Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

in € millions	H1 2016	H1 2015
Revenues	7,966	8,040
Other operating income	299	251
Changes in inventories	267	183
Own costs capitalized	15	15
Cost of materials	(2,782)	(2,723)
Royalty and license fees	(647)	(666)
Personnel costs	(2,669)	(2,663)
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	(309)	(293)
Other operating expenses	(1,410)	(1,501)
Results from investments accounted for using the equity method	16	4
Results from financial assets	3	6
Results from disposals of investments	56	17
EBIT (earnings before interest and taxes)	805	670
Interest income	6	9
Interest expenses	(78)	(66)
Other financial income	16	6
Other financial expenses	(61)	(68)
Financial result	(117)	(119)
Earnings before taxes from continuing operations	688	551
Income tax expense	(206)	(156)
Earnings after taxes from continuing operations	482	395
Earnings after taxes from discontinued operations	–	3
Group profit or loss	482	398
attributable to:		
Bertelsmann shareholders		
Earnings from continuing operations	288	214
Earnings from discontinued operations	–	3
Earnings attributable to Bertelsmann shareholders	288	217
Non-controlling interests		
Earnings from continuing operations	194	181
Earnings from discontinued operations	–	–
Earnings attributable to non-controlling interests	194	181

Consolidated Statement of Comprehensive Income

in € millions	H1 2016	H1 2015
Group profit or loss	482	398
Items that will not be reclassified subsequently to profit or loss		
Remeasurement component of defined benefit plans	(415)	176
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	(124)	281
– reclassification adjustments for gains (losses) included in profit or loss	–	(2)
Available-for-sale financial assets		
– changes in fair value recognized in equity	3	1
– reclassification adjustments for gains (losses) included in profit or loss	–	–
Cash flow hedges		
– changes in fair value recognized in equity	(10)	16
– reclassification adjustments for gains (losses) included in profit or loss	–	(9)
Share of other comprehensive income of investments accounted for using the equity method	6	3
Other comprehensive income net of tax	(540)	466
Group total comprehensive income	(58)	864
attributable to:		
Bertelsmann shareholders	(214)	627
Non-controlling interests	156	237

Reconciliation to Operating EBITDA (Continuing Operations)

in € millions	H1 2016	H1 2015
EBIT from continuing operations	805	670
Special items		
Impairment on other financial assets	5	5
Results from disposals of investments	(56)	(17)
Fair value remeasurement of investments	–	(5)
Restructuring and other special items	51	118
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	309	293
Adjustments on amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment included in special items	(3)	(1)
Operating EBITDA from continuing operations	1,111	1,063

Consolidated Balance Sheet

in € millions	6/30/2016	12/31/2015
Assets		
Non-current assets		
Goodwill	7,946	7,895
Other intangible assets	2,444	2,522
Property, plant and equipment	1,584	1,605
Investments accounted for using the equity method	1,002	945
Other financial assets	415	405
Trade and other receivables	89	146
Other non-financial assets	631	640
Deferred tax assets	1,090	961
	15,201	15,119
Current assets		
Inventories	1,807	1,661
Trade and other receivables	3,408	3,707
Other financial assets	123	113
Other non-financial assets	955	858
Current income tax receivables	100	140
Cash and cash equivalents	1,811	1,310
	8,204	7,789
Assets held for sale	–	–
	23,405	22,908
Equity and liabilities		
Equity		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	3,752	4,146
Bertelsmann shareholders' equity	7,097	7,491
Non-controlling interests	1,889	1,943
	8,986	9,434
Non-current liabilities		
Provisions for pensions and similar obligations	2,254	1,709
Other provisions	117	122
Deferred tax liabilities	135	160
Profit participation capital	413	413
Financial debt	3,774	3,075
Trade and other payables	349	375
Other non-financial liabilities	337	375
	7,379	6,229
Current liabilities		
Other provisions	314	346
Financial debt	991	1,000
Trade and other payables	3,980	4,276
Other non-financial liabilities	1,644	1,529
Current income tax payables	111	94
	7,040	7,245
Liabilities related to assets held for sale	–	–
	23,405	22,908

Consolidated Cash Flow Statement

in € millions	H1 2016	H1 2015
Group earnings before interest and taxes	805	673
Taxes paid	(134)	(163)
Depreciation and write-ups of non-current assets	314	298
Results from disposals of investments	(56)	(20)
Change in provisions for pensions and similar obligations	(40)	(42)
Change in other provisions	(41)	(108)
Change in net working capital	(108)	(327)
Fair value remeasurement of investments	–	(5)
Other effects	11	37
Cash flow from operating activities	751	343
– thereof discontinued operations	–	–
Investments in:		
– intangible assets	(212)	(126)
– property, plant and equipment	(129)	(150)
– financial assets	(134)	(165)
– purchase prices for consolidated investments (net of acquired cash)	(128)	(73)
Cash receipts for disposal of subsidiaries and other business units	(4)	(5)
Cash receipts from disposal of other fixed assets	105	102
Contribution to/withdrawals from defined benefit plans	–	(400)
Cash flow from investing activities	(502)	(817)
– thereof discontinued operations	–	–
Proceeds from bonds and promissory notes	694	1,241
Proceeds from/redemption of other financial debt	71	(178)
Interest paid	(106)	(62)
Interest received	5	8
Dividends to Bertelsmann shareholders	(180)	(180)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18b)	(205)	(239)
Change in equity	(3)	5
Cash flow from financing activities	276	595
– thereof discontinued operations	–	–
Change in cash and cash equivalents	525	121
Exchange rate effects and other changes in cash and cash equivalents	(24)	55
Cash and cash equivalents 1/1	1,310	1,331
Cash and cash equivalents 6/30	1,811	1,507
Less cash and cash equivalents included within assets held for sale	–	–
Cash and cash equivalents 6/30 (according to the Group balance sheet)	1,811	1,507

Change in Net Financial Debt

in € millions	H1 2016	H1 2015
Net financial debt at 1/1	(2,765)	(1,689)
Cash flow from operating activities	751	343
Cash flow from investing activities	(502)	(817)
Interest, dividends and changes in equity, additional payments (IAS 32.18b)	(489)	(468)
Exchange rate effects and other changes in net financial debt	51	(52)
Net financial debt at 6/30	(2,954)	(2,683)

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	Sub-scribed capital	Capital reserve	Retained earnings					Bertels-mann share-holders' equity	Non-controlling interests	Total
			Other retained earnings	Cumulated other comprehensive income[1]						
				Currency transla-tion dif-ferences	Available-for-sale financial assets	Cash flow hedges	Share of other compre-hensive income of invest-ments accounted for using the equity method			
Balance as of 1/1/2015	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
Balance as of 1/1/2016	1,000	2,345	3,993	96	13	29	15	7,491	1,943	9,434
Group profit or loss	–	–	288	–	–	–	–	288	194	482
Other comprehensive income	–	–	(399)	(99)	2	(8)	2	(502)	(38)	(540)
Group total comprehensive income	–	–	(111)	(99)	2	(8)	2	(214)	156	(58)
Dividend distributions	–	–	(180)	–	–	–	–	(180)	(213)	(393)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	5	–	–	–	–	5	4	9
Equity transactions with shareholders	–	–	(175)	–	–	–	–	(175)	(209)	(384)
Other changes	–	–	(5)	–	–	–	–	(5)	(1)	(6)
Balance as of 6/30/2016	1,000	2,345	3,702	(3)	15	21	17	7,097	1,889	8,986

1) As of June 30, 2016, and as of June 30, 2015, no assets classified as held for sale in accordance with IFRS 5 were affected.

Segment Information (Continuing Operations)

in € millions	RTL Group H1 2016	RTL Group H1 2015	Penguin Random House H1 2016	Penguin Random House H1 2015	Gruner + Jahr H1 2016	Gruner + Jahr H1 2015 (adjusted)	BMG H1 2016	BMG H1 2015 (adjusted)	Arvato H1 2016	Arvato H1 2015 (adjusted)
Revenues from external customers	2,874	2,786	1,515	1,697	765	774	181	172	1,865	1,794
Intersegment revenues	4	2	1	–	12	11	1	2	30	36
Divisional revenues	2,878	2,788	1,516	1,697	777	785	182	174	1,895	1,830
Operating EBITDA	676	625	185	207	52	56	32	30	180	142
EBITDA margin[1]	23.5%	22.4%	12.2%	12.2%	6.8%	7.2%	17.4%	17.4%	9.5%	7.8%
Impairment (-)/reversals (+) on intangible assets and property, plant and equipment	(5)	8	–	–	–	–	–	–	(1)	–
Results from investments accounted for using the equity method	32	29	–	(1)	–	–	–	–	4	5

Figures for H1 2015 have been adjusted. Further details on the adjustment of previously published information are presented in the "Notes on Segment Reporting" section.
1) Operating EBITDA as a percentage of revenues.
2) The business development of Bertelsmann Investments is determined primarily based on EBIT. EBIT totaled €42 million (H1 2015: €-7 million).

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 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 – with the exception of the financial reporting standards applied for the first time in the current financial year – using fundamentally the same accounting and measurement policies as in the Consolidated Financial Statements of December 31, 2015. A detailed description of these policies and the new or revised financial reporting standards and interpretations to be applied from 2016 are presented in the notes to the Consolidated Financial Statements in the 2015 Annual Report.

As of June 30, 2016, the following financial reporting standards have been applied for the first time:

- Annual Improvements to IFRSs 2010–2012 Cycle (issued in December 2013)
- Annual Improvements to IFRSs 2012–2014 Cycle (issued in September 2014)
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 19: Defined Benefit Plans – Employee Contributions
- Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements

The first-time application does not have a material impact on 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.

	Bertelsmann Printing Group		Bertelsmann Education Group		Bertelsmann Investments[2]		Total divisions		Corporate		Consolidation		Continuing operations	
	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015 (adjusted)	H1 2016	H1 2015
	677	705	64	50	–	–	7,941	7,978	25	62	–	–	7,966	8,040
	97	112	–	–	–	–	145	163	16	15	(161)	(178)	–	–
	774	817	64	50	–	–	8,086	8,141	41	77	(161)	(178)	7,966	8,040
	47	40	(13)	(3)	1	2	1,160	1,099	(43)	(35)	(6)	(1)	1,111	1,063
	6.0%	4.8%	-20.9%	-6.9%	–	–	14.3%	13.5%	–	–	–	–	13.9%	13.2%
	–	–	–	–	–	–	(6)	8	–	–	–	–	(6)	8
	–	–	(14)	(22)	(7)	(8)	15	3	–	1	1	–	16	4

Scope of Consolidation

The Condensed Interim Consolidated Financial Statements as of June 30, 2016, include Bertelsmann SE & Co. KGaA and all material subsidiaries over which Bertelsmann SE & Co. KGaA is able to exercise control in accordance with IFRS 10. Joint ventures and associates are accounted for using the equity method in accordance with IAS 28. As of June 30, 2016, the scope of consolidation including Bertelsmann SE & Co. KGaA consists of 956 companies (December 31, 2015: 954) with 49 entries and 47 exits in the first half of 2016. This includes 876 (December 31, 2015: 883) fully consolidated companies, of which 763 (December 31, 2015: 758) are wholly owned subsidiaries. In addition, investments in 29 (December 31, 2015: 29) joint ventures and 51 (December 31, 2015: 42) associates are accounted for using the equity method in the Consolidated Financial Statements. A total of 230 (December 31, 2015: 224) companies without significant business operations are excluded from the scope of consolidation due to their negligible importance for the financial position and financial performance of the Bertelsmann Group.

Acquisitions and Disposals

In the first half of 2016, the cash flow from acquisition activities totaled €128 million, of which €108 million relates to new acquisitions during the first half of the year less cash and cash equivalents acquired. The consideration transferred in accordance with IFRS 3 amounted to €144 million taking account of contingent consideration of €6 million. In addition, put options totaling €3 million related to the business combinations were accounted for.

In March 2016, RTL Group acquired an interest of 93.75 percent in Smartclip Holding AG including its five subsidiaries. Smartclip bundles the online video advertising inventory of 700 publishers worldwide, and manages the integration and serving of video advertising to all Internet-connected screens. The company complements RTL Group's investments in digital advertising sales. The German Federal Cartel Office approved the transaction in April 2016. The consideration transferred amounted to €48 million and was fully paid in cash. The preliminary purchase price allocation resulted in non-tax-deductible goodwill in the amount of €38 million resulting from the skills and market competence of Smartclip's workforce and the synergies expected. RTL Group holds a put and call option for the remaining non-controlling interests of 6.25 percent exercisable in 2017. The exercise price of the put option is based on a variable component and capped at €200 million on a 100 percent basis. The corresponding amount has been initially recognized as a financial liability at the present value of the redemption amount totaling €3 million with a corresponding reduction in equity. The financial liability subsequently measured at amortized cost remained unchanged as of June 30, 2016. Any further remeasurement of the liability will be recognized in the income statement. Transaction-related costs amounted to less than €1 million and have been recognized in profit or loss.

In May 2016, Gruner + Jahr's French subsidiary Prisma Media acquired an interest of 100 percent in Groupe Cerise. The company is one of France's leading digital media groups, primarily due to its video offers. With the acquisition, Gruner + Jahr reinforces the position of Prisma Media in the areas that are strategically important for digital development: video, mobile, technology and social networks. The preliminary consideration transferred amounts to €42 million and was paid completely in cash. The preliminary purchase price allocation resulted in non-tax-deductible goodwill amounting to €32 million, mainly representing synergy potential to be realized by combining existing brands and businesses and strengthening the position in digital advertising markets. Transaction-related costs amounted to less than €1 million and have been recognized in profit or loss.

As of the end of the reporting period, the purchase price allocations for Smartclip and Groupe Cerise have not yet been completed, as the underlying financial information is still being prepared and audited. As a result, changes in the allocation of the purchase price to the individual assets and liabilities are still possible.

In addition, the Bertelsmann Group made several acquisitions in the first half of 2016, none of which was material on a stand-alone basis. In total, the impact of these acquisitions on the Group's financial position and financial performance was also minor. The other acquisitions resulted in non-tax-deductible goodwill totaling €41 million, which reflects synergy potential. The costs of these transactions amounted to €2 million and have been recognized in profit or loss. 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	Smartclip	Cerise	Other	Total
Non-current assets				
Goodwill	38	32	41	111
Other intangible assets	9	13	13	35
Property, plant and equipment	–	–	1	1
Other non-current assets	3	–	1	4
Current assets				
Inventories	–	–	8	8
Trade and other receivables	9	2	6	17
Other current assets	–	–	1	1
Cash and cash equivalents	11	1	2	14
Liabilities				
Financial debt	–	(1)	(2)	(3)
Other financial and non-financial liabilities	(21)	(5)	(17)	(43)
Non-controlling interests	(1)	–	–	(1)

Since initial consolidation, all new acquisitions in accordance with IFRS 3 in the first half of 2016 have contributed €22 million to revenue and €0 million to Group profit or loss. If consolidated as of January 1, 2016, they would have contributed €45 million to revenue and €-2 million to Group profit or loss.

After considering the cash and cash equivalents disposed of, the Bertelsmann Group generated cash flows totaling €-4 million from disposals in the first half of 2016. The disposals led to income from deconsolidation of €6 million, which is recognized in “Results from disposals of investments.”

Effects of Disposals

in € millions	Total
Non-current assets	
Goodwill	2
Other intangible assets	2
Property, plant and equipment	2
Other non-current assets	1
Current assets	
Inventories	6
Other current assets	14
Cash and cash equivalents	9
Liabilities	
Provisions for pensions and similar obligations	6
Financial debt	1
Other financial and non-financial liabilities	31

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 2016	H1 2015	6/30/2016	12/31/2015	6/30/2015
Australian dollar	AUD	1.5221	1.4258	1.4929	1.4897	1.4550
Canadian dollar	CAD	1.4840	1.3768	1.4384	1.5116	1.3839
Chinese renminbi	CNY	7.2956	6.9378	7.3755	7.0608	6.9366
British pound	GBP	0.7788	0.7324	0.8265	0.7340	0.7114
US dollar	USD	1.1161	1.1152	1.1102	1.0887	1.1189

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 disclosures on financial instruments are presented in the notes to the Consolidated Financial Statements in the Annual Report 2015. 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 end of the reporting period.

Level 2:
For measuring the fair value 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 at the end of the reporting period based on the respective market interest

rates and interest rate structure curves at the end of the reporting period.

The fair value of forward exchange transactions is calculated using the average spot prices at the end of the reporting period and taking into account forward markdowns and markups for the remaining term of the transactions. The fair value of interest rate derivatives is calculated on the basis of the respective market rates and interest rate structure curves at the end of the reporting period. 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, measuring fair values is based primarily on cash flow-based valuation techniques.

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 2016, no reclassifications were performed between levels 1, 2 and 3.

The option offered in IFRS 13.48 (net risk position) is used for measuring 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 as they do not have a quoted price on an active market and a reliable estimate of the fair value is not possible. As of June 30, 2016, these financial assets amounted to €293 million (December 31, 2015: €288 million). No plan has been made to sell significant holdings of the other available-for-sale investments in the near future. Of the financial assets measured at cost, most notably the investment in Spring Rain Mobile Health Holdings Inc. and shares in Morningside China TMT Fund I were sold in the first half of 2016. For all other financial assets and financial liabilities, their carrying amount represents a reasonable approximation of fair value.

The market value of the 2001 profit participation certificates with a closing rate of 314.00 percent on the last day of trading in the first half of 2016 on the Frankfurt Stock Exchange was €893 million (December 31, 2015: €903 million with a rate of 317.50 percent) and, correspondingly, €30 million for the 1992 profit participation certificates with a rate of 178.62 percent (December 31, 2015: €29 million with a rate of 172.00 percent). The fair values are based on level 1 of the fair value hierarchy.

In April 2016, Bertelsmann issued a publicly listed bond of €500 million with a term of ten years. In addition, Bertelsmann issued a promissory note in the amount of €200 million with a term of two years in a private placement in June 2016.

On June 30, 2016, the cumulative fair value of the listed bonds totaled €3,902 million (December 31, 2015: €3,272 million) with a nominal volume of €3,786 million (December 31, 2015: €3,286 million) and a carrying amount of €3,761 million (December 31, 2015: €3,266 million). The stock market prices are based on level 1 of the fair value hierarchy. On June 30, 2016, the total carrying amount of the private placements and promissory notes totaled €707 million (December 31, 2015: €507 million) and the total fair value amounted to €762 million (December 31, 2015: €540 million). The fair values of private placements and promissory notes 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 measured on the basis of discount rates ranging from -0.24 percent to 1.57 percent. The fair values of the private placements and promissory notes are based on level 2 of the fair value hierarchy.

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 6/30/2016
Financial assets initially recognized at fair value through profit or loss	–	11	–	11
Available-for-sale financial assets	10	1	30	41
Primary and derivative financial assets held for trading	–	88	5	93
Derivatives with hedge relation	–	50	–	50
	10	150	35	195

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 1/1/2016	–	30	6	–	36
Total gain (+) or loss (-)	–	–	(1)	–	(1)
– in profit or loss	–	–	(1)	–	(1)
– in other comprehensive income	–	–	–	–	–
Transfers from “Investments accounted for using the equity method”	–	–	–	–	–
Purchases	–	–	–	–	–
Issues	–	–	–	–	–
Sales/settlements	–	–	–	–	–
Transfers out of/into level 3	–	–	–	–	–
Balance as of 6/30/2016	–	30	5	–	35
Gain (+) or loss (-) for assets still held at the end of the reporting period	–	–	(1)	–	(1)

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 6/30/2016
Financial liabilities initially recognized at fair value through profit or loss	–	–	46	46
Primary and derivative financial liabilities held for trading	–	60	–	60
Derivatives with hedge relation	–	6	–	6
	–	66	46	112

Financial Liabilities Measured at Fair Value Based on Level 3

in € millions	Financial liabilities initially recog-nized at fair value through profit or loss	Primary and derivative financial li-abilities held for trading	Derivatives with hedge relation	Total
Balance as of 1/1/2016	45	–	–	45
Total gain (-) or loss (+)	–	–	–	–
– in profit or loss	–	–	–	–
– in other comprehensive income	–	–	–	–
Purchases	4	–	–	4
Issues	–	–	–	–
Settlements	(3)	–	–	(3)
Transfers out of/into level 3	–	–	–	–
Balance as of 6/30/2016	46	–	–	46
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	–	–	–	–

Income Taxes

Tax expenses for the first half of 2016 were calculated in accordance with IAS 34 using the average annual tax rate expected for the whole of 2016, which is calculated at 34.6 percent according to Bertelsmann management’s current estimation.

In addition, non-recurring tax items have been recognized in current tax and deferred tax, 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 primarily due to the increasing demand during the year-end holiday season, in particular in advertising-driven businesses and in the publishing business as well as to the customary seasonality in the music business.

The results from disposals of investments are attributable to several transactions conducted in the Bertelsmann Investments division, mainly from the sale of the investment in Spring Rain Mobile Health Holdings Inc. and shares in Morningside China TMT Fund I.

As a result of the decrease in the discount rate for measuring provisions for pensions, actuarial losses amounting to

€569 million before related tax effects were recognized in the item “Remeasurement component of defined benefit plans.”

Earnings after taxes from discontinued operations of €3 million in the previous year comprised follow-on effects related to the disposal of the former Direct Group division.

As of June 30, 2016, the cash-generating units Fremantle Media and StyleHaul have been tested for impairment in accordance with IAS 36. Taking into account the development of Fremantle Media over the first six months in the financial year 2016, its business plan has been revised moderately upward. This takes into account the strengthening of the production business through a number of talent deals and recent acquisitions and the continuing strength of Fremantle Media’s main franchises. Accordingly, despite the continued pricing pressure within the overall content business, Fremantle Media expects to increase its EBITA margin slightly over the life of the business plan. The recoverable amount was determined using the value in use with a long-term growth rate of 2.5 percent (December 31, 2015: 2.5 percent) and a discount rate of 7.1 percent (December 31, 2015: 7.4 percent). As of June 30, 2016, the recoverable amount exceeds the carrying amount on the level of Fremantle Media by €374 million (December 31, 2015: €189 million). In the event of an increase in the discount rate by 1.3 percentage points, a reduction in the annual revenue of 1.9 percent or a reduction in the EBITDA margin by 1.7 percentage points, the recoverable amount is lower than the carrying amount.

The significant increase of video views was not fully reflected in the revenue growth of StyleHaul due to the delayed launch of certain diversification revenue streams, mostly on content revenue, and the lower revenue per thousand impressions (“RPM”). The recoverable amount was determined using the value in use with a long-term growth rate of 2.0 percent (December 31, 2015: 2.0 percent) and a discount rate of 13.0 percent (December 31, 2015: 13.0 percent). As of June 30, 2016, the recoverable amount exceeds the carrying amount on the level of StyleHaul by €10 million (December 31, 2015: €11 million). In the event of an increase in the discount rate by 0.7 percentage points, a reduction in the annual revenue of 1.3 percent, or a reduction in the EBITDA margin by 1.6 percentage points, the recoverable amount is lower than the carrying amount.

Notes on Segment Reporting

At the beginning of the financial year 2016, the strategic growth segments BMG and Education as well as the fund activities of Corporate Investments were split into three independent divisions: BMG, Bertelsmann Education Group and Bertelsmann Investments. BMG is an international music company. The Bertelsmann Education Group division comprises the growth businesses and high-quality education offerings. Bertelsmann Investments comprises the funds Bertelsmann Digital Media Investments (BDMI), Bertelsmann Asia Investments (BAI), Bertelsmann Brazil Investments (BBI) and Bertelsmann India Investments (BII), investing in promising businesses. In addition, since January 1, 2016, the Bertelsmann Printing Group division has bundled the Group’s offset and gravure printing activities. It includes Mohn Media, GGP Media and Vogel Druck, which were previously considered part of the Arvato division, the gravure activities of Prinovis in Germany and the United Kingdom previously operating under Be Printers, and the offset and digital printers of Be Printers in the United States. The new division also includes additional businesses that were previously allocated to the Arvato division, including RTV Media Group, the lettershop business Campaign and the storage media replication business Sonopress. Furthermore, Medienfabrik, a company that was previously allocated to the Arvato division until December 31, 2015, has been part of the Gruner + Jahr division since January 1, 2016.

As of January 1, 2016, the Bertelsmann Executive Board manages and monitors the three new divisions separately so that, since 2016, internal reporting and external segment reporting reflect eight operating reportable segments: RTL Group, Penguin Random House, Gruner + Jahr, BMG, Arvato, Bertelsmann Printing Group, Bertelsmann Education Group and Bertelsmann Investments. The figures from the previous year were adjusted accordingly in this report.

Reconciliation of Segments' EBIT to Group Profit or Loss

in € millions	H1 2016	H1 2015
Operating EBITDA of divisions	1,160	1,099
Corporate	(43)	(35)
Consolidation	(6)	(1)
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	309	293
Adjustments on amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment included in special items	(3)	(1)
Special items	–	101
EBIT from continuing operations	805	670
Financial result	(117)	(119)
Earnings before taxes from continuing operations	688	551
Income tax expense	(206)	(156)
Earnings after taxes from continuing operations	482	395
Earnings after taxes from discontinued operations	–	3
Group profit or loss	482	398

Events After the Reporting Period

No events of special importance occurred after the reporting period 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 Condensed Interim Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, 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 25, 2016

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

Dr. Thomas Rabe	Fernando Carro de Prada	Markus Dohle
Dr. Immanuel Hermreck	Bernd Hirsch	Anke Schäferkordt