Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

in € millions	H1 2015	H1 2014 (adjusted)
Revenues	8,040	7,846
Other operating income	251	289
Changes in inventories	183	200
Own costs capitalized	15	9
Cost of materials	(2,723)	(2,861)
Royalty and license fees	(666)	(540)
Personnel costs	(2,663)	(2,524)
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	(293)	(389)
Other operating expenses	(1,501)	(1,504)
Results from investments accounted for using the equity method	4	28
Impairment and reversals of impairment on investments accounted for using the equity method	–	–
Results from financial assets	6	(3)
Results from disposals of investments	17	6
EBIT (earnings before interest and taxes)	670	557
Interest income	9	10
Interest expenses	(66)	(58)
Other financial income	6	7
Other financial expenses	(68)	(84)
Financial result	(119)	(125)
Earnings before taxes from continuing operations	551	432
Income taxes	(156)	(178)
Earnings after taxes from continuing operations	395	254
Earnings after taxes from discontinued operations	3	3
Group profit or loss	398	257
attributable to:		
Bertelsmann shareholders		
Earnings from continuing operations	214	121
Earnings from discontinued operations	3	3
Earnings attributable to Bertelsmann shareholders	217	124
Non-controlling interests		
Earnings from continuing operations	181	133
Earnings from discontinued operations	–	–
Earnings attributable to non-controlling interests	181	133

The adjustment of figures for H1 2014 relates to the at-equity adjustment of investment entities. Further information is presented in the consolidated financial statements in the 2014 Annual Report.

Consolidated Statement of Comprehensive Income

in € millions	H1 2015	H1 2014 (adjusted)
Group profit or loss	398	257
Items that will not be reclassified subsequently to profit or loss		
Remeasurement component of defined benefit plans	176	(241)
Share of other comprehensive income of investments accounted for using the equity method	–	–
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Currency translation differences		
– changes recognized in equity	281	24
– reclassification adjustments for gains (losses) included in profit or loss	(2)	(12)
Available-for-sale financial assets		
– changes in fair value recognized in equity	1	(5)
– reclassification adjustments for gains (losses) included in profit or loss	–	–
Cash flow hedges		
– changes in fair value recognized in equity	16	(2)
– reclassification adjustments for gains (losses) included in profit or loss	(9)	–
Share of other comprehensive income of investments accounted for using the equity method	3	2
Other comprehensive income net of tax	466	(234)
Group total comprehensive income	864	23
attributable to:		
Bertelsmann shareholders	627	(105)
Non-controlling interests	237	128

The adjustment of figures for H1 2014 relates to the at-equity adjustment of investment entities. Further information is presented in the consolidated financial statements in the 2014 Annual Report.

Reconciliation to Operating EBITDA (Continuing Operations)

in € millions	H1 2015	H1 2014 (adjusted)
EBIT from continuing operations	670	557
Special items		
Impairment on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations	–	87
Impairment on other financial assets	5	11
Results from disposals of investments	(17)	(6)
Fair value remeasurement of investments	(5)	(2)
Restructuring and other special items	118	82
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	293	389
Adjustments on amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment included in special items	(1)	(100)
Operating EBITDA from continuing operations	1,063	1,018

The adjustment of figures for H1 2014 relates to the at-equity adjustment of investment entities. Further information is presented in the consolidated financial statements in the 2014 Annual Report.

Consolidated Balance Sheet

in € millions	6/30/2015	12/31/2014 (adjusted)
Assets		
Non-current assets		
Goodwill	7,819	7,615
Other intangible assets	2,425	2,299
Property, plant and equipment	1,601	1,584
Investments accounted for using the equity method	674	592
Other financial assets	384	331
Trade and other receivables	98	145
Other non-financial assets	607	544
Deferred tax assets	970	1,076
	14,578	14,186
Current assets		
Inventories	1,715	1,590
Trade and other receivables	3,513	3,475
Other financial assets	86	108
Other non-financial assets	815	704
Current income tax receivable	183	126
Cash and cash equivalents	1,507	1,329
	7,819	7,332
Assets held for sale	–	42
	22,397	21,560
Equity and Liabilities		
Equity		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	3,625	3,189
Bertelsmann shareholders' equity	6,970	6,534
Non-controlling interests	1,870	1,846
	8,840	8,380
Non-current liabilities		
Provisions for pensions and similar obligations	2,069	2,698
Other provisions	129	143
Deferred tax liabilities	159	157
Profit participation capital	413	413
Financial debt	3,594	2,364
Trade and other payables	374	381
Other non-financial liabilities	333	331
	7,071	6,487
Current liabilities		
Other provisions	328	411
Financial debt	596	654
Trade and other payables	4,108	4,126
Other non-financial liabilities	1,376	1,377
Current income tax payable	78	84
	6,486	6,652
Liabilities related to assets held for sale	–	41
	22,397	21,560

The adjustment of the previous year's figures relates to the completion of the SpotXchange and StyleHaul business combinations.

Consolidated Cash Flow Statement

in € millions	H1 2015	H1 2014 (adjusted)
Group earnings before interest and taxes	673	562
Taxes paid	(163)	(206)
Depreciation and write-ups of non-current assets	298	398
Results from disposals of investments	(20)	(11)
Change in provisions for pensions and similar obligations	(42)	(58)
Change in other provisions	(108)	(72)
Change in net working capital	(327)	(229)
Fair value remeasurement of investments	(5)	(2)
Other effects	37	23
Cash flow from operating activities	343	405
– thereof discontinued operations	–	–
Investments in:		
– intangible assets	(126)	(142)
– property, plant and equipment	(150)	(143)
– financial assets	(165)	(77)
– purchase prices for consolidated investments (net of acquired cash)	(73)	(98)
Payments for disposal of subsidiaries and other business units (net of acquired cash)	(5)	66
Cash receipts from disposal of other fixed assets	102	35
Contribution to/withdrawals from defined benefit plans	(400)	–
Cash flow from investing activities	(817)	(359)
– thereof discontinued operations	–	(4)
Proceeds from bonds and promissory notes	1,241	–
Redemption of bonds and promissory notes	–	(967)
Proceeds from/redemption of other financial debt	(178)	(55)
Interest paid	(62)	(139)
Interest received	8	8
Dividends to Bertelsmann shareholders	(180)	(180)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18b)	(239)	(265)
Change in equity	5	(2)
Cash flow from financing activities	595	(1,600)
– thereof discontinued operations	–	–
Change in cash and cash equivalents	121	(1,554)
Currency effects and other changes in cash and cash equivalents	55	10
Cash and cash equivalents 1/1	1,331	2,715
Cash and cash equivalents 6/30	1,507	1,171
Less cash and cash equivalents included within assets held for sale	–	–
Cash and cash equivalents 6/30 (according to the Group balance sheet)	1,507	1,171

The adjustment of figures for H1 2014 relates to the at-equity adjustment of investment entities. Further information is presented in the consolidated financial statements in the 2014 Annual Report.

Change in Net Financial Debt

in € millions	H1 2015	H1 2014
Net financial debt at 1/1	(1,689)	(681)
Cash flow from operating activities	343	405
Cash flow from investing activities	(817)	(359)
Interest, dividends and changes in equity, additional payments (IAS 32.18b)	(468)	(578)
Currency effects and other changes in net financial debt	(52)	(11)
Net financial debt at 6/30	(2,683)	(1,224)

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

Consolidated Statement of Changes in Equity

in € millions	Subscribed capital	Capital reserve	Retained earnings: Other retained earnings	Retained earnings: Cumulated other comprehensive income[1]: Currency translation differences	Retained earnings: Cumulated other comprehensive income[1]: Available-for-sale financial assets	Retained earnings: Cumulated other comprehensive income[1]: Cash flow hedges	Retained earnings: Cumulated other comprehensive income[1]: Share of other comprehensive income of investments accounted for using the equity method	Bertelsmann shareholders' equity	Non-controlling interests	Total
Balance as of 1/1/2014	1,000	2,345	3,823	(301)	22	(7)	5	6,887	1,849	8,736
Adjustment	–	–	24	–	–	–	1	25	–	25
Balance as of 1/1/2014[2]	1,000	2,345	3,847	(301)	22	(7)	6	6,912	1,849	8,761
Group profit or loss	–	–	124	–	–	–	–	124	133	257
Other comprehensive income	–	–	(232)	6	(4)	(1)	2	(229)	(5)	(234)
Group total comprehensive income	–	–	(108)	6	(4)	(1)	2	(105)	128	23
Dividend distributions	–	–	(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	3,557	(295)	18	(8)	8	6,625	1,712	8,337
Balance as of 1/1/2015	1,000	2,345	3,257	(117)	16	21	13	6,535	1,846	8,381
Adjustment	–	–	(1)	–	–	–	–	(1)	–	(1)
Balance as of 1/1/2015[2]	1,000	2,345	3,256	(117)	16	21	13	6,534	1,846	8,380
Group profit or loss	–	–	217	–	–	–	–	217	181	398
Other comprehensive income	–	–	174	224	1	8	3	410	56	466
Group total comprehensive income	–	–	391	224	1	8	3	627	237	864
Dividend distributions	–	–	(180)	–	–	–	–	(180)	(250)	(430)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	(18)	–	–	–	–	(18)	23	5
Equity transactions with shareholders	–	–	(198)	–	–	–	–	(198)	(227)	(425)
Other changes	–	–	7	–	–	–	–	7	14	21
Balance as of 6/30/2015	1,000	2,345	3,456	107	17	29	16	6,970	1,870	8,840

1) Thereof, on June 30, 2015, no assets classified as held for sale according to IFRS 5 were affected. On June 30, 2014, a total of €1 million was 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, 2014, relates to the at-equity adjustment of investment entities. The adjustment on January 1, 2015, relates to completion of the SpotXchange business combination. Further information is presented in the consolidated financial statements in the 2014 Annual Report.

Segment Information (Continuing Operations)

in € millions	RTL Group		Penguin Random House		Gruner + Jahr		Arvato	
	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014
Revenues from external customers	2,786	2,683	1,697	1,461	749	905	2,244	2,157
Intersegment revenues	2	4	–	–	3	3	69	73
Divisional revenues	2,788	2,687	1,697	1,461	752	908	2,313	2,230
Operating EBITDA	626	612	207	159	55	77	171	162
EBITDA margin[1]	22.4%	22.8%	12.2%	10.9%	7.4%	8.5%	7.4%	7.3%
Scheduled depreciation and amortization	100	97	44	38	13	18	85	84
Impairment and reversals of impairment on intangible assets and property, plant and equipment[2]	(8)	98	–	–	–	–	–	–
Results from investments accounted for using the equity method	29	24	(1)	–	–	4	5	4
Additions to non-current assets[3]	128	129	21	19	22	30	86	155
Number of employees (closing date)[4]	12,277	11,768	12,381	12,812	13,603	8,168	71,899	70,653
Number of employees (average)[4]	12,314	11,810	12,376	12,414	13,616	8,968	71,485	69,153

The adjustment of figures for H1 2014 relates to the at-equity adjustment of investment entities. Further information is presented in the consolidated financial statements in the 2014 Annual Report.
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, 2014.

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) and the related interpretations (IFRIC) of the IFRS Interpretations Committee (IFRS IC) 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 – fundamentally the same accounting and measurement policies as in the consolidated financial statements of December 31, 2014. A detailed description of these policies and the new or revised financial reporting standards and interpretations to be applied from 2015 is presented in the notes to the consolidated financial statements in the 2014 Annual Report.

As of June 30, 2015, the following financial reporting standards have been applied for the first time:

- IFRIC 21 Levies
- Improvements to IFRS 2011–2013 (issued in December 2013)

The effects from the first-time application of the new accounting standards are not material for the Bertelsmann Group. The Bertelsmann Group has not opted for further early adoption of any additional standards, interpretations or amendments that have been issued but are not yet mandatory.

Be Printers		Other operating activities (Corporate Investments)		Total Divisions		Corporate Center		Consolidation		Continuing operations	
H1 2015	H1 2014	H1 2015	H1 2014 (adjusted)	H1 2015	H1 2014 (adjusted)	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014 (adjusted)
279	401	284	239	8,039	7,846	1	–	–	–	8,040	7,846
83	81	14	15	171	176	6	–	(177)	(176)	–	–
362	482	298	254	8,210	8,022	7	–	(177)	(176)	8,040	7,846
12	25	25	19	1,096	1,054	(31)	(37)	(2)	1	1,063	1,018
3.4%	5.2%	8.6%	7.5%	13.3%	13.1%	–	–	–	–	13.2%	13.0%
7	18	49	33	298	288	2	2	1	–	301	290
–	–	–	–	(8)	98	–	–	–	1	(8)	99
–	–	(30)	(4)	3	28	–	–	1	–	4	28
7	10	92	109	356	452	1	11	–	–	357	463
3,501	4,108	4,692	3,908	118,353	111,417	666	620	–	–	119,019	112,037
3,786	5,130	4,735	3,904	118,312	111,379	655	603	–	–	118,967	111,982

Scope of Consolidation

The condensed interim consolidated financial statements as of June 30, 2015, 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 method in accordance with IAS 28. As of June 30, 2015, the scope of consolidation including Bertelsmann SE & Co. KGaA consists of 964 (December 31, 2014: 955) companies with 45 entries and 36 exits in the first half of 2015. This includes 900 (December 31, 2014: 896) fully consolidated companies, of which 771 (December 31, 2014: 771) are wholly-owned subsidiaries. In addition, investments in 28 (December 31, 2014: 29) joint ventures and 36 (December 31, 2014: 30) associates are accounted for using the equity method in the consolidated financial statements. A total of 229 (December 31, 2014: 240) affiliated companies without significant business operations are excluded from consolidation due to their negligible importance for the financial position and financial performance of the Bertelsmann Group.

Acquisitions and Disposals

The Group made several acquisitions in the first half of 2015, none of which was material on a stand-alone basis. In total, the impact on the Group's financial position and financial performance was also minor. The consideration paid for these acquisitions, less cash and cash equivalents acquired, amounted to €73 million. The consideration transferred in the sense of IFRS 3 totaled €73 million. The acquisitions resulted in partly non-tax-deductible goodwill totaling €56 million, which reflects synergy potential. The transaction-related costs of the acquisitions amounted to €3 million.

The following table shows the fair values of the assets and liabilities of the acquisitions on their dates of initial consolidation based on the currently still preliminary purchase price allocations:

Effects of Acquisitions

in € millions	Total
Non-current assets	
Goodwill	56
Other intangible assets	37
Property, plant and equipment	7
Trade and other receivables	5
Other non-current assets	11
Current assets	
Inventories	–
Trade and other receivables	6
Other current assets	3
Cash and cash equivalents	20
Liabilities	
Provisions for pensions and similar obligations	–
Financial debt	14
Sundry financial and non-financial liabilities	57
Gains from business combinations	–
Non-controlling interests	(1)

Since initial consolidation, all acquisitions under IFRS 3 have contributed €33 million to revenues and €-2 million to Group profit or loss. If consolidated as of January 1, 2015, they would have contributed €40 million to revenues and €-8 million to Group profit or loss.

The purchase price allocations of the business combinations SpotXchange and StyleHaul in 2014 have been finalized in the reporting period. The following table shows the slightly adjusted final fair values of the assets and liabilities on their dates of initial consolidation:

in € millions	SpotXchange	StyleHaul
Non-current assets		
Goodwill	99	99
Other intangible assets	10	4
Property, plant and equipment	3	–
Trade and other receivables	–	–
Other non-current assets	5	12
Current assets		
Inventories	–	–
Trade and other receivables	32	5
Other current assets	–	–
Cash and cash equivalents	4	1
Liabilities		
Provisions for pensions and similar obligations	–	–
Financial debt	2	4
Sundry financial and non-financial liabilities	29	5
Non-controlling interests	(5)	–

After considering the cash and cash equivalents disposed of, the Group generated cash flows totaling €-5 million from disposals that were carried out in the first half of 2015. The disposals led to income from deconsolidation of €1 million, which was carried under results from disposals of investments.

Effects of Disposals

in € millions	Total
Non-current assets	
Goodwill	2
Other intangible assets	14
Property, plant and equipment	16
Other non-current assets	1
Current assets	
Inventories	8
Other current assets	67
Cash and cash equivalents	14
Liabilities	
Provisions for pensions and similar obligations	2
Financial debt	7
Sundry financial and non-financial liabilities	44

Currency Translation

The following euro exchange rates were used to translate the currencies that are most significant to the Bertelsmann Group.

		Average rate		Closing rate		
Foreign currency unit per €1		H1 2015	H1 2014	6/30/2015	12/31/2014	6/30/2014
Australian dollar	AUD	1.4258	1.4987	1.4550	1.4829	1.4537
Canadian dollar	CAD	1.3768	1.5032	1.3839	1.4063	1.4589
Chinese renminbi	CNY	6.9378	8.4536	6.9366	7.5358	8.4722
British pound	GBP	0.7324	0.8214	0.7114	0.7789	0.8015
US dollar	USD	1.1152	1.3707	1.1189	1.2141	1.3658

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 2014 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:
If no observable market data is available, the fair values are mostly determined based on cash flow-based valuation methods.

The valuation of financial assets and financial liabilities according to level 2 and level 3 requires management to make certain assumptions about the model inputs including cash flows, discount rate and credit risk. In the first half of 2015, no reclassifications were performed between levels 1, 2 and 3.

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.

Investments in affiliates and other investments that are classified as available-for-sale within financial assets are measured at cost of €243 million (December 31, 2014: €221 million). These financial assets are measured at cost, as they do not have a quoted price in an active market and a reliable estimate of the fair value is not possible. No plan has been made to sell significant holdings of the other available-for-sale investments reported as of June 30, 2015, in the near future. No significant holdings valued at cost were sold in the first half of 2015.

The market value of the 2001 profit participation certificates with a closing rate of 300.1 percent on the last day of trading in the first half of 2015 on the Frankfurt Stock Exchange totaled €853 million (December 31, 2014: €856 million with a rate of 301.0 percent) and, correspondingly, €28 million for the 1992 profit participation certificates with a rate of 164.0 percent (December 31, 2014: €34 million with a rate of 200.0 percent). The market values are based on level 1 of the fair value hierarchy.

In April 2015, Bertelsmann SE & Co. KGaA issued two subordinated hybrid bonds totaling a volume of €1,250 million. The first bond, with a nominal volume of €650 million, has a term of 60 years and a 3.0 percent coupon for the first eight years. Afterwards, interest rates will be reset every five years based on the five-year swap rate. This bond can be called by Bertelsmann for the first time in 2023 and redeemed at its nominal value. The second bond with a nominal volume of €600 million also has a term of 60 years and a 3.5 percent coupon for the first twelve years. Afterwards, interest rates will be reset every five years based on the five-year swap rate. Bertelsmann can first call this bond in 2027 and redeem it at its nominal value. Interest for the two bonds may be deferred depending on a dividend payment to the owners of Bertelsmann SE & Co. KGaA.

On June 30, 2015, the cumulative fair value of the listed bonds totaled €3,747 million (December 31, 2014: €2,635 million) with a nominal volume of €3,716 million (December 31, 2014: €2,466 million) and a carrying amount of €3,694 million (December 31, 2014: €2,452 million). The stock market prices are based on level 1 of the fair value hierarchy. On June 30, 2015, the total carrying amount for private placements and the promissory note loans totaled €258 million (December 31, 2014: €258 million) and the total market value was €288 million (December 31, 2014: €297 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. The fair value is determined on the basis of discount rates ranging from 0.10 percent to 2.24 percent. 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 6/30/2015
Financial assets initially recognized at fair value through profit or loss	–	9	–	9
Available-for-sale financial assets	11	1	32	44
Primary and derivative financial assets held for trading	–	45	–	45
Derivatives with hedge relation	–	75	–	75
	11	130	32	173

Financial Assets Measured at Fair Value Based on Level 3

in € millions	Financial assets initially recognized at fair value through profit or loss	Available-for-sale financial assets	Primary and derivative financial assets held for trading	Derivatives with hedge relation	Total
Balance as of 1/1/2015	–	34	–	–	34
Total gain or loss	–	(2)	–	–	(2)
– in profit or loss	–	–	–	–	–
– in other comprehensive income	–	(2)	–	–	(2)
Transfers from "Investments accounted for using the equity method"	–	–	–	–	–
Purchases	–	–	–	–	–
Issues	–	–	–	–	–
Sales/settlements	–	–	–	–	–
Transfers out of/into level 3	–	–	–	–	–
Balance as of 6/30/2015	–	32	–	–	32
Gain (+) or loss (-) for assets still held at the end of the reporting period	–	–	–	–	–

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 6/30/2015
Financial liabilities initially recognized at fair value through profit or loss	–	–	29	29
Primary and derivative financial liabilities held for trading	–	47	–	47
Derivatives with hedge relation	–	14	–	14
	–	61	29	90

Financial Liabilities Measured at Fair Value Based on Level 3

in € millions	Financial liabilities initially recognized at fair value through profit or loss	Primary and derivative financial liabilities held for trading	Derivatives with hedge relation	Total
Balance as of 1/1/2015	43	–	–	43
Total gain or loss	–	–	–	–
– in profit or loss	1	–	–	1
– in other comprehensive income	(1)	–	–	(1)
Purchases	–	–	–	–
Issues	–	–	–	–
Settlements	(14)	–	–	(14)
Transfers out of/into level 3	–	–	–	–
Balance as of 6/30/2015	29			29
Gain (+) or loss (-) for liabilities still held at the end of the reporting period	1	–	–	1

Income Taxes

Tax expenses for the first half of 2015 were calculated in line with IAS 34 using the average annual tax rate expected for the whole of 2015, which is calculated at 34.6 percent according to Bertelsmann management's current estimation. In addition, current tax and deferred tax of prior periods have been recognized, which resulted in a lower tax rate in the income statement.

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.

Due to continuing pressure on the production and distribution business as a result of lower volumes and pricing, the company's internal forecasts for the cash-generating unit Fremantle Media, which belongs to RTL Group, have been updated taking into account the latest available information, primarily on the United States. The recoverable amount was determined using the value in use on the basis of the discounted cash flow method with a long-term growth rate of 2.5 percent (December 31, 2014: 2.5 percent) and a discount rate of 7.5 percent (December 31, 2014: 7.7 percent). As of June 30, 2015, the recoverable amount exceeds the carrying amount by €64 million (December 31, 2014: €124 million). In the event of an increase in the discount rate by 0.3 percentage points, a reduction in the annual revenue growth rate by

0.4 percentage points or a reduction in the EBITDA margin by 0.4 percentage points, the recoverable amount would fall below the carrying amount for the first time.

A new advertising tax was adopted by the Hungarian parliament on June 11, 2014. On July 4, 2014, the Hungarian parliament adopted several amendments, which came into force on August 15, 2014. The tax is steeply progressive, with rates between zero and 40 percent, and is calculated, in general, on the net revenues derived from advertising plus the margins which the sales houses affiliated with the taxpayers charge to their customers. The tax base is calculated by aggregating the tax bases of subsidiaries. As a result, entities belonging to a group of companies are taxed at higher tax rates than group independent legal entities. On November 18, 2014, the Hungarian parliament adopted an amendment by which the highest applicable tax rate was increased from 40 to 50 percent. This amendment entered into force on January 1, 2015. As of June 30, 2014, RTL Group's management has recognized a full impairment of the goodwill for an amount of €77 million and additional impairment losses on non-current intangible assets of €11 million, of which €9 million is related to assets identified in connection with the preliminary purchase price allocations. Furthermore, as of December 31, 2014, a valuation allowance on current program rights has been recorded for an amount of €7 million. On May 27, 2015, the Hungarian parliament amended retrospectively the advertising tax. The tax rate was changed into a flat rate of 5.3 percent for a tax base above HUF100 million and zero percent under HUF100 million. The retrospective impact resulted in a one-off positive impact of €4.5 million reported in the position "Other operating expenses." In addition, as of June 30, 2015, RTL Group's management re-assessed the fair value of the non-current intangible assets identified in connection with the initial purchase price allocations and fully reversed the remaining impairment for an amount of €7 million. In addition, the re-assessment of the net realizable value of the current program rights resulted in the recognition of a reversal of the valuation allowance of €3 million.

Together with the investment company Bozano Investimentos and other partners, Bertelsmann invested in a fund that will invest in educational companies in Brazil, such as in the field of medical education. There are contribution obligations to this fund in the amount of €90 million. The increase in the balance sheet position "Investments accounted for using the equity method" to €674 million mainly results from several acquisitions, including Affero Lab, Brazil's largest corporate training and e-learning company in the amount of €27 million, and the Chinese company Bigo, one of the leading global free mobile VoIP call and instant-messaging service providers, in the amount of €27 million.

The ownership of RTL Group in Atresmedia decreased from 19.2 percent at December 31, 2014, to 18.6 percent at June 30, 2015. A capital gain of €10 million was generated from this transaction. Considering the ongoing representation of RTL Group at the Board of Directors and other governing bodies of Atresmedia, RTL Group's management considers that this does not change the significant influence of RTL Group in Atresmedia.

The provisions for pensions were reduced by a funding in the amount of €400 million to the plan assets managed by Bertelsmann Pension Trust e.V. and by an adjustment of the discount rate. The increase in the discount rate for the measurement of the pension provisions resulted in actuarial gains being recognized in the amount of €237 million under "Remeasurement component of defined benefit plans." The discount rate determination for the Eurozone was modified regarding the data selection in the current year. Further refinements were also implemented. If the discount rate at June 30, 2015, had been determined without these changes, the discount rate would have been around 10 basis points higher. The actuarial gains attributable thereto would have reduced the pension provisions by €62 million.

Earnings after taxes from discontinued operations of €3 million (H1 2014: €3 million) comprise follow-on effects related to the disposal of the former Direct Group division.

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).

Reconciliation of Segments' EBIT to the Group Profit or Loss

in € millions	H1 2015	H1 2014 (adjusted)
Operating EBITDA of divisions	1,096	1,054
Corporate Center	(31)	(37)
Consolidation	(2)	1
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	(293)	(389)
Adjustments on amortization/depreciation, impairment charges and reversals of intangible assets and property, plant and equipment included in special items	1	100
Special items	(101)	(172)
EBIT from continuing operations	670	557
Financial result	(119)	(125)
Earnings before taxes from continuing operations	551	432
Income taxes	(156)	(178)
Earnings after taxes from continuing operations	395	254
Earnings after taxes from discontinued operations	3	3
Group profit or loss	398	257

Events after the Reporting Date

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

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, 2015

Bertelsmann SE & Co. KGaA
represented by:
Bertelsmann Management SE, the general partner
The Executive Board

Dr. Thomas Rabe   Fernando Carro de Prada   Markus Dohle

Dr. Immanuel Hermreck   Anke Schäferkordt