased decline in the advertising business and lower circulation revenues, while the revenues from digital businesses continued to grow. Arvato generated significant revenue growth. Growth in the Solution Groups Supply Chain Management, Financial Solutions and IT Solutions contrasted with lost revenues in the structurally declining replication business. The revenues at Be Printers continue to be affected by the structural decline of the gravure print businesses. Revenues at Corporate Investments increased slightly. The increased revenues at BMG were used up by the gradual closure of the book club and direct marketing businesses.

There were moderate changes in the geographical breakdown of revenues compared to the same period in the previous year. Revenue share in Germany fell slightly to 35.2 percent compared to 36.3 percent in the first half of 2013. The revenue share generated by businesses in France amounted to 15.2 percent, which was slightly lower than the previous year (H1 2013: 17.1 percent), while other European countries accounted for 24.5 percent (H1 2013: 24.1 percent). The share of total revenues generated in the United States rose to 18.9 percent (H1 2013: 16.4 percent), and other countries accounted for a share of 6.2 percent (H1 2013: 6.1 percent). With these, the total share of revenues represented by foreign business increased from 63.7 percent in the first half of 2013 to 64.8 percent. The ratio of the four revenue streams (products and merchandise, advertising, services, and rights and licenses) to each other changed slightly as a result of the portfolio expansions, particularly through Penguin Random House. While the revenue share from the sale of products and merchandise increased by 2.1 percentage points, the revenue share generated by advertising fell by 2.3 percentage points. The remaining composition remained largely unchanged.

Operating EBITDA and Operating EBIT

Bertelsmann achieved operating EBITDA of €1,015 million during the reporting period (H1 2013: €1,011 million). The

EBITDA margin of 12.9 percent was in line with the high level of 13.7 percent in the same period last year.

RTL Group's operating EBITDA fell, primarily as a result of the weak market situation in France and the development of Fremantle Media. Penguin Random House earnings grew as a result of the merger. However, the increase was lower than the growth in revenues as the same period last year profited from an outstanding bestseller performance. The earnings development at Gruner + Jahr was below the previous year's figure due to lower revenues in the German and international magazine business and in the US print business, which was sold off in the reporting period. In addition, the expansion of the digital business reduced earnings. Operating EBITDA of Arvato increased as a result of the acquisitions and these more than compensated for the declining earnings in the Solution Groups Customer Relationship Management and Print Solutions. The decrease in revenues at Be Printers burdened earnings and could only be partially offset by cost-cutting measures. The positive earnings development at Corporate Investments is primarily attributable to BMG.

In the first half of 2014, operating EBIT came to €726 million (H1 2013: €768 million).

Special Items

In the first half of 2014, the planned scaling back of structurally declining businesses continued. For example, the expenses associated with the exit from the German-speaking book club businesses accounted for a large part of the restructuring costs. Further restructuring costs arose from the implementation of the integration of Penguin Random House. In addition, an impairment loss at RTL Group in Hungary was recognized. The impairment resulted from a new tax on advertising revenues imposed by the Hungarian parliament.

In total, special items came to €-172 million in the reporting period, compared to €44 million in the same period last year. They consisted of impairment losses and write-ups totaling €-98 million (H1 2013: €68 million), revaluations of investments carried at fair value of €2 million (H1 2013: €108 million), net capital gains and losses of €6 million (H1 2013: €8 million), restructuring expenses and other special items totaling €-82 million (H1 2013: €-140 million).

EBIT

Adjusting operating EBIT for special items totaling €-172 million (H1 2013: €44 million) resulted in EBIT of €554 million (H1 2013: €812 million).

Group Profit or Loss

The financial result was €-125 million (H1 2013: €-158 million). Tax expenses were €-178 million, compared to €-200 million in the same period last year. Earnings after taxes from discontinued operations were €3 million (H1 2013: €-35 million) and comprises follow-on effects in connection with the sale of the former Direct Group division. Group profit fell to €254 million from €419 million in the same period last year. The decline is primarily attributable to the impairment loss in the Hungarian TV business, which was included in special items, as well as the absence of the positive effects of revaluations of investments that were included in the previous year's figure. The share of Group profit held by Bertelsmann shareholders was €121 million (H1 2013: €306 million). The non-controlling interests in the Group profit came to €133 million (H1 2013: €113 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 done in a centralized way via Bertelsmann SE & Co. KGaA, which provides the Group companies with liquidity and manages the issuance of guarantees and letters of comfort for Group companies. 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 key financial target is a dynamic leverage factor calculated as the ratio of economic debt to operating EBITDA over a 12-month period 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, the economic debt may be modified for calculation purposes if necessary. As of June 30, 2014, the leverage factor was 2.4.

The net financial debt increased to €1,224 million compared to €681 million as of December 31, 2013. The increase is primarily attributable to dividend payments to shareholders

and non-controlling interests, most of which were made during the first half of the year. The economic debt was €5,135 million as of June 30, 2014 (December 31, 2013: €4,216 million). The increase is essentially due to the increase in pension provisions as a result of a lower discount rate and the increase in net financial debt.

Financing Activities

In the reporting period, the bond due in January 2014 and the promissory notes due in February and March 2014 were paid from existing liquidity when they became due. The Bertelsmann Group has a syndicated loan that runs until 2018. 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 July 2014, Bertelsmann prematurely renewed the syndicated loan until 2019.

Rating

Bertelsmann is rated by the rating agencies Moody's and Standard & Poor's (S&P). 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.

Consolidated Cash Flow Statement (Summary)

in € millions	H1 2014	H1 2013 (adjusted)
Cash flow from operating activities	405	658
Cash flow from investing activities	(359)	(904)
Cash flow from financing activities	(1,600)	(26)
Change in cash and cash equivalents	(1,554)	(272)
Currency effects and other changes in cash and cash equivalents	10	(1)
Cash and cash equivalents as of 1/1	2,715	2,625
Cash and cash equivalents as of 6/30	1,171	2,352
Less cash and cash equivalents included within assets held for sale	—	(2)
Cash and cash equivalents as of 6/30 (according to the consolidated balance sheet)	1,171	2,350

Cash Flow Statement

Total Group earnings before interest and taxes are the starting parameter for preparing the Bertelsmann cash flow statement. In the reporting period, Bertelsmann generated cash flow from operating activities of €405 million (H1 2013: €658 million). This development is attributable, among other things, to higher tax payments as a result of aperiodic effects and an increase in net working capital. The Group's long-term operating free cash flow adjusted for non-recurring items was €463 million (H1 2013: €613 million). At €-359 million, cash flow from investing activities was significantly below the level for the first half of the previous year (H1 2013: €-904 million). The previous year's high figure resulted from purchase price payments for the acquisitions made during the same period in the previous year. The cash flow from financing activities came to a much higher outflow of €-1,600 million (H1 2013: €-26 million). The increase is primarily attributable to the repayment of financial liabilities during the reporting period. The previous year's figure included proceeds from the placement of RTL Group shares. In particular as a result of the repayment of due financial liabilities from existing liquidity, cash and cash equivalents as of June 30, 2014, fell to €1,171 million (December 31, 2013: €2,705 million).

Investments

Investments, according to the cash flow statement for the first half of 2014, were €460 million (H1 2013: €928 million). As in the same period last year, the majority of the investments in property, plant and equipment, totaling €143 million (H1 2013: €133 million), stemmed from Arvato. Investments in intangible assets came to €142 million (H1 2013: €201 million) and were attributable primarily to RTL Group for investments in film rights and to BMG for the acquisition of music catalogs. The sum of €77 million was invested in financial

assets (H1 2013: €54 million). Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €98 million in the reporting period (H1 2013: €540 million) and were attributable primarily to investments in the e-commerce service provider Netrada, the music publisher Talpa and the production company 495 Productions.

Consolidated Balance Sheet

Total assets came to €19.9 billion as of June 30, 2014 (December 31, 2013: €21.4 billion). The decline is primarily attributable to the repayment of due financial liabilities from existing liquidity. Equity was €8.3 billion compared to €8.7 billion as of December 31, 2013. This resulted in a slightly higher equity ratio of 41.7 percent (December 31, 2013: 40.8 percent). Pension provisions increased to €2.3 billion as a result of a lower discount rate (December 31, 2013: €1.9 billion). Cash and cash equivalents were down to €1,171 million as of June 30, 2014, from €2,705 million as of December 31, 2013.

Employees

As of June 30, 2014, Bertelsmann had 111,761 employees worldwide (December 31, 2013: 111,099).

Performance of the Group Divisions

RTL Group

The leading European entertainment network generated revenues of €2.7 billion in the first half of 2014 (H1 2013: €2.8 billion). This slight decline in revenues is primarily due to difficult market conditions in France and the decline in revenues at Fremantle Media. However, operations in the Netherlands in particular showed positive developments.

RTL Group's operating EBITDA totaled €612 million (H1 2013: €631 million) and was particularly affected by the market-related drop in earnings at Groupe M6 and RTL Radio in France, and by Fremantle Media. However, Mediengruppe RTL Deutschland achieved record earnings and RTL Nederland was able to significantly increase operating profits. Due to the introduction of a new tax on advertising revenue by the Hungarian parliament, an impairment of €-88 million was made to the TV operations in Hungary. As a special item, this has no impact on RTL Group's operating EBITDA.

RTL Group was largely able to maintain its leading audience positions in its core territories, even though the soccer World Cup in June was broadcast by competitors. Mediengruppe RTL Deutschland's audience share in its main target group was slightly down year on year to 29.2 percent (H1 2013: 31.2 percent). However, RTL Television was still the clear number one among 14- to 59-year-old audiences. RTL Nitro, the channel launched in 2012, almost doubled its audience share in the first half of 2014 to 1.5 percent (H1 2013: 0.8 percent). In France, the Groupe M6 family of channels registered a slight decrease in audience share. The new channel 6ter, launched in December 2012, developed positively. The audience share of the Dutch family of channels around RTL 4 was also slightly below the level of the first half of 2013.

In the digital domain, RTL Group continued to show dynamic growth thanks to its online platforms, mobile applications and YouTube activities. 15.7 billion online video views were generated in the first six months of the year – a 226 percent increase compared to the first half of 2013. Online video advertising revenues also increased significantly during the reporting period.

Penguin Random House

The world's largest trade publishing group's results for the first half of 2014 were driven by strong bestseller performances, especially from its children's divisions worldwide. Achievement of key milestones for the integration of the Penguin and Random House businesses continues on track in all territories.

Bertelsmann owns 53 percent of shares in Penguin Random House, which was established by merger on July 1, 2013; Pearson owns 47 percent.

The group generated revenues of €1.5 billion in the reporting period, including the publishing businesses of Random House in Germany, which are fully owned by Bertelsmann, thus representing a 60 percent increase over Random House's revenues in the first half of 2013 (€915 million). Operating EBITDA was €159 million (H1 2013: €131 million).

In the United States, Penguin Random House placed 430 titles on the "New York Times" bestseller lists in the first six months of 2014. The half-year top-selling title was John Green's young adult novel "The Fault in Our Stars," which sold more than four million copies in print and e-book formats in North America. Other children's and young adult books in high demand include the multimillion-copy-selling tie-ins with the movie "Frozen," "Wonder" by R. J. Palacio and "The Book Thief" by Markus Zusak. Among the largest-selling adult titles were "The Invention of Wings" by Sue Monk Kidd, "Duty" by Robert Gates and the paperback editions of Dan Brown's "Inferno" and "Gone Girl" by Gillian Flynn.

In the UK, Penguin Random House commanded 45 percent of the "Sunday Times" bestseller list. "The Fault in Our Stars" was also this division's biggest seller, with Jeff Kinney's "Diary of a Wimpy Kid: Hard Luck" a major success as well.

At Penguin Random House Grupo Editorial, positive results in the Latin American territories offset the impact of the ongoing challenging market conditions in Spain. In March, Penguin Random House reached an agreement to acquire the Spanish- and Portuguese-language trade publishing companies of Santillana Ediciones Generales, including the Brazilian publisher Objetiva. The transaction involving the Spanish-language businesses was completed on July 1, 2014.

Verlagsgruppe Random House in Germany grew its sales of e-books and audiobooks, placing 231 titles on the "Der Spiegel" bestseller lists.

Penguin Random House invested across its divisions in extending the reach of its digital content and expanding its digital marketing, as well as introducing new web verticals and apps. Several of the group's authors won major literary awards, including Dan Fagin, who won the US Pulitzer Prize for General Nonfiction for "Toms River."

Gruner + Jahr

In the first half of 2014, Gruner + Jahr continued its strategic transformation from a traditional magazine publisher to a creative house of content. Driven by the decline of the magazine business and portfolio adjustments, G+J's revenues fell to €908 million during the reporting period (H1 2013: €1.0 billion). At the same time, Gruner + Jahr's revenues from digital activities increased across all countries. As a result of the overall decline in revenues, operating EBITDA fell to €77 million (H1 2013: €108 million).

At G+J Germany, the decline in the magazine business had a significant impact on revenues and earnings. G+J countered this decline with a product campaign based on the publisher's leading brands such as "Brigitte" and "Gala" and with the launch of new titles (e.g., "Flow") as well as numerous special issues. The company continued the expansion of its digital business. G+J strengthened its position in the advertising market through acquisitions such as Veeseo and Trnd.

Overall, the international business showed a downturn. Activities in Austria and China generated revenues and earnings below the levels of the previous year. Meanwhile, despite weaker revenues, G+J Spain increased its earnings, thanks to structural measures taken in 2013. G+J France strengthened its position in digital marketing by acquiring France's leading video marketer Advideum shortly before the end of 2013 and kept its revenues largely stable.

Dresdner Druck- und Verlagshaus was able to slightly increase its revenues and earnings year on year and on a like-for-like basis.

Arvato

The international services provider Arvato grew in the first half of 2014, both organically and through acquisitions, and increased its revenues in the reporting period by 5.5 percent to €2.2 billion (H1 2013: €2.1 billion). As a result of the revenue growth, operating EBITDA increased slightly to €162 million from €160 million in the same period last year; the earnings contributions of the acquisitions compensated for declines in earnings in individual businesses.

During the reporting period, Arvato grew its revenues and earnings in areas including services for international customers in the Internet, high-tech, healthcare and automotive sectors. With the acquisition of Netrada, completed on February 1, 2014, Arvato became a leading European provider of e-commerce services, strengthening its position in the field of supply-chain management.

The financial services business, which benefited from the takeover of Gothia Financial Group in the previous year, also contributed to Arvato's growth. In contrast, revenues from storage media replication continued to decline, as expected.

Arvato improved its position in key growth markets and industries in the first half of the year, expanding the services businesses in India, Turkey and Poland and acquiring new customers. Arvato also consolidated its leading position in the European market for customer relationship management by taking over five service centers.

Be Printers

The gravure printers and international offset printing plants, grouped into the Be Printers division, generated first-half revenues of €482 million in a market environment characterized by declining print runs and surplus capacity (H1 2013: €512 million). The division's operating EBITDA decreased to €25 million (H1 2013: €29 million).

In Germany and the UK, the gravure division Prinovis was able to secure printing contracts for several major magazine packages for several years. However, lower overall print volumes caused a slight decline in revenues and earnings at Prinovis. Production at the Itzehoe plant was terminated on April 30, 2014, as planned. In Ahrensburg, the workforce adopted a "Future Package."

Be Printers Americas agreed on a multiyear contract extension with Penguin Random House, which will increase capacity utilization at the company. Continued cost discipline served to enhance results.

Due to macroeconomic developments in Italy and Spain, Be Printers Southern Europe recorded lower order volumes and further price declines.

Corporate Investments/Corporate Center

In the first half of 2014, Corporate Investments reported an increase in revenues to €254 million (H1 2013: €235 million) and operating EBITDA of €16 million (H1 2013: €-10 million). In particular, the growing business and full consolidation of the music rights company BMG for the entire half-year – BMG has been wholly owned by Bertelsmann since March 30, 2013 – had a positive effect. By contrast, the club and direct-marketing businesses declined as planned.

BMG continued its growth course during the reporting period, acquiring the music rights companies or catalogs of Talpa Music, Montana and Hal David, with numerous classics in their portfolios. At the same time, BMG signed new contracts with several well-known artists, including the Smashing Pumpkins, The Strokes, George Ezra and the Beatsteaks. The company was Germany's most successful music publisher in the first half of 2014 – almost 21 percent of all singles in the German charts were from BMG. In addition, BMG entered the Chinese market.

In the field of education, Bertelsmann continued to drive forward the preparations for the expansion of this business, and committed to investing a sum in the triple-digit millions in a second University Ventures fund. In Brazil, Bertelsmann teamed up with a partner to establish a fund for investments in the education sector at the beginning of the year.

The BDMI digital investment fund with a focus on the United States, and BAI for investments in promising companies in China, acquired new shareholdings during the reporting period, including one in the IT recruiting platform Lagou.com. In India, investments were made in growth businesses including online marketplaces for furniture and real estate.

Revenues and earnings from the club and direct-marketing businesses continued to diminish as planned. The sale of the businesses in Czech Republic and Slovakia was completed on March 31, 2014. In June, the decision was made to discontinue the German club business at the end of 2015. The sale of the 50 percent stake in Círculo de Lectores to the co-owner of Grupo Planeta went ahead and was completed on July 29, 2014.

During the reporting period, the Corporate Center and the divisions together advanced the multiyear Operational Excellence program to optimize business support processes in the areas of HR, finance, IT and sourcing across the Group.

Significant Events after the Balance Sheet Date

On July 1, 2014, Penguin Random House completed the takeover of the publishing group Santillana Ediciones Generales from the Spanish media company Prisa, which had been announced in March 2014. The acquired publishing group will be merged with the activities of Penguin Random House in Spain, Portugal and Latin America, greatly enhancing growth potential, in particular in Latin America.

On July 4, 2014, the General Meeting of Bertelsmann SE & Co. KGaA elected Murat Cetin to the company's Supervisory

Board. As employee representative, he succeeds Horst Keil, who left the Board in May 2014.

At the end of July 2014, RTL Group announced its acquisition of a majority share in SpotXchange. The US company operates one of the largest platforms for the automated sale of online video advertising. The transaction remains subject to the approval of the US competition authority and is expected to be completed at the end of August 2014.

Risks and Opportunities

Risk Management System

Please refer to the 2013 Group Management Report for a description of Bertelsmann's risk management system (RMS) and the accounting-related RMS and internal control system (ICS).

Significant Changes in Risks since the 2013 Group Management Report

Please also refer to the 2013 Group Management Report for a presentation of key risks to the Bertelsmann Group. The following significant changes have been identified as part of the risk report of June 30, 2014. Overall, after the first half-year, the same Group risks are considered material as those existing as of December 31, 2013. However, the significance of individual types of risk in terms of Bertelsmann's future business development has changed. The risks of loss of audience and market share assessed as moderate as of December 31, 2013, have become more significant. With respect to customer-related risks, which continue to represent the most significant risk within the Group, the increase in individual risk positions is noticeable, particularly at Arvato and Be Printers.

Strategic and Operational Risks

The economic outlook in the euro zone remains subject to certain risks. In addition, geopolitical uncertainties have increased. For Bertelsmann, this primarily results in risks to businesses that depend on the advertising market.

The consequences of the tax on advertising income introduced by the Hungarian parliament in August 2014 cannot be fully predicted at present. It will inevitably have an adverse impact on the results of operations of the Hungarian television business. In addition, the possibility of further impairments cannot be ruled out.

Furthermore, the strategic and operational risk position for the individual divisions and the Group remains essentially

unchanged from that depicted in the 2013 Group Management Report.

Legal and Regulatory Risks

Please also refer to the 2013 Group Management Report for details of the legal and regulatory risks. No significant changes have been identified.

Financial Market Risks

Risks associated with the financing of the Bertelsmann Group have not changed significantly compared to 2013.

Overall Risk

The overall risk position has increased slightly compared with the previous year. No risks endangering Bertelsmann's continued existence were identified as of June 30, 2014, nor are there any substantial risks discernible from the current perspective that could threaten the continued existence of the Group.

Opportunities

The assessment of opportunities has not changed substantially compared to the information presented in the 2013 Group Management Report.

Outlook

The global economy is expected to gradually improve over the rest of the year. The basic dynamic remains slow, however. In many advanced economies, the consolidation processes are contrasted by a stronger increase in demand, and the prospects remain rather subdued even in emerging countries. The economic estimates by the Kiel Institute for the World Economy (IfW) concerning global development are 3.5 percent for 2014, which are slightly below the previous expectations.

The expectations for the development of the US economy have been lowered in view of the poor start to the year. The IfW therefore expects real GDP in the United States to grow slightly by 1.8 percent this year. The economy in the euro zone will only recover slowly, as there remains a high level of debt and difficult credit conditions, particularly in crisis countries, continue to restrict growth. According to its latest estimates,

the IfW expects real GDP in the euro zone to grow by 1.0 percent in 2014. Over the rest of the year, the economic expansion in Germany is expected to accelerate. The IfW expects real GDP to grow by 2.0 percent in 2014. According to the latest calculations by the Federal Statistical Office, real BIP fell by -0.2 percent in the second quarter of 2014 compared to the preceding quarter, which indicates that the dynamic of German economic development is slowing.

These expectations remain subject to certain risks. According to the current estimate of the European Central Bank, the economic risks in the euro zone are high as a result of the increase in geopolitical risks and development in the emerging countries and on the global financial markets. The resulting developments could adversely impact the economic situation, which is a key factor influencing Bertelsmann's business development.

On the comparable basis of the forecasts detailed in the 2013 Annual Report, Bertelsmann expects Group revenues for 2014 to increase significantly as a result of the portfolio expansions from the 2013 financial year, which have to be taken into account for the full year, and operating EBITDA to remain stable. In view of higher amortization on intangible assets as a result of the acquisitions, Bertelsmann expects operating EBIT development to remain stable or fall slightly compared with the previous year. As a result of the portfolio expansions in financial year 2013, which have to be taken into account for the full year, as well as higher operating investments, Bertelsmann anticipates a significant increase in the level of invested capital in financial year 2014. Against this backdrop, a persistently 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.

These forecasts are based on Bertelsmann's current business strategy as outlined in the "Business and Economic Conditions" section. The forecasts reflect a 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.

Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

in € millions	H1 2014	H1 2013 (adjusted)
Revenues	7,846	7,354
Other operating income	289	360
Changes in inventories	200	144
Own costs capitalized	9	9
Cost of materials	(2,861)	(2,701)
Royalty and license fees	(540)	(457)
Personnel costs	(2,524)	(2,396)
Amortization/depreciation, impairment charges and reversals of intangible assets and property, plant and equipment	(389)	(256)
Other operating expenses	(1,504)	(1,341)
Results from investments accounted for using the equity method	25	9
Reversals of impairment/Impairment on investments accounted for using the equity method	–	70
Results from financial assets	(3)	9
Results from disposals of investments	6	8
EBIT (earnings before interest and taxes)	554	812
Interest income	10	11
Interest expenses	(58)	(96)
Other financial income	7	16
Other financial expenses	(84)	(89)
Financial result	(125)	(158)
Earnings before taxes from continuing operations	429	654
Income taxes	(178)	(200)
Earnings after taxes from continuing operations	251	454
Earnings after taxes from discontinued operations	3	(35)
Group profit or loss	254	419
attributable to:		
Bertelsmann shareholders		
Earnings from continuing operations	118	341
Earnings from discontinued operations	3	(35)
Earnings attributable to Bertelsmann shareholders	121	306
Non-controlling interests		
Earnings from continuing operations	133	113
Earnings from discontinued operations	–	–
Earnings attributable to non-controlling interests	133	113

The adjustment of figures for H1 2013 relates to the first-time application of IFRS 11 Joint Arrangements.

Consolidated Statement of Comprehensive Income

in € millions	H1 2014	H1 2013 (adjusted)
Group profit or loss	254	419
Items that will not be reclassified subsequently to profit or loss		
Remeasurement component of defined benefit plans	(241)	17
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Currency translation differences		
– changes recognized in equity	24	(23)
– reclassification adjustments for gains (losses) included in profit or loss	(12)	(2)
Available-for-sale financial assets		
– changes in fair value recognized in equity	(5)	20
– reclassification adjustments for gains (losses) included in profit or loss	–	–
Cash flow hedges		
– changes in fair value recognized in equity	(2)	5
– reclassification adjustments for gains (losses) included in profit or loss	–	(3)
Share of other comprehensive income of investments accounted for using the equity method	1	(5)
Other comprehensive income net of tax	(235)	9
Group total comprehensive income	19	428
attributable to:		
Bertelsmann shareholders	(109)	318
Non-controlling interests	128	110

The adjustment of figures for H1 2013 relates to the first-time application of IFRS 11 Joint Arrangements.

Reconciliation to Operating EBITDA (Continuing Operations)

in € millions	H1 2014	H1 2013 (adjusted)
EBIT from continuing operations	554	812
Special items		
Impairment on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations	87	1
Adjustment to carrying amounts on assets held for sale	–	–
Impairment on other financial assets	11	1
Reversals of impairment/impairment on investments accounted for using the equity method	–	(70)
Results from disposals of investments	(6)	(8)
Fair value remeasurement of investments	(2)	(108)
Restructuring and other special items	82	140
Amortization/depreciation, impairment charges and reversals of intangible assets and property, plant and equipment	389	256
Adjustments on amortization/depreciation, impairment charges and reversals of intangible assets and property, plant and equipment included in special items	(100)	(13)
Operating EBITDA from continuing operations	1,015	1,011

The adjustment of figures for H1 2013 relates to the first-time application of IFRS 11 Joint Arrangements.

Consolidated Balance Sheet

in € millions	6/30/2014	12/31/2013 (adjusted)	1/1/2013 (adjusted)
Assets			
Non-current assets			
Goodwill	6,932	6,953	6,039
Other intangible assets	2,125	2,053	565
Property, plant and equipment	1,687	1,700	1,751
Investments accounted for using the equity method	490	479	506
Other financial assets	276	286	428
Trade and other receivables	81	79	111
Other non-financial assets	478	405	220
Deferred tax assets	992	904	1,201
	13,061	12,859	10,821
Current assets			
Inventories	1,625	1,509	1,394
Trade and other receivables	3,263	3,473	3,239
Other financial assets	62	45	118
Other non-financial assets	688	628	495
Current income tax receivable	72	109	114
Cash and cash equivalents	1,171	2,705	2,623
	6,881	8,469	7,983
Assets held for sale	–	65	9
	19,942	21,393	18,813
Equity and Liabilities			
Equity			
Subscribed capital	1,000	1,000	1,000
Capital reserve	2,345	2,345	2,345
Retained earnings	3,251	3,542	1,919
Bertelsmann shareholders' equity	6,596	6,887	5,264
Non-controlling interests	1,712	1,849	816
	8,308	8,736	6,080
Non-current liabilities			
Provisions for pensions and similar obligations	2,257	1,941	2,143
Other provisions	109	104	122
Deferred tax liabilities	180	178	94
Profit participation capital	413	413	413
Financial debt	2,204	2,218	3,611
Trade and other payables	415	364	399
Other non-financial liabilities	307	280	253
	5,885	5,498	7,035
Current liabilities			
Other provisions	375	437	418
Financial debt	191	1,168	276
Trade and other payables	3,757	3,946	3,609
Other non-financial liabilities	1,357	1,436	1,284
Current income tax payable	68	129	110
	5,748	7,116	5,697
Liabilities related to assets held for sale	1	43	1
	19,942	21,393	18,813

The adjustment of the previous year's figures relates to the first-time application of IFRS 11 Joint Arrangements.

Consolidated Cash Flow Statement

in € millions	H1 2014	H1 2013 (adjusted)
Group earnings before interest and taxes	559	774
Taxes paid	(206)	(119)
Depreciation and write-ups of non-current assets	398	187
Results from disposals of investments	(11)	30
Change in provisions for pensions and similar obligations	(58)	(45)
Change in other provisions	(72)	4
Change in net working capital	(229)	(105)
Fair value remeasurement of investments	(2)	(108)
Other effects	26	40
Cash flow from operating activities	405	658
– thereof from discontinued operations	–	–
Investments in:		
– intangible assets	(142)	(201)
– property, plant and equipment	(143)	(133)
– financial assets	(77)	(54)
– purchase prices for consolidated investments (net of acquired cash)	(98)	(540)
Proceeds from/payments for disposal of subsidiaries and other business units	66	(14)
Proceeds from disposal of other fixed assets	35	38
Cash flow from investing activities	(359)	(904)
– thereof from discontinued operations	(4)	–
Redemption of bonds and promissory notes	(967)	(152)
Proceeds from/redemption of other financial debt	(55)	(571)
Interest paid	(139)	(136)
Interest received	8	26
Dividends to Bertelsmann shareholders	(180)	(180)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18b)	(265)	(274)
Change in equity	(2)	1,269
Payments for release of interest swaps	–	(8)
Cash flow from financing activities	(1,600)	(26)
– thereof from discontinued operations	–	–
Change in cash and cash equivalents	(1,554)	(272)
Currency effects and other changes in cash and cash equivalents	10	(1)
Cash and cash equivalents 1/1	2,715	2,625
Cash and cash equivalents 6/30	1,171	2,352
Less cash and cash equivalents included within assets held for sale	–	(2)
Cash and cash equivalents 6/30 (according to the Group balance sheet)	1,171	2,350

The adjustment of figures for H1 2013 relates to the first-time application of IFRS 11 Joint Arrangements.

Change in Net Financial Debt

in € millions	H1 2014	H1 2013 (adjusted)
Net financial debt at 1/1	(681)	(1,264)
Cash flow from operating activities	405	658
Cash flow from investing activities	(359)	(904)
Interest, dividends and changes in equity, additional payments (IAS 32.18b)	(578)	705
Currency effects and other changes in net financial debt	(11)	(666)
Net financial debt at 6/30	(1,224)	(1,471)

The adjustment of figures for H1 2013 and the balance as of January 1, 2014, relates to the first-time application of IFRS 11 Joint Arrangements. Net financial debt is the balance of the balance sheet positions "cash and cash equivalents" and "financial debt."

Consolidated Statement of Changes in Equity

	Sub-scribed capital	Capital reserve	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 1/1/2013	1,000	2,345	2,050	(197)	42	17	10	5,267	816	6,083
Adjustment	–	–	(3)	–	–	–	–	(3)	–	(3)
Balance as of 1/1/2013 ²⁾	1,000	2,345	2,047	(197)	42	17	10	5,264	816	6,080
Group profit or loss	–	–	306	–	–	–	–	306	113	419
Other comprehensive income	–	–	17	(20)	18	2	(5)	12	(3)	9
Group total comprehensive income	–	–	323	(20)	18	2	(5)	318	110	428
Dividend distribution	–	–	(180)	–	–	–	–	(180)	(261)	(441)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	849	24	(7)	(4)	–	862	401	1,263
Equity transactions with shareholders	–	–	669	24	(7)	(4)	–	682	140	822
Other changes	–	–	6	–	–	–	–	6	5	11
Balance as of 6/30/2013	1,000	2,345	3,045	(193)	53	15	5	6,270	1,071	7,341
Balance as of 1/1/2014	1,000	2,345	3,825	(301)	22	(7)	5	6,889	1,849	8,738
Adjustment	–	–	(2)	–	–	–	–	(2)	–	(2)
Balance as of 1/1/2014 ²⁾	1,000	2,345	3,823	(301)	22	(7)	5	6,887	1,849	8,736
Group profit or loss	–	–	121	–	–	–	–	121	133	254
Other comprehensive income	–	–	(232)	6	(4)	(1)	1	(230)	(5)	(235)
Group total comprehensive income	–	–	(111)	6	(4)	(1)	1	(109)	128	19
Dividend distribution	–	–	(180)	–	–	–	–	(180)	(263)	(443)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	–	–	–	–	–	–	2	2
Equity transactions with shareholders	–	–	(180)	–	–	–	–	(180)	(261)	(441)
Other changes	–	–	(2)	–	–	–	–	(2)	(4)	(6)
Balance as of 6/30/2014	1,000	2,345	3,530	(295)	18	(8)	6	6,596	1,712	8,308

1) Thereof, on June 30, 2014, a total of €1 million (June 30, 2013: €1 million) is attributable to assets classified as held for sale according to IFRS 5 which are carried at a value of zero in the balance sheet due to a complete impairment.

2) The adjustment to the balance on January 1, 2013, and January 1, 2014, relates to the first-time application of IFRS 11 Joint Arrangements.

Segment Information (Continuing Operations)

in € millions	RTL Group		Penguin Random House		Gruner + Jahr		Arvato	
	H1 2014	H1 2013 (adjusted)	H1 2014	H1 2013 (adjusted)	H1 2014	H1 2013 (adjusted)	H1 2014	H1 2013 (adjusted)
Revenues from external customers	2,683	2,751	1,461	914	905	998	2,157	2,035
Intersegment revenues	4	4	–	1	3	3	73	78
Divisional revenues	2,687	2,755	1,461	915	908	1,001	2,230	2,113
Operating EBITDA	612	631	159	131	77	108	162	160
EBITDA margin ¹⁾	22.8%	22.9%	10.9%	14.3%	8.5%	10.8%	7.3%	7.6%
Scheduled depreciation and amortization	97	86	38	14	18	22	84	76
Impairment on intangible assets and property, plant and equipment ²⁾	98	1	–	–	–	–	–	1
Operating EBIT	515	544	121	117	59	86	78	83
Results from investments accounted for using the equity method	24	19	–	–	4	4	4	4
Additions to non-current assets ³⁾	129	90	19	5	30	22	155	299
Number of employees (closing date) ⁴⁾	12,043	11,491	12,164	11,838	8,562	10,556	68,676	66,303
Number of employees (average) ⁴⁾	11,912	11,522	12,068	8,790	9,564	10,978	68,222	64,794

The adjustment of figures for H1 2013 relates to the first-time application of IFRS 11 Joint Arrangements.

1) Operating EBITDA as a percentage of revenues.

2) Including write-ups.

3) Additions to property, plant and equipment and intangible assets (including goodwill).

4) The number of employees in the prior period corresponds to the number on December 31, 2013 (adjusted by the first-time application of IFRS 11 Joint Arrangements).

Selected Explanatory Notes

Accounting Principles

The interim financial report for Bertelsmann SE & Co. KGaA has been prepared according to Section 37w of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and has been subject to a limited review by the Group's auditor. It complies with the International Financial Reporting Standards (IFRS) applicable in the European Union (EU-IFRS) and contains condensed interim consolidated financial statements prepared in accordance with IAS 34 Interim Financial Reporting, including selected explanatory notes. This report was prepared using – with the exception of the financial reporting standards applied for the first time in the current financial year and changes in accounting and measurement policies – basically the same accounting and measurement policies as in the consolidated financial statements of December 31, 2013. A detailed description of these policies and the amended standards to be applied from 2014 can be found in the notes to the consolidated financial statements in the 2013 Annual Report.

With the exception of amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets for mandatory first-time application as of January 1, 2014, which were already applied by the Bertelsmann Group in the 2013 financial year, the following new or revised financial reporting standards and interpretations for which application has been mandatory since January 1, 2014, are applied for the first time in these financial statements:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Amended version of IAS 27 Separate Financial Statements (as amended in 2011)
- Amended version of IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 39 Financial Instruments: Recognition

Be Printers		Other operating activities (Corporate Investments)		Total Divisions		Corporate Center		Consolidation		Continuing operations	
H1 2014	H1 2013 (adjusted)	H1 2014	H1 2013 (adjusted)	H1 2014	H1 2013 (adjusted)	H1 2014	H1 2013 (adjusted)	H1 2014	H1 2013 (adjusted)	H1 2014	H1 2013 (adjusted)
401	436	239	220	7,846	7,354	-	-	-	-	7,846	7,354
81	76	15	15	176	177	-	-	(176)	(177)	-	-
482	512	254	235	8,022	7,531	-	-	(176)	(177)	7,846	7,354
25	29	16	(10)	1,051	1,049	(37)	(36)	1	(2)	1,015	1,011
5.2%	5.6%	6.3%	(4.3)%	13.1%	13.9%	-	-	-	-	12.9%	13.7%
18	26	33	19	288	243	2	2	-	-	290	245
-	1	-	8	98	11	-	-	1	-	99	11
7	3	(16)	(26)	764	807	(39)	(38)	1	(1)	726	768
-	-	(7)	(17)	25	10	-	-	-	(1)	25	9
10	9	109	1,316	452	1,741	11	20	-	(1)	463	1,760
5,805	6,201	3,915	4,146	111,165	110,535	596	564	-	-	111,761	111,099
5,968	6,352	3,956	4,250	111,690	106,686	596	564	-	-	112,286	107,250

and Measurement – Novation of Derivatives and Continuation of Hedge Accounting

- Transition guidance amendments to IFRS 10, IFRS 11 and IFRS 12
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

IFRS 10, IFRS 11, IFRS 12 and IAS 27 (revised in 2011), as well as IAS 28 (revised 2011), which are to be applied for the first time in the financial year 2014, are the result of the IASB consolidation project and include new consolidation guidelines and disclosure requirements for the notes for Group companies. IFRS 10 contains a new, comprehensive definition of control including resulting assessment criteria. In addition, the new standard establishes principles for the presentation and preparation of consolidated financial statements and replaces the previously applicable requirements of IAS 27 and SIC-12; however, the regulations on consolidation steps,

the presentation of non-controlling interests and accounting for changes in ownership interests without a loss of control remain mostly unchanged. The renamed IAS 27 (revised 2011) includes exclusively unchanged regulations to be applied to separate financial statements. IFRS 11 replaces the previously applicable IAS 31, incorporates the current regulations of SIC-13 in the standard text and removes proportionate consolidation for joint ventures with no replacement. The equity method is used to account for investments in joint ventures in accordance with the provisions of the renamed IAS 28 (revised 2011). IFRS 12 summarizes all of the disclosure requirements for all interests in subsidiaries, joint ventures, joint operations and associates as well as structured entities in a single standard. Compared to the previously existing regulations, the disclosure requirements for consolidated and unconsolidated entities have been expanded significantly. The first-time application of IFRS 10 did not result in any changes for the Bertelsmann Group with respect to the requirement to

consolidate subsidiaries. As a result of the first-time application of IFRS 11, 30 (previous year: 34) previously proportionally consolidated joint ventures are now accounted for using the equity method.

Retrospective application of the new financial reporting standards had the following effects on the figures for the prior-year period or the respective opening/closing dates:

Consolidated Income Statement

in € millions	H1 2013 before adjustment	H1 2013 after adjustment	Adjustment
Revenues	7,431	7,354	(77)
Other operating income	358	360	2
Changes in inventories	144	144	–
Own costs capitalized	9	9	–
Cost of materials	(2,719)	(2,701)	18
Royalty and license fees	(460)	(457)	3
Personnel costs	(2,416)	(2,396)	20
Amortization/depreciation, impairment charges and reversals of intangible assets and property, plant and equipment	(264)	(256)	8
Other operating expenses	(1,364)	(1,341)	23
Results from investments accounted for using the equity method	4	9	5
Reversals of impairment/Impairment on investments accounted for using the equity method	72	70	(2)
Results from financial assets	9	9	–
Results from disposals of investments	8	8	–
EBIT (earnings before interest and taxes)	812	812	–

The financial result, the earnings before and after taxes from continuing operations and the earnings after taxes from discontinued operations remained unchanged.

Consolidated Balance Sheet

in € millions	1/1/2013 before adjustment ¹⁾	1/1/2013 after adjustment	Adjustment
Assets			
Non-current assets			
Goodwill	6,048	6,039	(9)
Other intangible assets	576	565	(11)
Property, plant and equipment	1,753	1,751	(2)
Investments accounted for using the equity method	456	506	50
Other financial assets	426	428	2
Trade and other receivables	111	111	–
Other non-financial assets	220	220	–
Deferred tax assets	1,205	1,201	(4)
	10,795	10,821	26
Current assets			
Inventories	1,404	1,394	(10)
Trade and other receivables	3,266	3,239	(27)
Other financial assets	119	118	(1)
Other non-financial assets	498	495	(3)
Current income tax receivable	115	114	(1)
Cash and cash equivalents	2,658	2,623	(35)
	8,060	7,983	(77)
Assets held for sale	9	9	–
	18,864	18,813	(51)
Equity and Liabilities			
Equity			
Subscribed capital	1,000	1,000	–
Capital reserve	2,345	2,345	–
Retained earnings	1,922	1,919	(3)
Bertelsmann shareholders' equity	5,267	5,264	(3)
Non-controlling interests	816	816	–
	6,083	6,080	(3)
Non-current liabilities			
Provisions for pensions and similar obligations	2,146	2,143	(3)
Other provisions	122	122	–
Deferred tax liabilities	94	94	–
Profit participation capital	413	413	–
Financial debt	3,612	3,611	(1)
Trade and other payables	402	399	(3)
Other non-financial liabilities	253	253	–
	7,042	7,035	(7)
Current liabilities			
Other provisions	419	418	(1)
Financial debt	264	276	12
Trade and other payables	3,645	3,609	(36)
Other non-financial liabilities	1,297	1,284	(13)
Current income tax payable	113	110	(3)
	5,738	5,697	(41)
Liabilities related to assets held for sale	1	1	–
	18,864	18,813	(51)

1) Figures on January 1, 2013, before adjustment correspond to figures on December 31, 2012, as reported in the 2013 Annual Report.

Consolidated Balance Sheet

in € millions	12/31/2013 be- fore adjustment	12/31/2013 after adjustment	Adjustment
Assets			
Non-current assets			
Goodwill	6,966	6,953	(13)
Other intangible assets	2,063	2,053	(10)
Property, plant and equipment	1,701	1,700	(1)
Investments accounted for using the equity method	435	479	44
Other financial assets	282	286	4
Trade and other receivables	79	79	–
Other non-financial assets	405	405	–
Deferred tax assets	908	904	(4)
	12,839	12,859	20
Current assets			
Inventories	1,520	1,509	(11)
Trade and other receivables	3,492	3,473	(19)
Other financial assets	46	45	(1)
Other non-financial assets	630	628	(2)
Current income tax receivable	111	109	(2)
Cash and cash equivalents	2,745	2,705	(40)
	8,544	8,469	(75)
Assets held for sale	65	65	–
	21,448	21,393	(55)
Equity and Liabilities			
Equity			
Subscribed capital	1,000	1,000	–
Capital reserve	2,345	2,345	–
Retained earnings	3,544	3,542	(2)
Bertelsmann shareholders' equity	6,889	6,887	(2)
Non-controlling interests	1,849	1,849	–
	8,738	8,736	(2)
Non-current liabilities			
Provisions for pensions and similar obligations	1,944	1,941	(3)
Other provisions	101	104	3
Deferred tax liabilities	178	178	–
Profit participation capital	413	413	–
Financial debt	2,219	2,218	(1)
Trade and other payables	367	364	(3)
Other non-financial liabilities	280	280	–
	5,502	5,498	(4)
Current liabilities			
Other provisions	438	437	(1)
Financial debt	1,162	1,168	6
Trade and other payables	3,985	3,946	(39)
Other non-financial liabilities	1,448	1,436	(12)
Current income tax payable	132	129	(3)
	7,165	7,116	(49)
Liabilities related to assets held for sale	43	43	–
	21,448	21,393	(55)

The further effects from the first-time application of the new accounting standards as of June 30, 2014, are not material for the Bertelsmann Group.

Furthermore, the IASB and the IFRS Interpretations Committee have issued the following new or amended financial reporting standards and interpretations, the application of which is not yet mandatory for the interim consolidated financial statements for financial year 2014:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations

Scope of Consolidation

The condensed interim consolidated financial statements as of June 30, 2014, include Bertelsmann SE & Co. KGaA and all material subsidiaries over which Bertelsmann SE & Co. KGaA is able to exercise control according to IFRS 10. Joint ventures and associates are accounted for using the equity

The new version of IFRS 9 includes requirements for the recognition and measurement, impairment and hedge accounting of financial instruments. The version which has now been published replaces all previous versions and is to be applied for the first time from 2018. IFRS 15, which is to be applied from 2017, includes new, comprehensive regulations on the recognition of revenue from contracts with customers and replaces the previous requirements of IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The new standard includes significantly more comprehensive application guidelines and disclosure requirements than the current regulations. The Bertelsmann Group is currently evaluating the effects of IFRS 9 and IFRS 15.

method in accordance with IAS 28. As of June 30, 2014, Bertelsmann SE & Co. KGaA's scope of consolidation comprises 962 companies including 42 entries and 48 exits in the first half of 2014. As of June 30, 2014, 899 companies are fully consolidated.

Acquisitions and Disposals

The consideration paid for acquisitions in the first half of 2014 less cash and cash equivalents acquired amounted to €98 million. The consideration transferred according to IFRS 3 for these acquisitions totaled €136 million.

On February 1, 2014, Arvato acquired major parts of the German Netrada Group's business operations and is combining both companies' e-commerce operations. As a result of the acquisition, 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. Its range of services includes the development and operation of web shops, financial services, transport and logistics as well as customer service. The consideration transferred totaled €39 million and was fully paid in cash. Based on the preliminary purchase price allocation, the negative difference of €1 million between the consideration transferred and the fair value of net assets on the acquisition date was the result of a purchase due to the financial

difficulties of the Netrada Group and was recognized in other operating income. The transaction-related costs amounted to less than €1 million.

On February 28, 2014, BMG acquired 100 percent of the Dutch music publisher Talpa Music B.V. The acquisition makes BMG one of the leading publishers of local repertoire in the Benelux countries. The preliminary consideration transferred totals €31 million and includes a fixed amount of cash of €28 million as well as variable and contingent components. The preliminary purchase price allocation resulted in goodwill of €5 million. In times of growing internationalization of music-publishing rights as well as increasing exploitation and monetization of various income sources, this value was the result of access to renowned international songwriters and reinforcement of the company's position in the Benelux countries. None of the goodwill is expected to be tax deductible. The transaction-related costs amounted to less than €1 million.

The purchase price allocations for Netrada and Talpa Music have not yet been concluded at the time of reporting, as the underlying financial information is still being prepared and audited. As a result, there may still be changes to the allocation of the purchase price to the individual assets and liabilities.

In addition, the Group made several acquisitions in the first half of 2014, 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 partly non-tax-deductible goodwill totaling €49 million, which reflects synergy potential and is mostly attributable to RTL Group's acquisitions. Furthermore, put options in the amount of €24 million were recognized in connection with business combinations. The transaction-related costs of the acquisitions amounted to less than €1 million.

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

Effects of Acquisitions

in € millions	Netrada	Talpa Music	Other	Total
Non-current assets				
Goodwill	-	5	49	54
Other intangible assets	28	41	14	83
Property, plant and equipment	30	-	1	31
Other non-current assets	-	6	-	6
Current assets				
Inventories	-	-	13	13
Trade and other receivables	1	-	18	19
Other current assets	-	-	1	1
Cash and cash equivalents	-	2	12	14
Liabilities				
Financial debt	-	6	3	9
Sundry financial and non-financial liabilities	19	17	35	71
Gains from business combinations	1	-	-	-

Since initial consolidation, total new acquisitions under IFRS 3 have contributed €129 million to revenues and €12 million to Group profit or loss. If consolidated as of January 1, 2014, they would have contributed €157 million to revenues and €13 million to Group profit or loss.

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

On March 31, 2014, Groupe M6, which belongs to RTL Group, disposed of 100 percent of its interests held in Mistergooddeal SA, with a resulting gain of €1 million to the Groupe Darty.

After considering the cash and cash equivalents disposed of, the Group generated cash flows totaling €66 million from disposals that were carried out in the first half of 2014 (H1 2013: €-14 million). The disposals led to income from deconsolidation of €4 million which was carried under results from disposals of investments.

Effects of Disposals

in € millions	Brown Printing	Other	2014
Non-current assets			
Goodwill	–	2	2
Other intangible assets	–	6	6
Property, plant and equipment	58	–	58
Other non-current assets	–	1	1
Current assets			
Inventories	14	18	32
Other current assets	38	23	61
Cash and cash equivalents	3	12	15
Liabilities			
Sundry financial and non-financial liabilities	49	40	89

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 in the reporting period are attributable to the Arvato division (Nayoki Interactive Advertising GmbH) and Corporate Investments (Círculo de Lectores book club). The carrying amounts of the related asset are carried at a value of zero in the balance sheet due to a full impairment.

It was announced in June 2014 that the Spanish publisher Grupo Planeta, which had already acquired half of the shares

in the Spanish book club Círculo de Lectores in 2010, was also acquiring the remaining 50 percent. Círculo de Lectores is therefore classified as being held for sale as of June 30, 2014. Following the approval of the responsible antitrust authority, the sale took place at the end of July 2014.

Earnings after taxes from discontinued operations of €3 million (H1 2013: €-35 million) comprise follow-on effects related to the disposal of the former Direct Group division.

Additional Disclosures on Financial Instruments

The principles and methods used for the fair value measurement remain unchanged compared to the previous year. Further information about the additional information and disclosure on financial instruments is presented in the notes to the consolidated financial statements in the 2013 Annual Report. Only disclosures on financial instruments that are significant to an understanding of the changes in financial position and performance since the end of the last annual reporting period are explained below.

The following hierarchy is used to determine the fair value of financial instruments.

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 dates. 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 on 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 on the balance sheet date.

The fair value of forward commodity transactions is derived from the stock exchange listings published on the balance sheet date. Any incongruities to the standardized stock exchange contracts are reflected through interpolation or additions.

Level 3:

Cash-flow-based valuation methods were mostly used to determine the fair values for which no observable market data was available.

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. In the first half of 2014, no reclassifications were performed between levels 1, 2 and 3.

There were no changes to the financial assets allocated to level 3 in H1 2014.

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.

Other investments that are classified as available for sale within financial assets are measured at cost of €172 million. These financial assets are measured at cost, as they do not have a quoted price in an active market and thus a reliable estimate of the fair value is not possible. No proposal has been made to sell or derecognize significant holdings of the other available-for-sale investments reported as of June 30, 2014, in the near future. No significant holdings valued at cost were sold in the first half of 2014. The market value of the 2001 profit participation certificates with a closing rate of 300.00 percent on the last day of trading in the first half of 2014 on the Frankfurt Stock Exchange totaled €853 million (December 31, 2013: €788 million with a rate of 277.25 percent) and, correspondingly, €35 million for the 1992 profit participation certificates with a rate of 203.20 percent (December 31, 2013: €34 million with a rate of 200.50 percent). The market values are based on level 1 of the fair-value hierarchy. On June 30, 2014, the cumulative fair value of the listed bonds totaled €2,103 million (December 31, 2013: €2,812 million) with a nominal volume of €1,966 million (December 31, 2013: €2,716 million) and a carrying amount of €1,954 million (December 31, 2013: €2,703 million). The stock market prices are based on level 1 of the fair-value hierarchy. On June 30, 2014, the total carrying amount for private placements and the promissory note loans totaled €158 million (December 31, 2013: €375 million) and the total market value was €182 million (December 31, 2013: €387 million). 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 0.52 percent to 2.97 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. For all other financial assets and financial liabilities, the carrying amount represents a reasonable approximation of fair value.

Fair Values of Financial Assets 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 6/30/2014
Financial assets initially recognized at fair value through profit or loss	–	6	–	6
Available-for-sale financial assets	10	1	35	46
Financial assets held for trading	–	13	–	13
Derivatives with hedge relation	–	15	–	15
	10	35	35	80

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2013
Financial assets initially recognized at fair value through profit or loss	–	8	–	8
Available-for-sale financial assets	14	2	35	51
Financial assets held for trading	–	10	–	10
Derivatives with hedge relation	–	23	–	23
	14	43	35	92

Fair Values of Financial Liabilities 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 6/30/2014
Financial liabilities held for trading	–	25	–	25
Derivatives with hedge relation	–	22	–	22
	–	47	–	47

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

Income Taxes

Tax expenses for the first half of 2014 were calculated in line with IAS 34 using the average annual tax rate expected for

the whole of 2014. The estimated average annual tax rate for 2014 is 33.4 percent before discrete effects.

Other Information

As a result of seasonal influences on the divisions, higher revenues and a higher operating result tend to be expected in the second half of the year compared to the first half of the year. The higher revenues in the second half of the year are due to the increasing demand during the year-end holiday season, in particular in advertising-driven companies as well as Arvato's customer-oriented services. A comparison with the previous period is only possible to a limited extent due to portfolio expansions undertaken in the previous year, such as the Penguin Random House merger, the acquisition of the financial service provider Gothia and the full acquisition of the music rights company BMG.

Due to a lack of economic perspectives, a decision was made in June 2014 to gradually terminate the activities of the German-language club businesses, reported under Corporate Investments, by the end of 2015.

On June 2, 2014, a new advertising tax was submitted to the Hungarian Parliament and was subsequently adopted via an accelerated procedure on June 11, 2014. On July 4, 2014, the Hungarian Parliament adopted several amendments to the tax. The new, revised tax came into force on August 15, 2014, with the first payments, in two equal installments, under this new regime to be made on August 20 and November 20, 2014, respectively. The tax is steeply progressive, with rates between 0 and 40 percent, and is calculated, in general, on the net revenues derived from advertising plus the margins which the sales houses affiliated with the taxpayers charge to their customers. The tax base will be calculated by aggregating the tax bases of affiliated undertakings. As a result, entities belonging to a group of companies are taxed at higher tax rates than independent legal entities. RTL Group's management is determined to pursue all options to protect the Hungarian assets against the effects of this new regulation. Nevertheless, in accordance with IFRS guidance, it is assumed that the impact of this new advertising tax on the RTL Group's Hungarian business continues throughout the planning period is assumed. It is also assumed that the Hungarian business is a going concern. The recoverable amount of the Hungarian-language

cable channels and M-RTL has been determined at a non-significant amount at June 30, 2014, on the basis of the value in use. The calculation based on the following assumptions: a discount rate of 13.4 percent (December 31, 2013: 12.9 percent) and a growth rate of 2.0 percent (December 31, 2013: 2.0 percent). Consequently, a full impairment of the goodwill for an amount of €77 million has been recorded and as well as additional impairment losses on non-current intangible assets of €11 million, of which €9 million relates to assets identified in connection with the primary purchase price allocations. After impairment, the carrying amount is €65 million. The remaining non-current assets, mainly composed of property plant and equipment and software licenses and amounting to approximately €10 million, have not been impaired as their fair value less costs of disposal were considered as being above or at least equal to their carrying value. The other current assets in the amount of €86 million, mainly composed of inventories and financial assets, have been valued in accordance with the relevant applicable IFRS standard and accordingly no additional impairment was required. Further analysis will be conducted on the practical implications of the new advertising tax in Hungary. This might lead to further operating losses.

Due to continuing pressure on the production and distribution business as a result of lower volumes and pricing, the company's internal forecasts for the cash-generating unit Fremantle Media, which belongs to RTL Group, have been updated taking into account the latest available information, primarily on the USA. The recoverable amount was determined using the value in use on the basis of the discounted cash flow method with a long-term growth rate of 3.0 percent (December 31, 2013: 3.0 percent) and a discount rate of 7.7 percent (December 31, 2013: 7.7 percent). After recalculation, the recoverable amount is equivalent to the carrying amount. In the event of an increase in the discount rate for the cash-generating unit Fremantle Media by 1.0 percentage points, an impairment of goodwill of €205 million would be required. In the event of a reduction in the annual revenue growth rate of 1.0 percentage points, an impairment of goodwill of €161 million would be required.

In the first half of 2014, BMG acquired the music rights catalogs of Hal David and Montana for a total of €39 million.

The bonds due in January 2014 for the amount of €750 million, as well as the promissory note loans due in February and March 2014 for €187 million and €30 million, were paid when they matured. Part of cash and cash equivalents was used in this regard.

RTL Group's ownership in Atresmedia decreased from 20.5 percent as of December 31, 2013, to 19.2 percent as of June 30, 2014, as a result of the partial novation on February 19, 2014,

of the Integration Agreement executed with the shareholder La Sexta on December 14, 2011, and the reduction of the number of treasury shares. Significant influence remains even after the reduction in the number of treasury shares. The transaction resulted in a dilution of interest generating a loss of €4.5 million.

The increase in provisions for pensions and similar obligations is primarily attributable to a decreased interest level.

Segment Reporting

Segment reporting continues to present five operating reportable segments (RTL Group, Penguin Random House, Gruner + Jahr, Arvato and Be Printers) as well as other operating activities (Corporate Investments). The figures from the first half of the previous year have been adjusted due to the first-time application of IFRS 11 Joint Arrangements. In

view of the Bertelsmann Group's growth strategy and the associated expansion of its investment activity, the operating EBITDA has been used as a central performance indicator since the start of the 2014 financial year for determining the operating earnings power.

Reconciliation of Segments' EBIT to the Group Profit or Loss

in € millions	H1 2014	H1 2013 (adjusted)
Operating EBITDA of divisions	1,051	1,049
Corporate Center	(37)	(36)
Consolidation	1	(2)
Amortization/depreciation, impairment charges and reversals of intangible assets and property, plant and equipment	(389)	(256)
Adjustments on amortization/depreciation, impairment charges and reversals of intangible assets and property, plant and equipment included in special items	100	13
Operating EBIT	726	768
Special items	(172)	44
EBIT from continuing operations	554	812
Financial result	(125)	(158)
Earnings before taxes from continuing operations	429	654
Income taxes	(178)	(200)
Earnings after taxes from continuing operations	251	454
Earnings after taxes from discontinued operations	3	(35)
Group profit or loss	254	419

Events after the Reporting Date

On July 1, 2014, Penguin Random House completed its full acquisition of the publishing group Santillana Ediciones Generales from the Spanish media company Prisa, announced in March 2014. The acquisition of Santillana's book business in Brazil, also announced in this context, is to be formally completed by the end of September 2014. The acquired publishing group will be merged with the activities of Penguin Random House in Spain, Portugal and Latin America, greatly enhancing growth potential, in particular in Latin America. The transaction will be accounted for as a business combination in accordance with IFRS 3. The consideration transferred totaled €56 million and was fully paid in cash. As a result of the early stage of the preliminary purchase price allocation, it is not possible to provide any quantitative or

any other information required by IFRS 3 on the acquisition of the publishing group.

On July 31, 2014, RTL Group announced its acquisition of a 65 percent stake in SpotXchange, a leading programmatic video advertising platform. RTL Group's initial investment amounts to €108 million. The parties have agreed on an earn-out component which could increase the initial consideration depending on the future performance of SpotXchange. RTL Group also has an option to acquire the remaining shareholding in the future. The transaction is subject to US competition authority approval and is expected to close by the end of August 2014. The transaction will be accounted for as a business combination in the sense of IFRS 3.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in accordance with German accepted accounting principles, and the interim management report

of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Gütersloh, August 27, 2014

Bertelsmann SE & Co. KGaA

represented by:

Bertelsmann Management SE, the general partner

The Executive Board

Dr. Thomas Rabe

Achim Berg

Markus Dohle

Dr. Judith Hartmann

Anke Schäferkordt

Auditor's Review Report

To Bertelsmann SE & Co. KGaA

We have reviewed the condensed consolidated interim financial statements – comprising the income statement and the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and selected explanatory notes – and the interim group management report of Bertelsmann SE & Co. KGaA, Gütersloh, for the period from January 1 to June 30, 2014, which are part of the half-year financial report pursuant to § (Article) 37w WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Executive Board of the personally liable partner Bertelsmann Management SE. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW).

Bielefeld, August 27, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Werner Ballhaus
Wirtschaftsprüfer
(German Public Auditor)

Christoph Gruss
Wirtschaftsprüfer
(German Public Auditor)

Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Contact

For journalists

Corporate Communications/Media Relations
Phone: +49(0)52 41-80-24 66
press@bertelsmann.com

For analysts and investors

Investor Relations
Phone: +49(0)52 41-80-23 42
investor@bertelsmann.de

For global jobs and careers

Recruiting Services
createyourowncareer@bertelsmann.com
www.createyourowncareer.com

Information about Bertelsmann as an employer is also available on:



The Interim Report and current information about Bertelsmann are also posted at:

www.bertelsmann.com

This Interim Report is also available in German.

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Publisher

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

Responsible

Karin Schlautmann
Bertelsmann SE & Co. KGaA
Executive Vice President
Corporate Communications

Project management

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

www.bertelsmann.com