Annual Report 2015

BERTELSMANN

BERTELSMANN

At a Glance

Key Figures (IFRS)

in € millions	2015	2014	2013	2012	2011
Business Development					
Group revenues	17,141	16,675	16,179	16,065	15,368
Operating EBITDA	2,485	2,374	2,311	2,210	2,243
EBITDA margin in percent[1]	14.5	14.2	14.3	13.8	14.6
Bertelsmann Value Added (BVA)[2]	155	188	283	362	359
Group profit	1,108	572	885	612	612
Investments[3]	1,259	1,578	1,312	655	956
Consolidated Balance Sheet					
Equity	9,434	8,380	8,761	6,083	6,149
Equity ratio in percent	41.2	38.9	40.9	32.2	33.9
Total assets	22,908	21,560	21,418	18,864	18,149
Net financial debt	2,765	1,689	681	1,218	1,809
Economic debt[4]	5,609	6,039	4,216	4,773	4,913
Leverage factor	2.4	2.7	2.0	2.3	2.4
Dividends to Bertelsmann shareholders	180	180	180	180	180
Distribution on profit participation certificates	44	44	44	44	44
Employee profit sharing	95	85	101	92	107

Figures adjusted for the financial year 2014; figures before 2014 are the most recently reported previous year's figures.
Rounding may result in minor variations in the calculation of percentages in this report.

1) Operating EBITDA as a percentage of revenues.
2) Bertelsmann uses BVA as a strictly defined key performance indicator to evaluate the profitability of the operating business and the return on investment.
3) Taking into account the financial debt assumed, investments amounted to €1,281 million (2014: €1,601 million).
4) Net financial debt less 50 percent of the par value of the hybrid bonds plus pension provisions, profit participation capital and present value of operating leases.

The Bertelsmann Divisions

in € millions	2015	2014	2013	2012	2011
Revenues	6,029	5,808	5,824	6,002	5,814
Operating EBITDA	1,355	1,334	1,324	1,253	1,311

in € millions*	2015	2014	2013	2012	2011
Revenues	3,717	3,324	2,654	2,142	1,749
Operating EBITDA	557	452	363	352	211

*2011 and 2012 figures for Random House only.

in € millions	2015	2014	2013	2012	2011
Revenues	1,538	1,747	2,014	2,218	2,287
Operating EBITDA	128	166	193	213	279

in € millions	2015	2014	2013	2012	2011
Revenues	4,847	4,662	4,388	4,419	4,201
Operating EBITDA	394	384	397	391	416

in € millions	2015	2014	2013	2012	2011
Revenues	742	996	1,122	1,214	1,199
Operating EBITDA	47	64	92	115	128

Effective January 1, 2016, Bertelsmann changed the structure of its financial reporting. As of the first half year of 2016, the following eight business sectors will be used for reporting purposes:

- RTL Group
- Penguin Random House
- Gruner + Jahr
- BMG
- Arvato
- Bertelsmann Printing Group
- Bertelsmann Education Group
- Bertelsmann Investments

Interactive Online Report

The report “The New Bertelsmann” and the Annual Report 2015 can also be accessed online at:
ar2015.bertelsmann.com

As well as company information and the extensive financial section, the online report offers lots of extra features, including several videos and extracts.

Both reports are also available as a free app on the Apple App Store and in Google Play.

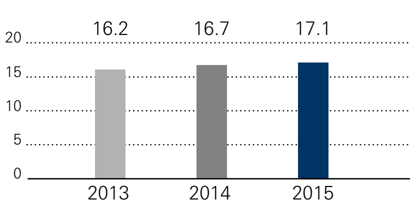
Financial Information

Combined Management Report

Financial Year 2015 in Review

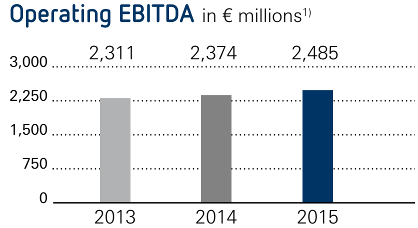
In the financial year 2015, Bertelsmann posted a strong operating performance with revenue and earnings growth as well as a significantly increased Group profit. Group revenues from continuing operations rose 2.8 percent to €17.1 billion (previous year: €16.7 billion), particularly as a result of positive exchange rate effects. The revenue share generated by the growth businesses increased to 28 percent overall (previous year: 25 percent) thanks to organic growth and acquisitions, while the revenue share of structurally declining businesses minimized to 5 percent overall (previous year: 8 percent) as a result of disposals and scaling back. Operating EBITDA increased by €111 million to €2,485 million (previous year: €2,374 million). Earnings improved in particular in the US book publishing business, the German television business, the service businesses in the Customer Relationship Management and Supply Chain Management segments, the music business BMG and the online education provider Relias Learning. Furthermore, Bertelsmann continued to implement the Group-wide earnings improvement program successfully. This was counteracted by start-up losses for new businesses and the digital transformation of existing businesses. The EBITDA margin of 14.5 percent was above the high level of 14.2 percent in the previous year. Group profit increased significantly from €572 million to €1,108 million. This is primarily attributable to higher operating earnings and the elimination of negative special items from the previous year. This means that for the first time since 2006, earnings again exceeded the €1 billion mark, which should be sustainable. Total investments, including acquired financial debt, in the reporting period were €1.3 billion (previous year: €1.6 billion). For 2016, Bertelsmann expects positive business performance and continued progress with the implementation of its strategy.

Revenues in € billions[1)]



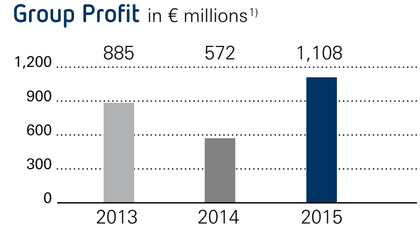
- Revenue increase of 2.8 percent thanks to positive exchange rate effects in particular
- Revenue increase at RTL Group, Penguin Random House and Arvato
- Increased share in revenues generated by growth businesses; lower revenue shares of structurally declining businesses

Operating EBITDA in € millions[1)]



- Operating EBITDA above previous year's high level
- EBITDA margin increased to 14.5 percent
- Profitable growth and Group-wide earnings improvement program

Group Profit in € millions[1)]



- Significant growth of Group profit
- Highest level since 2006
- Lower charges from special items

1) The figures from the previous year have been adjusted. Further details are presented in the "Prior Year Information" section.
Figures for the financial year 2013 have been adjusted.

Fundamental Information about the Group

In this Management Report, the Group is using the option to combine the Group Management Report and the Management Report of Bertelsmann SE & Co. KGaA. This Combined Management Report outlines the business performance, including the business result and the position of the Bertelsmann Group and Bertelsmann SE & Co. KGaA. Information about Bertelsmann SE & Co. KGaA in accordance with the German Commercial Code (HGB) will be detailed in a separate section. The Combined Management Report will be published instead of the Group Management Report within the Bertelsmann Annual Report.

Corporate Profile

Bertelsmann operates in the core business fields of media and services as well as education in around 50 countries worldwide. The geographic core markets are Western Europe – in particular, Germany, France and the UK – and the United States. In addition, Bertelsmann is strengthening its involvement in growth markets such as China, India and Brazil. As of the balance sheet date December 31, 2015, the Bertelsmann divisions are RTL Group (television), Penguin Random House (books), Gruner + Jahr (magazines), Arvato (services) and Be Printers (printing). The revised reporting structure effective January 1, 2016, including the newly created Bertelsmann Printing Group and the future independent divisions of BMG, Bertelsmann Education Group and Bertelsmann Investments, is not yet shown in the present Consolidated Financial Statements.

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

RTL Group is the leading European entertainment network, with interests in 57 television channels and 31 radio stations and content production throughout the world. The television portfolio of RTL Group includes RTL Television in Germany, M6 in France and the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia and Hungary, as well as investment in Atresmedia in Spain and RTL CBS Asia Entertainment Network in Southeast Asia. Fremantle Media is one of the largest international producers outside the United States. Combining the catch-up TV services of its broadcasters, the multichannel networks BroadbandTV, StyleHaul and Divimove as well as Fremantle Media's more than 230 YouTube channels, RTL Group has become the leading European media company in online video. Furthermore, RTL Group owns a majority stake in SpotX, one of the leading programmatic video advertising platforms. The publicly traded RTL Group S.A. is listed on the German MDAX index.

Penguin Random House is the world's largest trade book publisher, with nearly 250 editorially independent imprints across five continents. Its book brands include storied imprints such as Doubleday, Viking and Alfred A. Knopf (United States), Ebury, Hamish Hamilton and Jonathan Cape (UK), Plaza & Janés and Alfaguara (Spain) and Sudamericana (Argentina), as well as the international imprint Dorling Kindersley. Each year Penguin Random House publishes over 15,000 new titles and sells nearly 800 million books, e-books and audio books. More than 110,000 English-, German- and Spanish-language Penguin Random House titles are now available as e-books. Germany's Verlagsgruppe Random House, which includes illustrious publishing houses such as Goldmann and Heyne, is not part of Penguin Random House from a legal point of view, but is under the same corporate management and is part of the Penguin Random House operating division.

Gruner + Jahr is represented in over 20 countries with around 500 media activities, magazines and digital businesses. G+J Deutschland publishes well-known magazines such as "Stern," "Brigitte" and "Geo." Gruner + Jahr owns 59.9 percent of Motor Presse Stuttgart, one of Europe's biggest special-interest magazine publishers. Gruner + Jahr's largest foreign company is Prisma Media, a leading magazine publisher in France. Gruner + Jahr's publishing activities also include magazine, sales and marketing operations in Austria, China, Spain and the Netherlands.

Arvato designs and implements customized solutions for customers in a wide range of sectors in over 40 countries for all kinds of business processes. These comprise Customer Relationship Management (CRM), Supply Chain Management (SCM), Financial Solutions, IT Solutions and Digital Marketing, as well as print services and storage media replication.

Be Printers is an international printing group that operates gravure and offset printing plants in Germany and the UK (Prinovis) and also in the United States. In addition to magazines, catalogs, brochures and books, the product portfolio of Be Printers includes digital communication services.

Bertelsmann's remaining operating activities are grouped under Corporate Investments. Among others, these include the strategic growth segments of music and education as well as the club and direct marketing businesses, which are being phased out. Bertelsmann Digital Media Investments (BDMI), Bertelsmann Asia Investments (BAI), Bertelsmann India Investments (BII), Bertelsmann Brazil Investments (BBI) and other investments in the growth regions are also allocated to Corporate Investments.

Regulatory Environment

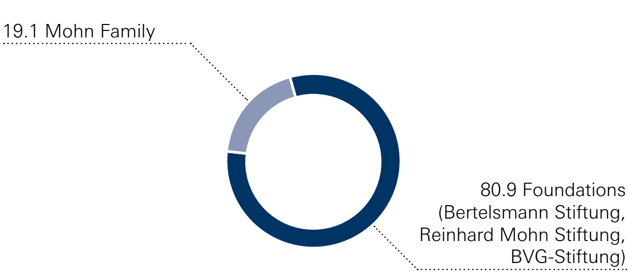
Bertelsmann has television and radio operations in several European countries that are subject to regulation. In Germany, for example, media are subject to oversight by the Commission on Concentration in the Media. Bertelsmann Group companies occupy leading market positions in many lines of business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

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

Shareholder Structure

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

Ownership Structure — Shares in percent



Strategy

Bertelsmann's primary objective is continuous growth of the company's value through a sustained increase in profitability (see the "Value-Oriented Management System" section).

Bertelsmann aims to achieve a faster-growing, more digital and more international Group portfolio. As well as investments in existing activities, new business segments that provide a broader overall revenue structure are being increasingly explored. The further development of the portfolio is subject to clear investment criteria. Businesses in which Bertelsmann invests should have long-term stable growth, global reach, stable and protectable business models, high market-entry barriers and scalability. The education business is being gradually developed into the third earnings pillar alongside the media and service businesses. Group strategy comprises four strategic priorities, which again constituted the key work aspects for the Executive Board in 2015: strengthening the core businesses, driving the digital transformation forward, developing growth platforms and expanding into growth regions.

In the financial year 2015, Bertelsmann made further significant progress in implementing its strategy. The core television business was strengthened by RTL Group expanding its families of channels and the TV production business. The book publishing business benefited significantly from the continued encouraging progress made in the integration of Penguin and Random House. Gruner + Jahr strengthened and expanded the magazine portfolio with the successful publication of new titles and of new editions of existing titles. The restructuring of Arvato further reinforced the independence of the business units Customer Relationship Management, Supply Chain Management, Financial Solutions, IT Solutions and Digital Marketing. In addition, it was decided to bundle the print businesses in the newly created Bertelsmann Printing Group, effective January 1, 2016. The structurally declining businesses, such as the club and direct marketing businesses, were scaled back further and the printing companies in Spain were sold. Furthermore, Bertelsmann continued to implement a Group-wide earnings improvement program.

The Group also actively pushed forward with the digital transformation. RTL Group continued to expand its online video offering and also bundled the businesses in the multichannel networks and digital advertising marketing in the newly formed RTL Digital Hub. The strategic objective of the RTL Digital Hub consists of the further development of the existing digital businesses of RTL Group, the realization of potential synergies and the development of investment opportunities. Penguin Random House remains the global market leader in the e-book sector. Gruner + Jahr expanded its digital content and advertising marketing offerings both organically and through acquisitions. Arvato enhanced its services for digital businesses, particularly in the e-commerce segment.

The growth platforms were reinforced in the education segment through the expansion of the Relias Learning business, increasing the share of the online learning provider Udacity and the acquisition of participations in the online education platform HotChalk and Alliant International University. Moreover, Bertelsmann bundled its education activities in the Bertelsmann Education Group, which became an independent division effective January 1, 2016. RTL Group's production subsidiary Fremantle Media acquired several production companies, including the Italian production company Wildside. The music company BMG, which has been managed as an independent division effective January 1, 2016, also expanded its business through further signings and catalog acquisitions. Arvato strengthened the Financial Solutions division through an investment in the Brazilian financial services provider Intervalor.

Bertelsmann achieved progress in all three growth regions in which it is primarily active. In China, the Bertelsmann Asia Investments (BAI) fund made further investments in a large number of startups and increased the value of the investment portfolio. In Brazil, Bertelsmann purchased shares in the online learning provider Affero Lab and the financial services provider Intervalor. In India, the Group made follow-up investments in the online furniture marketplace Pepperfry and in the music streaming service Saavn.

Bertelsmann will push ahead with its transformation into a faster-growing, more digital and more international Group in 2016 in line with the four strategic priorities. Compliance with and achievement of the strategic development priorities are continuously examined by the Executive Board at divisional level through regular meetings of the Strategy and Business Committee and as part of the annual Strategic Planning Dialogue between the Executive Board and the Supervisory Board. In addition, relevant markets and the competitive environment are analyzed on an ongoing basis in order to draw conclusions concerning the further development of the Group's strategy. The Executive Board is also supported by the Group Management Committee (GMC) on issues of corporate strategy and development. This Committee is composed of executives representing key businesses, countries, regions and selected Group-wide functions.

The Group's content-based and entrepreneurial creativity will remain very important for the implementation of its strategy. Bertelsmann will therefore continue to invest significantly in the creative core of the businesses. In addition, Bertelsmann needs to have qualified employees at all levels of the Group to ensure its strategic and financial success. Innovation competence is also very important for Bertelsmann and is a key strategic component (see the "Innovations" section).

Value-Oriented Management System

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

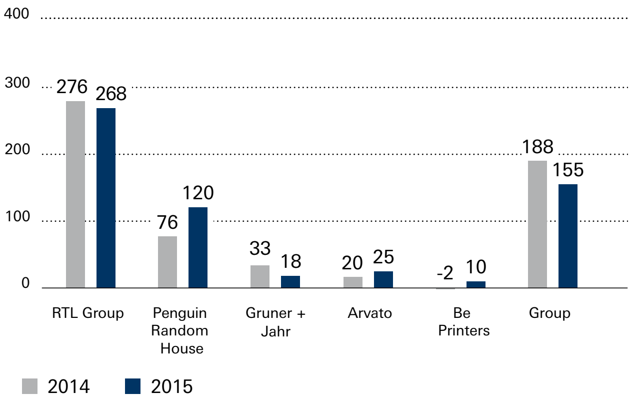
Strictly defined operational performance indicators, including revenues, operating EBITDA and Bertelsmann Value Added (BVA), are used to directly assess current business performance and are correspondingly used in the outlook. These are distinguished from performance indicators used in the broader sense, which are partially derived from the above-mentioned indicators or are strongly influenced by these. These include the EBITDA margin and the cash conversion rate. The financial management system, with defined internal financing targets, is also part of the broadly defined value-oriented management system. Details of the expected development of performance indicators used in the broader sense are provided as additional information and are not included in the outlook.

Strictly Defined Operational Performance Indicators

In order to control and manage the Group, Bertelsmann uses revenues, operating EBITDA and BVA as performance indicators. Revenue is used as a growth indicator of businesses. In the financial year 2015, Group revenues rose 2.8 percent to €17.1 billion (previous year: €16.7 billion). Operating EBITDA is determined as earnings before interest, tax, depreciation and amortization and is adjusted for special items. This makes it a meaningful performance indicator for determining the sustainable operating result. Operating EBITDA increased to €2,485 million (previous year: €2,374 million) in the reporting period.

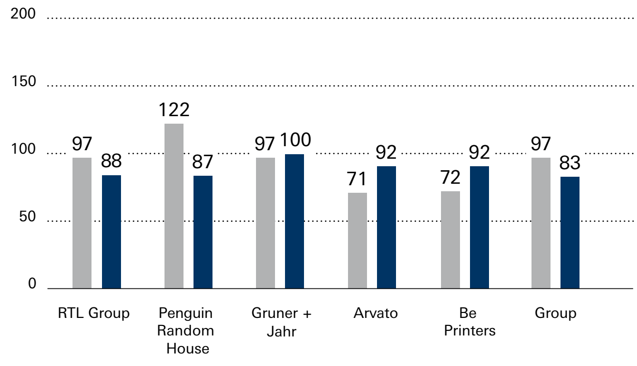
BVA in € millions

Strictly Defined Operational Performance Indicator



Cash Conversion Rate in percent[1)]

Broadly Defined Performance Indicator



1) Figures adjusted for 2014.

Bertelsmann uses BVA for assessing the profitability of operations and return on invested capital. BVA measures the profit realized above and beyond the appropriate return on invested capital. This form of value orientation is reflected in strategic investment, portfolio planning and the management of Group operations and, together with qualitative criteria, forms the basis for measuring the variable portion of management compensation. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated on the basis of operating EBITDA. NOPAT is determined by firstly deducting depreciation, amortization and impairment losses and adjusting for special items. After subsequent modifications and deduction of a flat 33 percent tax, the resulting figure is the NOPAT. Cost of capital is the product of the weighted average cost of capital (WACC) and the level of capital invested. The uniform WACC after taxes is 8 percent. Invested capital is calculated on the basis of the Group's operating assets less non-interest-bearing operating liabilities. The net present value of operating leases is also taken into account when calculating the invested capital. BVA in the financial year 2015 reduced to €155 million compared with the previous year's figure of €188 million. This development stems in particular from the acquisitions made in the reporting period, particularly in the education businesses of Corporate Investments, as well as from the first-time inclusion for the full year of the transactions from the previous year, which resulted in an increase in invested capital. The compensating effects of earnings contributions from the acquired businesses are only expected to materialize in subsequent years as a result of their growth profile. The BVA at RTL Group was slightly down on the previous year. The BVA increase at Penguin Random House is primarily attributable to the strong improvement in the operating result. The BVA of Gruner + Jahr was reduced by a lower earnings contribution in the reporting period. The BVA of Arvato increased. At Be Printers, the BVA improved and again made a positive contribution as a result of a further decline in invested capital.

Broadly Defined Performance Indicators

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

The cash conversion rate serves as a measure of cash generated from business activities and is calculated as the ratio of operating free cash flow to operating EBIT. Operating free cash flow does not reflect interest, tax or dividend payments to non-controlling interests, is lowered by operating investments such as replacement and expansion investments as well as changes in working capital, and is adjusted for special items. The Group aims to maintain a cash conversion rate of 90 to 100 percent as a long-term average. The cash conversion rate in the financial year 2015 was 83 percent (previous year: 97 percent).

The EBITDA margin is calculated as the ratio of operating EBITDA to revenues, which is used as an additional criterion for assessing the business performance. In the financial year 2015, the EBITDA margin of 14.5 percent was above the previous year's high level of 14.2 percent.

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

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

Non-Financial Performance Indicators

Employees

At the end of the financial year 2015, the Group had 117,249 employees worldwide. In 2015, there were 1,217 people serving in trainee positions in Bertelsmann companies in Germany.

The human resources (HR) strategy was revised and prioritized as part of establishing the Human Resources Board department. In 2015, the main focus was on the further development and training of employees. This included a comprehensive adaptation of the central talent management processes and tools as well as the establishment of talent pools.

Continuous employee training is vital to a company's economic success. In view of this, the training courses offered by Bertelsmann University have been optimized and expanded. For example, Bertelsmann globally integrated the online video courses offered by the international e-learning provider lynda.com into the Group-wide HR IT platform "peoplenet" and accordingly offers training to over 64,000 employees in 13 countries.

At Bertelsmann, partnership primarily involves working with the employees to shape the company. This means supporting dialogue between the employee representatives and dialogue with the Bertelsmann management. At the Group Dialogue Conference in March 2015, the works councils of all Bertelsmann companies in Germany jointly discussed various key topics. In addition, the German corporate representatives for disabled employees held their annual meeting to exchange experiences. The key topic of health, which was presented at these events, was addressed in depth in ongoing discussions between the Corporate Works Council and the Bertelsmann Executive Board throughout the year and supplemented by specific measures. For example, comprehensive minimum standards on the topic of health were agreed upon at Bertelsmann.

Bertelsmann has been one of the pioneers in profit sharing since 1970. Thus, a total of €85 million (previous year: €101 million) was distributed to employees worldwide in 2015 thanks to the positive operating results for the previous year.

Corporate Responsibility

The aim of corporate responsibility (CR) at Bertelsmann is to bring the economic interests into line with the social and ecological interests within the Group as part of a dialogue with all relevant stakeholders.

In March 2015, there was a meeting of the Bertelsmann Corporate Responsibility Council, which promotes interdivisional exchange on CR topics and helps to address these topics within the divisions. In its work in 2015, the Council focused on the strategic development of key CR topics.

2015 also saw the publication of Bertelsmann's fourth annual carbon footprint report. This report is based on a global collection of environmental data from Group companies that together represent around 82 percent of Group employees and 73 percent of Group revenues. Bertelsmann has managed to cut its greenhouse gas emissions by 36 percent compared to the previous data collection for 2012. This reduction is mainly attributable to printing operations that were sold but also to the increasing digitization of the businesses and improvements in energy efficiency.

The fifth international Bertelsmann "be green Day" also took place in 2015, an initiative focusing on increasing employees' awareness of environmental issues and improving the environmental performance at individual locations. In 2015, around 60 Bertelsmann company locations took part.

Innovations

Businesses invest in research on and development of new products in order to ensure their long-term competitiveness. The media sector has a similar imperative to create innovative media content and media-related products and services in a rapidly changing environment. This means that rather than conventional research and development activities, the company's own innovative power is particularly important to Bertelsmann. The long-term success of the Group depends heavily on product innovations, investing in growth markets and integrating new technologies. Furthermore, innovative expertise is very important for strategy implementation and, in the future, will be anchored even more strongly within the Bertelsmann Group in organizational terms.

Bertelsmann relies on innovation and growth in core operations and new business fields. The key factors of Bertelsmann's innovation management include continuously following cross-industry trends and observing new markets. At Group level, Bertelsmann works with the divisions to continuously identify and implement innovative business strategies. Alongside market-oriented activities, support is given to Group-wide initiatives that actively promote knowledge transfer and collaboration. At regular innovation forums, executives meet with internal and external experts to examine success factors for innovation and creativity.

RTL Group's innovation management is focused on three core topics: developing and acquiring new, high-quality TV content and formats; using all digital means of distribution; and expanding diverse forms of advertising sales and monetization. In 2015, Mediengruppe RTL Deutschland formed a partnership with NBC Universal and TF1 for the co-production of US-style TV series with procedurals. RTL Group also expanded its position in the aggregation and monetization of online videos and invested in the US startups Clypd, which develops technologies for programmatic advertising sales in linear TV, and VideoAmp, which develops new marketing solutions for cross-device data analysis. Fremantle Media established digital studios and produced original online video content, e.g., for StyleHaul or individual YouTube channels such as Buzzr. Synergy Committees are used for exchanging information and knowledge within RTL Group.

The world's largest trade publisher Penguin Random House benefits from its scale and reach as well as from the creative and innovative potential of its publishing and sales teams which together manage over 15,000 new titles per year. In digital, the company is introducing new applications, enhanced e-books and so-called verticals to bring together communities of readers around shared interests. One such vertical which has already been launched successfully in the United States is the book recommendation platform Brightly, which can help parents to instill a lifelong interest in reading in their children. Likewise in the United States, the company increased the number of e-mail subscribers to its book and author newsletter by 43 percent compared to 2014. The aim of these and other activities is to establish a direct link to the readers.

In 2015, Gruner + Jahr made rapid progress with its print offensive and launched a total of eight new magazines and five special publications. In addition, seven titles within the G+J portfolio underwent a comprehensive relaunch. G+J also invested in its digital businesses and further expanded its portfolio with acquisitions such as the German e-commerce provider for gift ideas Danato and the food platform Delinero, as well as the careers portal Employour in conjunction with Medienfabrik, which moved from Arvato to Gruner + Jahr on January 1, 2016. In June 2015, G+J became the exclusive partner of the Dutch online kiosk provider Blendle in Germany. Gruner + Jahr is launching an innovation lab called Greenhouse, which will quickly examine the feasibility and prospects for success of business ideas. Gruner + Jahr also provided a total of €50 million of investment funds and media services for early investment in innovative digital companies.

In the financial year 2015, there was an organizational restructuring of Arvato under a new leadership structure. In this new structure, the responsibility for the development and marketing of innovative service solutions in the Customer Relationship Management, Supply Chain Management, Financial Solutions, Digital Marketing and IT Solutions segments lies with the individual Arvato business units. Arvato is increasing its innovative power by developing innovative solutions and technologies, acquiring innovative technology providers and service companies, and increasing cooperation with research institutes and innovation partners.

The innovations at Be Printers relate primarily to technology optimization and product innovations. A range of measures were introduced to achieve greater energy efficiency, for example improving the exhaust air systems at Prinovis. One example of product innovation is a project for Sony in the United States. It is part of a new, multi-year contract which was signed in 2015. Under this contract, US printing companies also produced covers and components for vinyl records and CDs, thus developing another new segment outside traditional book printing.

Report on Economic Position

Corporate Environment

Overall Economic Developments

In 2015, the global economy continued to expand at a moderate and uneven pace. The growth of the real gross domestic product (GDP) fell slightly to 3.1 percent compared with a rise of 3.4 percent in 2014. This is mainly attributable to weak growth in the emerging markets. By contrast, the economic situation in the developed economies was robust.

In the eurozone, the economy improved somewhat and showed an increase in real GDP of 1.5 percent, from 0.9 percent in the same period in the previous year. In particular, the accommodative monetary policy of the European Central Bank strengthened domestic demand while exports suffered from a slowdown in global trading.

The German economy continued its economic recovery in the reporting period. Real GDP grew by 1.7 percent compared to 1.6 percent in the previous year. In France, too, the economy posted an upward trend once more. Real GDP growth was 1.2 percent in 2015 compared with 0.2 percent in 2014. In the UK, economic activity slowed somewhat, with an increase in real GDP of 2.4 percent compared to a rise of 3.0 percent in the previous year.

The US economy picked up again over the course of the year after a poor start. Overall, real GDP increased by 2.4 percent in 2015 compared with a rise of 2.4 percent in 2014.

Developments in Relevant Markets

The following analysis focuses on markets and regions of a sufficient size if their trend can be adequately aggregated and if they are strategically important from a Group perspective.

Overall, the European TV advertising markets grew in 2015. The TV advertising markets in Germany and Hungary showed moderate growth, while the TV advertising markets in France, the Netherlands, Belgium and Croatia were stable or posted slight growth. The TV advertising market in Spain grew once more.

Sales of printed books in the United States saw moderate growth, while publishing sales of e-books fell sharply as a result of changes to sales conditions. The market for printed books in the UK grew significantly. The German- and Spanish-language book markets showed largely stable development.

The magazine markets in Germany and France in 2015 were characterized by significantly declining print advertising business and moderately declining circulation business, while the digital business posted strong growth.

As a result of the trend toward outsourcing, the Arvato businesses for Customer Relationship Management, Supply Chain Management, Financial Solutions, IT Solutions and Digital Marketing enjoyed moderate to significant growth.

Overall, the relevant European print markets declined in 2015, while the offset market showed far more stable development than the gravure printing market. The North American book printing market saw a moderate decline.

The global music publishing markets showed slight growth, while the markets for recorded music stabilized, having been in decline for a number of years.

As expected, the education markets in the United States grew strongly in 2015 in the market segments where Bertelsmann is involved – namely, healthcare and technology, online services and university education.

Significant Events in the Financial Year

Effective January 1, 2015, the Board-level human resources function was established. Immanuel Hermreck was appointed to the Bertelsmann Executive Board with responsibility for this area.

In April 2015, Bertelsmann placed two hybrid bonds with a total volume of €1.25 billion. Both subordinated bonds, each with a term of 60 years and with initial redemption options of eight and twelve years, respectively, increase the financial flexibility of Bertelsmann in view of the Group’s ongoing strategic transformation. In November 2015, Bertelsmann issued a unilateral waiver in respect of the exercise of a specific extraordinary right of termination.

On May 5, 2015, the General Meeting of Bertelsmann SE & Co. KGaA elected Gigi Levy-Weiss to the company’s Supervisory Board. Hartmut Ostrowski and Lars Rebien Sørensen left the Board.

On July 9, 2015, the Bertelsmann Supervisory Board appointed Fernando Carro de Prada to the Bertelsmann Executive Board as CEO of Arvato. He succeeded Achim Berg, who left the Bertelsmann Executive Board. The appointment is related to the further development of the Arvato division. Streamlining the management structures and tightening up the decision-making and reporting processes strengthen entrepreneurial independence and operational agility.

In November 2015, Bertelsmann invested further in the expansion of its education activities and significantly increased its investment in the innovative online learning provider Udacity.

In December 2015, Bertelsmann expanded the strategic growth area of education and invested in the online education platform HotChalk. With a total transaction volume of €179 million, Bertelsmann is the largest shareholder.

On December 18, 2015, Bertelsmann took over the remaining 25.1 percent of printing group Prinovis from former co-partner Axel Springer. The full takeover of the company is intended to simplify the corporate structures.

Revenues at RTL Group rose 3.8 percent to €6,029 million in 2015 (previous year: €5,808 million). The positive performance was largely attributable to Mediengruppe RTL Deutschland, positive exchange rate effects and the further expansion of digital activities. Year on year, revenues at Penguin Random House increased by 11.8 percent to €3,717 million (previous year: €3,324 million), mainly as a result of positive exchange rate effects and higher printed book sales. Gruner + Jahr's revenues were down 12.0 percent to €1,538 million (previous year: €1,747 million) due to divestments and the continuing decline in the advertising and circulation markets. At €4,847 million, Arvato's revenues were up 4.0 percent year on year (previous year: €4,662 million). Arvato was able to expand existing customer relationships in the Customer Relationship Management and Financial Solutions segments in particular and gain new customers. Revenues at Be Printers were down 25.5 percent to €742 million (previous year: €996 million) due to the sale of various operations, falling print circulations and price pressure. Corporate Investments performed very well overall, helped in particular by the ongoing expansion of BMG and the expansion of the education business. Revenues increased by 22.4 percent to €624 million (previous year: €510 million).

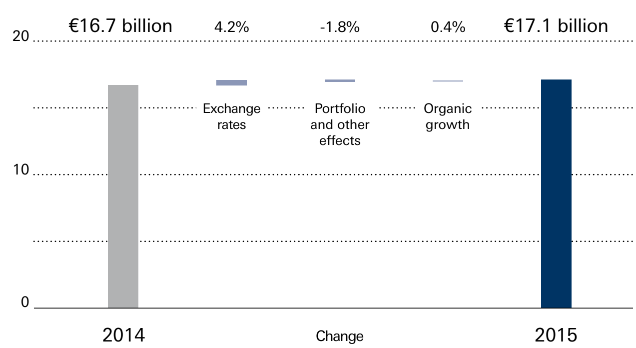
Results of Operations

The following analysis of earnings performance relates to continuing operations as of December 31, 2015. Please refer to the "Performance of the Group Divisions" section for a more detailed picture of the earnings situation.

Revenue Development

Group revenues increased by 2.8 percent to €17.1 billion in the financial year 2015. Besides an exchange rate-related increase, growth was also boosted by successful business development of the German TV activities, digital businesses of RTL Group and Gruner + Jahr as well as a number of Arvato's service businesses. The continued expansion of BMG and the development of the education business also had a positive impact. This was primarily offset by the continued scaling back of structurally declining businesses. The Group achieved organic growth of 0.4 percent, adjusted for portfolio and exchange rate effects. Exchange rate effects amounted to 4.2 percent and portfolio effects to -1.8 percent.

Revenue Breakdown



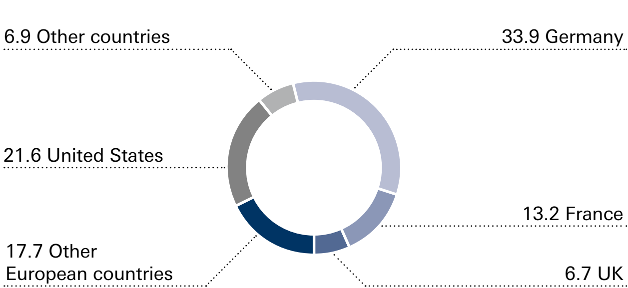
Revenues by Division

in € millions			2015			2014
	Germany	Other countries	Total	Germany	Other countries	Total
RTL Group	2,151	3,878	6,029	2,155	3,653	5,808
Penguin Random House	281	3,436	3,717	279	3,045	3,324
Gruner + Jahr	856	682	1,538	886	861	1,747
Arvato	2,277	2,570	4,847	2,214	2,448	4,662
Be Printers	330	412	742	375	621	996
Corporate Investments	139	485	624	190	320	510
Total divisional revenues	6,034	11,463	17,497	6,099	10,948	17,047
Corporate Center/Consolidation	(217)	(139)	(356)	(236)	(136)	(372)
Continuing operations	5,817	11,324	17,141	5,863	10,812	16,675

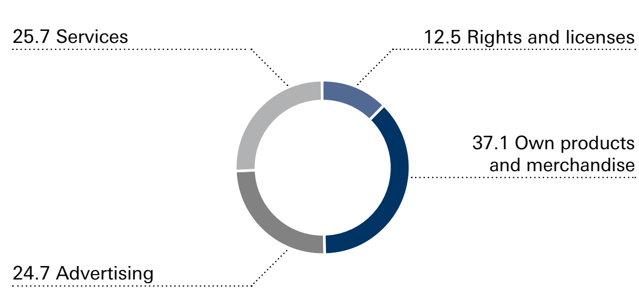
The geographical revenue distribution was more diversified compared to the previous year. Against the background of positive exchange rate effects for existing operations and the continued development of new businesses in the United States, particularly in education, the European revenue share declined overall. The share of revenues generated in Germany was 33.9 percent compared with 35.2 percent in the previous year. The revenue share generated by France amounted to 13.2 percent (previous year: 14.2 percent). In the UK, the revenue share was 6.7 percent (previous year: 6.4 percent). The share of total revenues generated by the other European countries amounted to 17.7 percent compared with 18.4 percent in the previous year. The revenue share generated by the United States increased to 21.6 percent (previous year: 18.6 percent), and the other countries achieved a revenue share of 6.9 percent (previous year: 7.2 percent). This means that the share of total revenues generated by foreign business was 66.1 percent (previous year: 64.8 percent). Year on year, there was a slight change in the ratio of the four revenue streams (own products and merchandise, advertising, services, rights and licenses) to overall revenue.

The revenue share generated by the growth businesses increased to 28 percent overall (previous year: 25 percent) thanks to organic growth and acquisitions, while the revenue share of structurally declining businesses minimized to 5 percent overall (previous year: 8 percent) as a result of disposals and scaling back. The growth businesses comprise those activities which post continuous revenue increases thanks to sustained positive market factors and which have been identified as growth priorities as part of Group strategy. These include the digital businesses of RTL Group and of Gruner + Jahr, the TV production business, the music business, and the service businesses in the SCM, Financial Solutions and IT Solutions segments, as well as the education business and the fund activities. The structurally declining businesses comprise those activities which post sustained revenue losses due to market factors. These include in particular the gravure printing activities, the storage media replication business and the club and direct marketing business.

Consolidated Revenues by Region in percent



Revenues by Category in percent



Results Breakdown

in € millions	2015	2014 (adjusted)
Operating EBITDA by division		
RTL Group	1,355	1,334
Penguin Random House	557	452
Gruner + Jahr	128	166
Arvato	394	384
Be Printers	47	64
Corporate Investments	80	44
Total operating EBITDA by division	2,561	2,444
Corporate Center/Consolidation	(76)	(70)
Operating EBITDA from continuing operations	2,485	2,374
Amortization/depreciation, impairments/reversals of intangible assets and property, plant and equipment not included in special items	(613)	(606)
Special items	(191)	(619)
EBIT (earnings before interest and taxes)	1,681	1,149
Financial result	(230)	(295)
Earnings before taxes from continuing operations	1,451	854
Income tax expense	(346)	(286)
Earnings after taxes from continuing operations	1,105	568
Earnings after taxes from discontinued operations	3	4
Group profit or loss	1,108	572
attributable to: Earnings attributable to Bertelsmann shareholders	677	162
attributable to: Earnings attributable to non-controlling interests	431	410

Operating EBITDA

Bertelsmann achieved an increase in operating EBITDA to €2,485 million in the financial year 2015 (previous year: €2,374 million). The operating EBIT as well as revenues benefited from positive exchange rate effects. Furthermore, as part of the implementation of the transformation and growth strategy, the share of structurally declining businesses generating low earnings was reduced and the Group-wide earnings improvement program was further implemented. In particular, the American book publishing business and the German TV business delivered a good earnings performance. This was counteracted by start-up losses for new businesses and the costs of the ongoing Group transformation. The EBITDA margin of 14.5 percent was above the high level of 14.2 percent in the previous year.

Operating EBITDA of RTL Group increased to €1,355 million (previous year: €1,334 million). A good earnings performance at Mediengruppe RTL Deutschland was contrasted in particular by lower earnings contributions at Fremantle Media. Penguin Random House achieved a significant increase in operating EBITDA to €557 million (previous year: €452 million) thanks to positive exchange rate effects and cost savings as part of the integration. Operating EBITDA at Gruner + Jahr fell to €128 million (previous year: €166 million). This stems primarily from lower revenues in the German and international advertising business as well as start-up losses for new businesses and for the transformation to digital. Arvato achieved an operating EBITDA of €394 million (previous year: €384 million). The growth in earnings is attributable to the CRM and SCM segments. This was offset by burdens in the IT Solutions and Print Solutions segments. Operating EBITDA at Be Printers declined to €47 million (previous year: €64 million) as a result of the general decline in the print business and disposals. At Corporate Investments, operating EBITDA nearly doubled from €44 million to €80 million. The significant increase mainly results from organic growth and growth through acquisitions in the music and education segments.

Special Items

Special items normalized in the financial year 2015. The previous year's figure included one-time high burdens from an impairment on RTL Group's TV operations in Hungary as well as restructuring expenses, impairments and losses on disposal as part of the scaling back of the print businesses and of the club and direct marketing businesses. In the reporting period, Penguin Random House posted lower integration costs year on year. The value of some of the participations in the education business was increased based on transactions, thus compensating for the burdens compared to the previous year.

Special items in the financial year 2015 totaled €-191 million (previous year: €-619 million). They consist of impairments and reversals on impairments totaling €-40 million (previous year: €-101 million), fair value remeasurement of investments of €82 million (previous year: €24 million), proceeds from sales of participations totaling €24 million (previous year: €-155 million) and restructuring expenses and other special items totaling €-257 million (previous year: €-340 million). In the reporting period, there were no adjustments to carrying amounts on assets held for sale, compared to €-47 million in the previous year.

EBIT

Adjusting operating EBITDA for special items totaling €-191 million (previous year: €-619 million) and the amortization, depreciation, impairments and reversals of impairments on intangible assets and property, plant and equipment totaling €-613 million (previous year: €-606 million), which were not included in special items, EBIT amounted to €1,681 million in the financial year 2015 (previous year: €1,149 million). The increase compared to the previous year's figure is primarily attributable to the lower overall charges related to special items.

Group Profit or Loss

The financial result increased by €65 million to €-230 million year on year. The increase in interest expenses due to the issue of bonds in the reporting period was more than compensated for by the positive deviation in other financial expenses. The previous year's figure included burdens from the full takeover of Gruner + Jahr. The income tax expense amounted to €-346 million (previous year: €-286 million). The year-on-year deviation is partly attributable to the use of tax loss carryforwards realized in the previous year. This produced after-tax earnings from continuing operations of €1,105 million (previous year: €568 million). Taking into account the after-tax earnings from discontinued operations of €3 million (previous year: €4 million), this resulted in a Group profit of €1,108 million (previous year: €572 million). The increase compared to the previous year's figure is attributable to the positive operating EBITDA development and lower overall charges related to special items. The share of Group profit held by non-controlling interests came to €431 million (previous year: €410 million). The share of Group profit held by Bertelsmann shareholders was €677 million (previous year: €162 million). At the Annual General Meeting of Bertelsmann SE & Co. KGaA, an unchanged year-on-year dividend payout of €180 million will be proposed for the financial year 2015 (previous year: €180 million).

Net Assets and Financial Position

Financing 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 company's financial security and independence.

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

Bertelsmann utilizes a financial control system employing quantitative financial targets concerning the Group's economic debt and, to a lesser extent, its capital structure. One of the financial targets is a dynamic leverage factor calculated as the ratio of economic debt to operating EBITDA and limited to the defined maximum of 2.5. In determining the leverage factor, the hybrid bonds are accounted for at 50 percent. Economic debt is defined as net financial debt less the 50 percent par value component of the hybrid bonds plus provisions for pensions, profit participation capital and the net present value of operating leases. Like operating EBITDA, economic debt is modified for calculation purposes.

As of December 31, 2015, the leverage factor of Bertelsmann was 2.4, below the previous year's value and below its self-imposed maximum value of 2.5 (December 31, 2014: 2.7). As of December 31, 2015, economic debt was reduced to €5,609 million from €6,039 million in the previous year. This reduction was primarily achieved through the hybrid bonds issued in the reporting period which are allocated at only 50 percent to economic debt. The net financial debt increased to €2,765 million (previous year: €1,689 million). The increase is mainly attributable to a voluntary contribution of €650 million to the plan assets held under the trusteeship of Bertelsmann Pension Trust e.V. as part of the inclusion of Gruner + Jahr and Prinovis. Consequently, the pension provisions and similar obligations were reduced and amounted to €1,709 million as of December 31, 2015 (December 31, 2014: €2,698 million).

Another financial target is the coverage ratio. This is calculated as the ratio of operating EBITDA (after modifications) to financial result and is supposed to be above 4.

Financial Targets

	Target	2015	2014
Leverage factor: Economic debt/operating EBITDA[1]	< 2.5	2.4	2.7
Coverage ratio: Operating EBITDA/financial result[1]	> 4.0	10.1	7.5
Equity ratio: Equity as a ratio to total assets (in percent)	> 25.0	41.2	38.9

1) After modifications.

In the reporting period, the coverage ratio was 10.1 (previous year: 7.5). The Group's equity ratio was 41.2 percent (December 31, 2014: 38.9 percent), which remains significantly above the self-imposed minimum of 25 percent.

Financing Activities

In the reporting period, the financial profile of the Group was strengthened through the issuance of two hybrid bonds with a total volume of €1.25 billion. The subordinated bonds with a term of 60 years were issued by Bertelsmann in two tranches with early redemption options. The first tranche has a volume of €650 million, carries a coupon of 3.0 percent and contains an early redemption option for the first time after eight years. The second tranche has a volume of €600 million, carries a coupon of 3.5 percent and contains an early redemption option for the first time after twelve years. The bonds listed in Luxembourg were rated by the rating agencies Moody's and Standard & Poor's (S&P) with instrument ratings of "Baa3" and "BBB-," respectively. Both bonds are classified by the rating agencies as 50 percent equity and thus improve the financial key figures which are relevant for Bertelsmann's credit rating. In October, a bond was repaid from existing liquidity when it became due. In addition, on December 1, 2015, Bertelsmann took out a promissory note in the amount of €100 million with a five-year term and a promissory note in the amount of €150 million with a ten-year term.

Rating

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

Credit Facilities

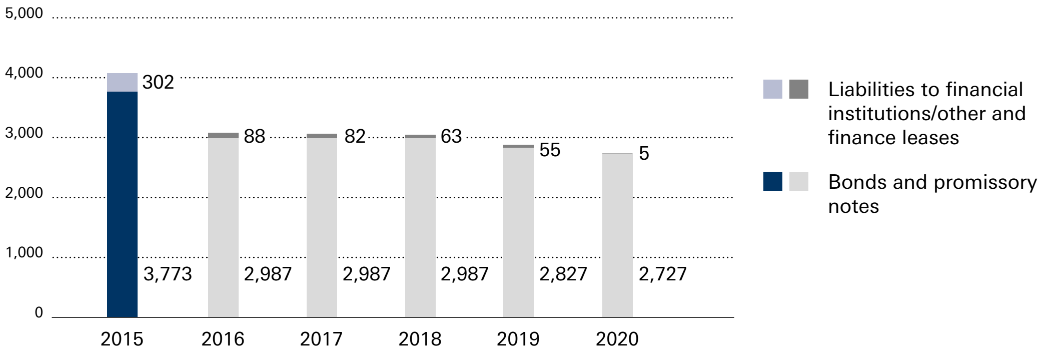
As well as its existing liquidity, the Bertelsmann Group has access to liquidity via a syndicated loan with a term until 2020.

Bonds and Promissory Notes of Bertelsmann SE & Co. KGaA

Issue volume in € millions	**Carrying amount 12/31/2015 in € millions**	**Due date**	**Type**	**Nominal interest in percent**
1,000	786	September 26, 2016	Bond	4.750
60	60	May 4, 2019	Promissory note	4.207
100	100	November 18, 2019	Floating rate note	3-mon.-EURIBOR + 40 Bp.
100	100	December 1, 2020	Promissory note	0.774
750	742	August 2, 2022	Bond	2.625
500	496	October 14, 2024	Bond	1.750
150	149	December 1, 2025	Promissory note	1.787
100	98	June 29, 2032	Bond	3.700
650	646	April 23, 2075[1]	Hybrid bond	3.000
600	596	April 23, 2075[2]	Hybrid bond	3.500

1) Bertelsmann has the right of first-time premature repayment in April 2023 for this tranche of the hybrid bond issued in April 2015; the nominal interest rate stated above has been fixed until this date.
2) Bertelsmann has the right of first-time premature repayment in April 2027 for this tranche of the hybrid bond issued in April 2015; the nominal interest rate stated above has been fixed until this date.

Maturity Structure of Financial Debt in € millions



This forms the backbone of the strategic credit reserve; Bertelsmann can utilize this to draw down up to €1.2 billion of revolving funds in euros, US dollars and pounds sterling.

Cash Flow Statement

In the reporting period, Bertelsmann generated net cash from operating activities of €1,600 million (previous year: €1,523 million). The Group's long-term operating free cash flow adjusted for non-recurring items was €1,559 million (previous year: €1,711 million). The deviation compared to the previous year's figure is attributable, among other things, to a higher overall level of net working capital. Higher burdens also result from the investments in operating non-current assets. The cash conversion rate was 83 percent (previous year: 97 percent). The cash flow from investing activities was €-1,785 million (previous year: €-1,523 million). This included investments in intangible assets, property, plant and equipment and financial assets of €-1,093 million (previous year: €-758 million). The purchase prices for consolidated investments (net of acquired cash and cash equivalents) were €-166 million (previous year: €-820 million). Proceeds from the sale of subsidiaries and other business units and disposal of other non-current assets were €163 million (previous year: €90 million). Cash flow from financing activities was €-122 million (previous year: €-1,434 million). The deviation is primarily attributable to inflows from the issuance of hybrid bonds in the reporting period. Dividends paid to the shareholders of Bertelsmann SE & Co. KGaA came to €-180 million (previous year: €-180 million). Dividends to non-controlling interests and further payments to partners in partnerships came to €-450 million (previous year: €-585 million). As of December 31, 2015, Bertelsmann had cash and cash equivalents of €1.3 billion (previous year: €1.3 billion).

Consolidated Cash Flow Statement (Summary)

in € millions	2015	2014 (adjusted)
Cash flow from operating activities	1,600	1,523
Cash flow from investing activities	(1,785)	(1,523)
Cash flow from financing activities	122	(1,434)
Change in cash and cash equivalents	(63)	(1,434)
Exchange rate effects and other changes in cash and cash equivalents	42	50
Cash and cash equivalents on 1/1	1,331	2,715
Cash and cash equivalents on 12/31	1,310	1,331
Less cash and cash equivalents included within assets held for sale	–	(2)
Cash and cash equivalents 12/31 (according to the Group balance sheet)	1,310	1,329

Off-Balance-Sheet Liabilities

The off-balance-sheet liabilities include contingent liabilities and other financial commitments, almost all of which result from operating activities conducted by the divisions. Off-balance-sheet liabilities increased year on year. The off-balance-sheet liabilities in place as of December 31, 2015, had no significant negative effects on the Group's net assets, financial position and results of operation for the past or the future financial year.

Investments

Total investments including financial debt acquired of €41 million (previous year: €62 million) amounted to €1,281 million in the financial year 2015 (previous year: €1,601 million). Investments according to the cash flow statement amounted to €1,259 million (previous year: €1,578 million). As in previous years, the majority of the €297 million investment in property, plant and equipment (previous year: €334 million) stemmed from Arvato. Investments in intangible assets came to €349 million (previous year: €248 million) and were primarily attributable to RTL Group for investments in film rights and to BMG for the acquisition of music catalogs. The sum of €447 million was invested in financial assets (previous year: €176 million). These include, in particular, the acquisition of shares in HotChalk and Udacity. Purchase prices for consolidated investments (less acquired cash and cash equivalents) totaled €166 million in the reporting period (previous year: €820 million).

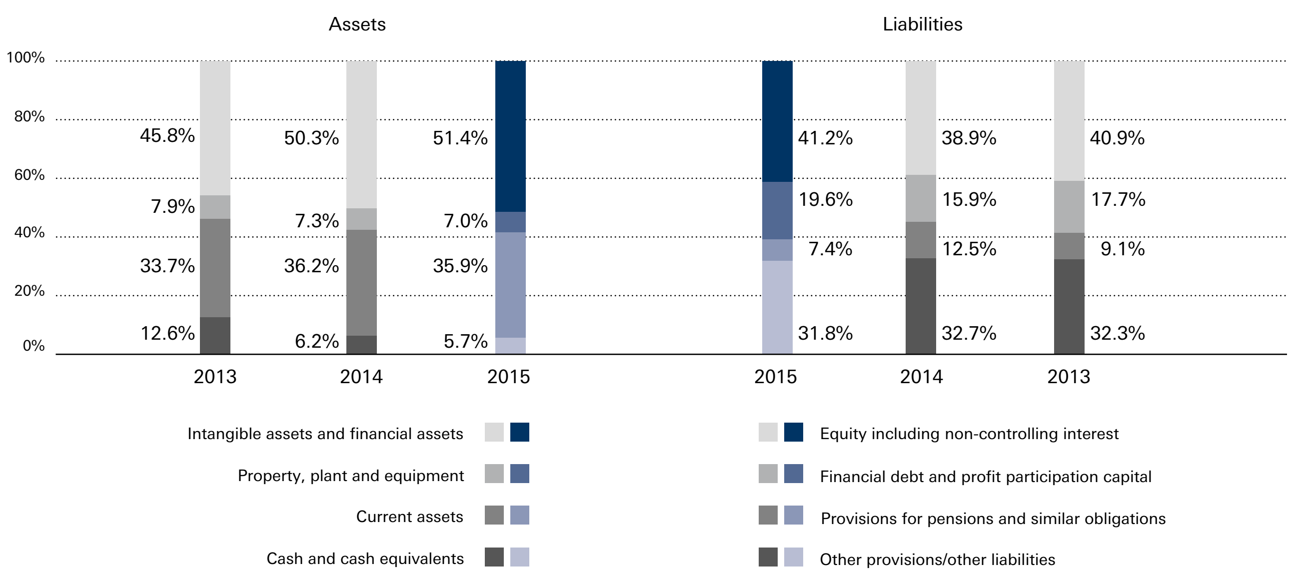
Investments by Division

in € millions	2015	2014
RTL Group	330	468
Penguin Random House	43	121
Gruner + Jahr	52	62
Arvato	203	246
Be Printers	16	29
Corporate Investments	613	656
Total investments by division	1,257	1,582
Corporate Center/Consolidation	2	(4)
Total investments	1,259	1,578

Balance Sheet

Total assets increased to €22.9 billion as of December 31, 2015 (previous year: €21.6 billion). Cash and cash equivalents of €1.3 billion were at the previous year's level (previous year: €1.3 billion). Equity increased to €9.4 billion as of December 31, 2015 (previous year: €8.4 billion). This stems primarily from the increase in retained earnings as a result of the significantly increased Group profit in the reporting period. As a result of the higher equity, the equity ratio also increased from 38.9 percent in the previous year to 41.2 percent. Equity attributable to Bertelsmann SE & Co. KGaA shareholders increased to €7.5 billion (previous year: €6.5 billion). Provisions for pensions and similar obligations decreased to €1,709 million (previous year: €2,698 million), largely as a result of a voluntary contribution to the plan assets held

Balance Sheet



under the trusteeship of Bertelsmann Pension Trust e. V. and an interest-based decline in obligations from benefit commitments. Gross financial debt increased from €3,018 million to €4,075 million as of December 31, 2015, due to the taking up of long-term debt reported in the section "Financing Activities." Apart from that, the balance sheet structure remained largely unchanged from the previous year.

Profit Participation Capital

Profit participation capital had a par value of €301 million as of December 31, 2015, which is unchanged from the previous year. If the effective interest method is applied, the carrying amount of profit participation capital was €413 million as of December 31, 2015 (previous year: €413 million). The 2001 profit participation certificates (ISIN DE0005229942) account for 94 percent of par value of profit participation capital, while the 1992 profit participation certificates (ISIN DE0005229900) account for the remaining 6 percent.

The 2001 profit participation certificates are officially listed for trading on the Regulated Market of the Frankfurt Stock Exchange. Their price is listed as a percentage of par value. The lowest closing rate of the 2001 profit participation certificates in the financial year 2015 was 296.00 percent in June; their highest was 357.50 percent in April.

Under the terms and conditions of the 2001 profit participation certificates, the payout for each full financial year is 15 percent of par value, subject to the availability of sufficient Group profit as well as net income at the level of Bertelsmann SE & Co. KGaA. These conditions were met in the past financial year. Accordingly, a payout of 15 percent of the notional value of the 2001 profit participation certificates will be made for the financial year 2015.

The 1992 profit participation certificates, approved for trading on the Regulated Market in Frankfurt, only have a limited cash trade due to their low volume. Payouts on the 1992 profit participation certificates are based on the Group's return on total assets. As the return on total assets for the financial year 2015 was 6.99 percent (previous year: 4.93 percent), the payout on the 1992 profit participation certificates for the financial year 2015 will be 7.99 percent of their notional value (previous year: 5.93 percent).

The payout distribution date for both profit participation certificates is expected to be May 10, 2016. Under the terms and conditions of the profit participation certificates, the auditors appointed by Bertelsmann SE & Co. KGaA are responsible for verifying whether amounts to be distributed have been calculated correctly. The auditors of both profit participation certificates provide confirmation of this.

Performance of the Group Divisions

RTL Group

Europe's leading entertainment network recorded a positive performance in 2015, increasing both its revenues and operating profit. RTL Group's revenues increased by 3.8 percent to €6.0 billion (previous year: €5.8 billion), mainly due to the encouraging development of the European advertising markets, the strong expansion of the digital business, and positive exchange rate effects. Operating EBITDA increased by 1.6 percent to €1.4 billion (previous year: €1.3 billion) in the reporting period. Significantly higher earnings contributions from Mediengruppe RTL Deutschland and RTL Hungary more than offset declines in Fremantle Media's content production business. The EBITDA margin was 22.5 percent (previous year: 23.0 percent). RTL Group employed 12,258 people at year-end.

The European TV advertising markets that RTL Group operates in all grew or remained stable in 2015. Germany in particular recorded growth, with Mediengruppe RTL outperforming the market. Both revenues and earnings once again reached record levels, driven among other things by increasing advertising revenues and a growing distribution business. The flagship channel, RTL Television, remained the clear market leader in the primary target group, despite a slight decline in viewer numbers.

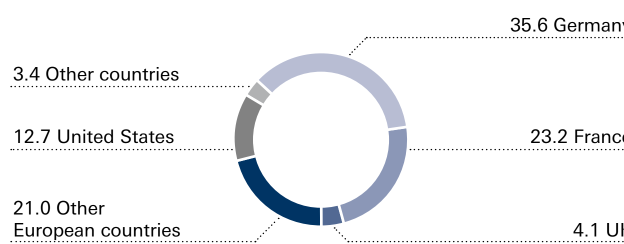
Groupe M6 in France saw a moderate decline in revenues and a slightly lower operating EBITDA, against the background of the sale of the e-commerce platform Mistergooddeal in the previous year and lower revenues from the home shopping business. The broadcasting group was able to increase its audience share overall. In the Netherlands, RTL Nederland achieved higher revenues partly thanks to growing distribution revenues; the operating result remained stable. RTL Nederland further consolidated its clear lead among viewers.

The production arm Fremantle Media increased its revenues primarily due to positive exchange rate effects. The operating result was down, partly due to a lower earnings contribution from the "American Idol" format and increased investment in new formats. The company achieved international successes with series like "Deutschland 83," which was produced for RTL Television, sold in the United States during the year under review, and subsequently in numerous other countries.

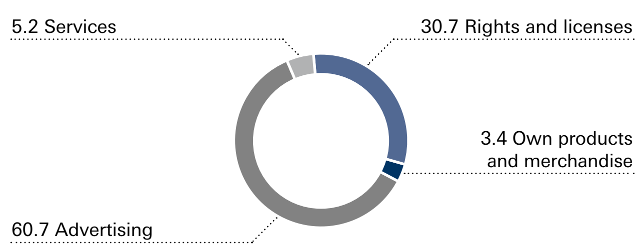
RTL Group continued to invest in its three strategic mainstays of business – broadcast, content and digital – and in 2015 launched four new linear TV channels: In March, three special-interest pay TV channels were launched in Croatia, and in September, the news channel RTL Z in the Netherlands. The production business was expanded: Fremantle Media acquired shares in the production companies Full Fat TV and Naked Entertainment in Britain, Wildside in Italy, Fontaram and Kwaï in France and No Pictures Please in the Netherlands, strengthening the company's creative diversity in the scripted, entertainment and factual genres.

RTL Group's digital revenues increased by 72 percent, soaring past the €500 million mark; its contribution to total revenues doubled to eight percent in the reporting period. RTL Group's various platforms and offers generated 105 billion online video views – a year-on-year increase of 188 percent. The companies of the RTL Digital Hub founded in June – especially BroadbandTV, StyleHaul and SpotX – each significantly increased their revenues by high double-digit rates.

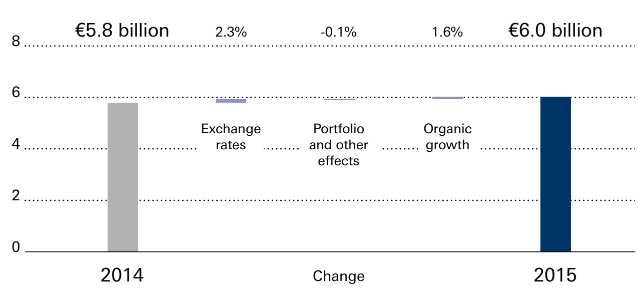
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Penguin Random House

The world's leading trade book publisher Penguin Random House significantly increased both its revenue and operating profit in the financial year 2015. Its revenues increased 11.8 percent to €3.7 billion (previous year: €3.3 billion) in stable market environments across its territories, thanks to positive exchange rate effects. Operating EBITDA rose sharply by 23.2 percent to €557 million (previous year: €452 million). Besides the exchange rate effects, this is attributable to savings from the largely completed integration of Penguin and Random House, whose businesses were merged on July 1, 2013, and a strong bestseller lineup. The EBITDA margin was 15.0 percent (previous year: 13.6 percent). The book publishing group, whose shares – with the exception of the German business, which is wholly owned by Bertelsmann – are 53 percent owned by Bertelsmann and 47 percent owned by Pearson, employed 10,582 people at year-end.

Among the year's top performers was Paula Hawkins's debut novel "The Girl on the Train," which sold more than seven million copies in the English- and German-speaking world across all Penguin Random House formats – print, e-book and audiobook. "Grey," the new E L James novel in the "Fifty Shades" series, sold 8.5 million copies in English, German and Spanish. Exceptional bestsellers in children's and young adult books included Dr. Seuss titles, which collectively sold 10.8 million copies, and "Diary of a Wimpy Kid: Old School" by Jeff Kinney, which sold 1.2 million copies.

In the United States, Penguin Random House publishers placed 584 print and e-book titles in the "New York Times" bestseller lists, 79 at number one. Among these were "Rogue Lawyer" by John Grisham, "The Life-Changing Magic of Tidying Up" by Marie Kondo and "Between the World and Me" by Ta-Nehisi Coates. Numerous children's books did very well, including "Paper Towns" by John Green, as well as new fiction by James Dashner and Rick Yancey. Revenues and earnings were up on the previous year.

Penguin Random House UK grew profitably. Its publishers placed 211 titles in the "Sunday Times" bestseller lists, 31 at number one. Here, the most popular books included "Grey" by E L James and "The Girl on the Train" by Paula Hawkins, as well as fiction by Harper Lee and Jeff Kinney's "Diary of a Wimpy Kid: Old School."

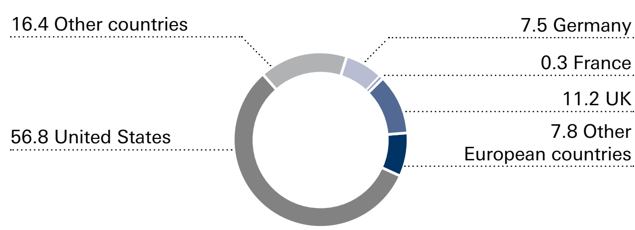
Penguin Random House Grupo Editorial saw the beginnings of a recovery amidst the ongoing volatility of the marketplace in Spain. Latin America also experienced some growth. Bestsellers included "Hombres buenos" by Arturo Pérez-Reverte, "El amante japonés" by Isabel Allende and "El mundo azul" by Albert Espinosa. Meaningful progress was made on integrating the Spanish- and Portuguese-language publishing activities of Santillana Ediciones Generales, which was acquired in 2014.

Verlagsgruppe Random House in Germany increased its revenues and achieved a record operating result, outperforming the market. Its top-selling titles were "Die Betrogene" by Charlotte Link and "Altes Land" by Dörte Hansen.

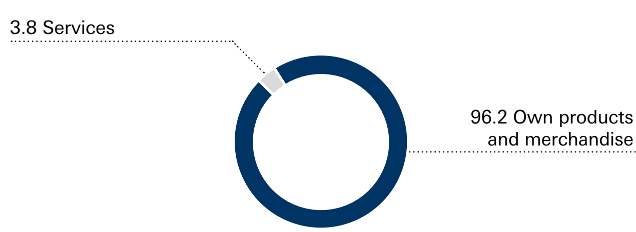
Penguin Random House further expanded its digital business across all markets. However, in the United States, e-book sales were affected by new retail sales terms. During the reporting year, the publishing group sold the self-publishing unit Author Solutions and the Australian online bookseller Bookworld.

Penguin Random House authors won numerous prestigious awards, including the Pulitzer Prize for Biography for "The Pope and Mussolini" by David I. Kertzer, and the Man Booker Prize for "A Brief History of Seven Killings" by Marlon James.

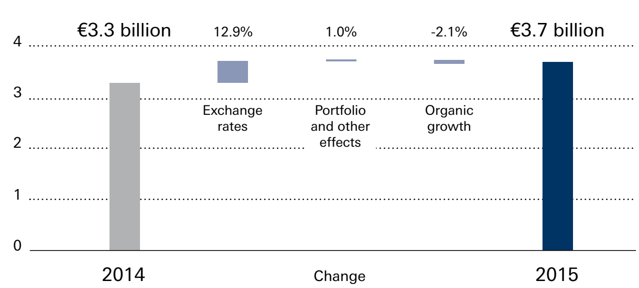
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Gruner + Jahr

In the financial year 2015, Gruner + Jahr continued its strategic transformation to a leading house of content. Due to divestments and the deconsolidation of the businesses in Asia during the prior period, and the general trend in the ad sales market, G+J's revenues declined by 12 percent to €1.54 billion (previous year: €1.75 billion). In the core markets of Germany and France, however, revenues from digital activities continued to increase. As a result of overall declining revenues and continued high expenditure on expanding the digital businesses, operating EBITDA declined by 22.9 percent to €128 million (previous year: €166 million). The EBITDA margin was 8.3 percent (previous year: 9.5 percent). At the end of the year, G+J had 13,245 employees.

In November 2015, the decision was made to transfer the Arvato subsidiary Medienfabrik to Gruner + Jahr with effect from January 1, 2016, and merge it with G+J Corporate Editors to create Germany's biggest provider of content communications. At year-end, G+J acquired the startup Employour, which specializes in student marketing.

G+J Germany's revenues and earnings were down, reflecting a significant decline in print ad sales. Circulation revenues were stable, bucking the general market trend, thanks to a print campaign and adjusted cover prices. G+J invested in the expansion of its magazine portfolio ("Barbara," "Brigitte Wir," "Stern Crime," "National Geographic Traveler") as well as in digital activities. For instance, the company acquired the specialized gift ideas e-commerce provider Danato and fully acquired the food platform Delinero. G+J entered into a strategic partnership with the Dutch startup Blendle, and also set aside a total of €50 million in funds and media services to invest in startups and innovations. In addition, first projects from the Greenhouse innovation lab were realized. G+J EMS expanded its position as a premium cross-media marketer. The company's growth is partly attributable to innovative native advertising products, i.e., "programmatic" and word-of-mouth campaigns.

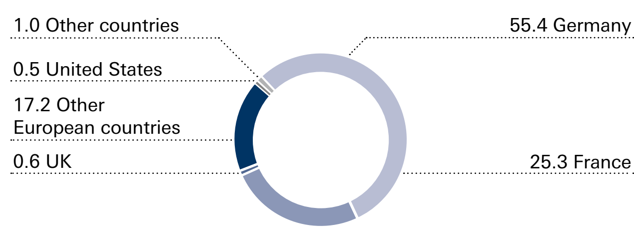
Motor Presse Stuttgart posted lower revenues, mainly due to the sale of the business in France, but its earnings improved thanks to cost-cutting measures. The DDV Media Group in Saxony reported an increase in revenues thanks to higher proceeds from sales and new businesses that are going well, but earnings decreased due to the introduction of the minimum wage.

Revenues in the international business showed some organic growth in 2015, but declined overall. In France, the G+J subsidiary Prisma Media increased its revenues slightly, but its operating EBITDA fell slightly despite a fast-growing digital business. The video marketer Advideum recorded a particularly successful development. Activities in Austria remained below last year's revenues and earnings figures. The Austrian press market remained under strong pressure, which is also reflected in the performance of Verlagsgruppe News, but the group gained additional market share in the advertising business. Gruner + Jahr's activities in China declined markedly, reflecting the reduced growth momentum in the country; since the end of 2014, Boda's businesses have only been consolidated at equity.

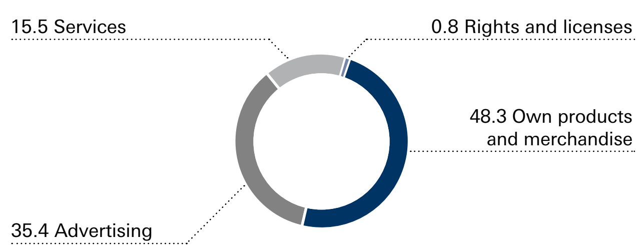
Business activities in Spain recorded a clear upward trend in earnings thanks to cost-cutting measures, and were profitable again for the first time since 2010. G+J Netherlands recorded largely stable revenues and earnings. On July 1, 2015, G+J withdrew from the Italian market due to a lack of strategic prospects, selling its 50 percent stake in the joint venture Gruner + Jahr/Mondadori.

In 2015, numerous G+J journalists and authors once again won awards for their work.

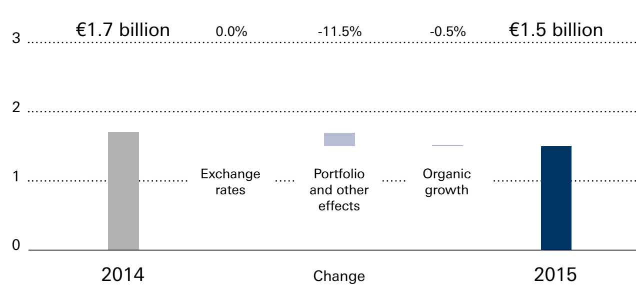
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Arvato

The international services provider Arvato recorded moderate revenue growth and a slight increase in operating profit for the financial year 2015. Revenues grew both through acquisitions and organically, by a total of 4.0 percent to €4.8 billion (previous year: €4.7 billion). Despite macroeconomic challenges in a few markets, and start-up costs for new projects, operating EBITDA rose by 2.6 percent to €394 million (previous year: €384 million). The EBITDA margin was 8.1 percent after 8.2 percent last year. Arvato employed 72,457 people at the end of the year.

In July, Arvato's management changed; the division has since been under the management of a team led by CEO Fernando Carro. The CEOs of the three major Solution Groups – Customer Relationship Management (CRM), Supply Chain Management (SCM), and Financial Solutions – were each appointed to the Bertelsmann Group Management Committee (GMC). Arvato's print and replication businesses were transferred to the newly founded Bertelsmann Printing Group with effect from January 1, 2016, and the communications agency Medienfabrik was transferred to the Bertelsmann subsidiary Gruner + Jahr. These changes enable Arvato to focus on its fast-growing services businesses.

The revenues and earnings of the CRM Solution Group rose significantly during the year. The business continued its transformation from customer phone services toward comprehensive digital communication services. The CRM Solution Group won important new customers in the healthcare and IT/Internet sectors.

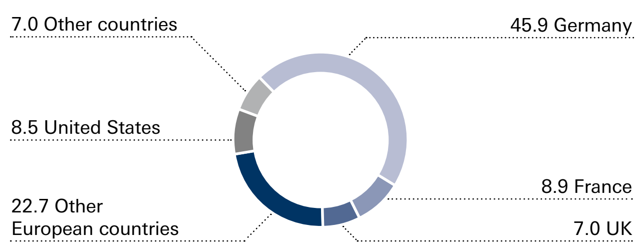
The SCM Solution Group expanded its existing customer relationships in Germany and internationally in 2015. Revenues and earnings were up slightly. Positive impetus came from the US business, the strategic growth area of e-commerce services, and from solutions for the healthcare industry.

The Financial Solutions unit increased its revenues in the reporting period, while keeping its operating result stable at a high level. This was supported mainly by a positive business performance in Scandinavia and the German-speaking countries. The acquisition of a 40 percent stake in the Brazilian financial services provider Intervalor on June 1, 2015, marked Arvato's successful entry into the Latin American financial services market.

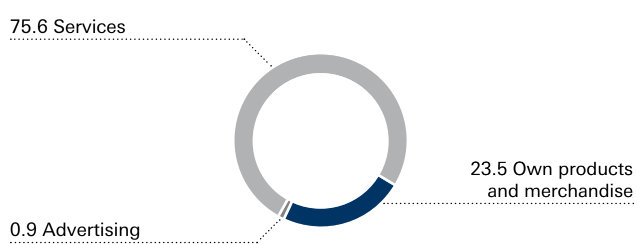
Demand for the application development and system integration services provided by the IT Solution Group remained at a constantly high level in 2015. This performance was obscured by high set-up costs in a major project and a downturn in the United States. Revenues for the IT businesses were up, while earnings fell slightly. In the Digital Marketing Solution Group, the transformation of existing business was further advanced in 2015.

Revenues and earnings from Arvato's print businesses softened. Meanwhile, additional investments consolidated their technology leadership. Revenues from storage media replication declined as expected; Arvato discontinued its replication activities in the United States at year-end.

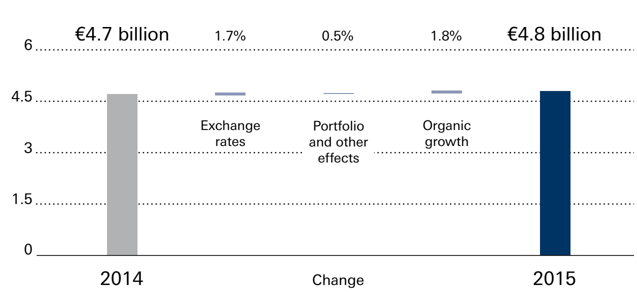
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Be Printers

Bertelsmann's European gravure printing activities and international offset and digital printers, which are pooled in the Be Printers division, recorded declining revenues and operating results for the financial year 2015. Be Printers' revenues fell by 25.5 percent to €742 million in 2015 (previous year: €996 million). Operating EBITDA decreased by 26.6 percent to €47 million (previous year: €64 million). The EBITDA margin was 6.3 percent after 6.4 percent last year. At the end of the year, Be Printers employed 3,415 people.

The background to this development was primarily formed by divestments in Southern Europe and a market-driven operational downturn in the European gravure printing market. The technological change toward more offset and digital printing as well as shorter print runs for magazines, catalogs and print advertising additionally impacted gravure revenues. At the same time, existing contracts with major publishers such as Gruner + Jahr, Axel Springer and Klambt in Europe as well as with Sony Entertainment in the United States were extended.

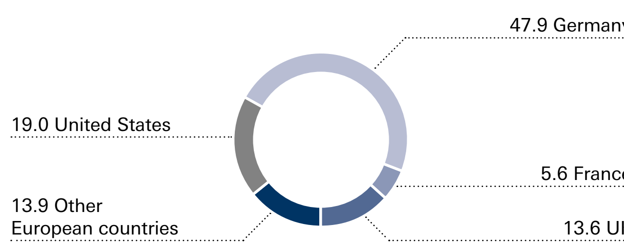
In December 2015, Be Printers acquired the remaining 25.1 percent of shares in the Printing Group Prinovis from its erstwhile partner Axel Springer. The parent company Bertelsmann subsequently merged its offset and gravure printing activities at Arvato and Be Printers under the umbrella of the Bertelsmann Printing Group on January 1, 2016, thereby creating Europe's biggest printing group. Various smaller media and services businesses as well as the replication business were also assigned to the new division.

Be Printers continued to focus on developing its quality and cost competitiveness in 2015. As part of its concentration on core markets, the company withdrew from Spain in the period under review. The Spanish printers Rotocobrhi in Madrid and Eurohueco in Barcelona were sold to the British print investor Walstead Capital in April 2015.

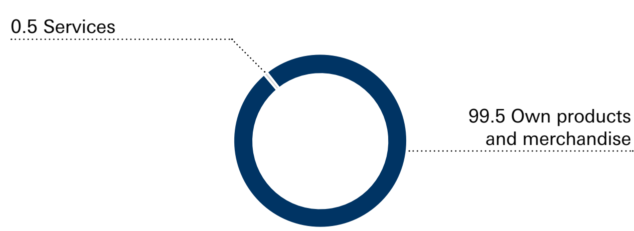
The European gravure printing company Prinovis expanded its range of services to accommodate lower print runs, additional formats and shorter lead times by putting two offset printing presses into operation in Dresden. However, due to lower order volumes overall, Prinovis recorded significant year-on-year declines in revenues and earnings.

Be Printers' US printing plants faced declining market prices in the letterpress segment, but were able to more than compensate for this by expanding their business into other sectors with innovative print products.

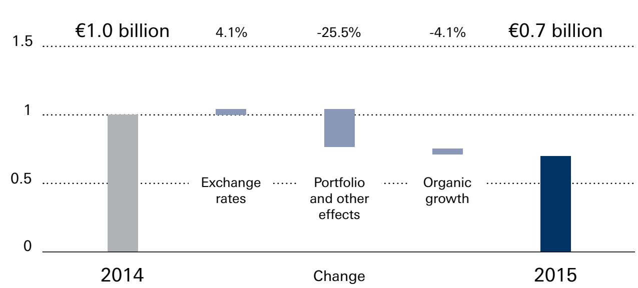
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Corporate Investments/Corporate Center

Corporate Investments, which includes all of Bertelsmann's operating activities at Group level, did well in the financial year 2015, increasing both its revenues and operating result. Revenues grew by 22.4 percent to €624 million (previous year: €510 million), and operating EBITDA by 82 percent to €80 million (previous year: €44 million). The continued expansion of the music company BMG contributed to this, as did the expansion of the education business. The EBITDA margin was 12.8 percent after 8.6 percent in the previous year. At the end of the year, Corporate Investments had 4,654 employees.

In the reporting period, Bertelsmann made significant progress in developing its new education business. The company increased its participation in the online learning provider Udacity and became the largest shareholder of HotChalk, an online education platform in the United States. Relias Learning's market position was strengthened by the acquisition of the e-learning provider RediLearning. Together with the Group's other educational businesses, these companies have been pooled since September in the newly established Bertelsmann Education Group, which will commence operations as of January 1, 2016. In Brazil, Bertelsmann acquired a stake in Affero Lab, a leading B2B provider of corporate training.

BMG continued to make major strides in developing its interests in recorded music and audiovisual rights alongside its music publishing business, acquiring labels including Rise Records, which specializes in rock and metal, the pop label S-Curve Records and Atmosphériques in France. BMG also took over the Verse Music Group and Minder Music publishing catalogs, and rights in the Buddy Holly catalog in the United States. Renowned artists who have found a new home at BMG include Dave Stewart, Janet Jackson, Silbermond, Katie Melua and Emerson Lake & Palmer. In China, BMG entered into an extensive digital distribution agreement with Alibaba. In October, Janet Jackson led the Billboard Top 200 chart with "Unbreakable," giving BMG its first number-one album in the United States.

The BDMI fund, which invests in digital companies mainly in the United States, and the BAI fund, which specializes in promising companies in China, acquired several new shareholdings. In Brazil, Bertelsmann and Bozano Investimentos jointly set up a new fund that focuses on education companies, especially in the healthcare sector. In India, the holdings in Pepperfry, the leading online marketplace for furniture, and in the music streaming service Saavn were expanded.

Der Club Bertelsmann discontinued its business activities in the German-speaking countries at year-end as planned.

In 2015, the Corporate Center supported the implementation of the corporate strategy with its four strategic priorities. In addition, as part of the Operational Excellence program, the establishment of a global network of Accounting Shared Services Centers was agreed upon. Global coordination and parts of the Group's Germany-wide accounting services will largely be handled from Rheda in the future. Another focus of the Corporate Center was the integration of Arvato's and parts of G+J's administrative functions into the Group's headquarters. The establishment of the Central HR Department reporting to the Executive Board, with a focus on education and talent management, was also advanced.

General Statement by Company Management on the Economic Situation

2015 was a successful year for Bertelsmann. The Group improved its revenues, operating EBITDA and in particular the Group profit year on year and also exceeded the expectations stated at the beginning of the year. Bertelsmann also made significant progress in its strategic transformation into a faster-growing, more digital and more international Group.

In the reporting period, Group revenues rose 2.8 percent to €17.1 billion (previous year: €16.7 billion). The revenue development was ahead of expectations in particular thanks to the positive exchange rate effects (outlook in 2014 Annual Report: stable revenue development/adapted outlook in 2015 Interim Report: slight increase). Operating EBITDA of €2,485 million (previous year: €2,374 million) was moderately above the previous year (outlook in 2014 Annual Report: slight increase/adapted outlook in 2015 Interim Report: moderate increase). At €155 million, the BVA used for Group management was strongly below the previous year's figure of €188 million (outlook in 2014 Annual Report: strongly declining BVA). The expected development reflects the strong increase in average invested capital, which is primarily due to acquisitions and exchange rate developments.

Bertelsmann's four strategic priorities – strengthening the core businesses, driving the digital transformation forward, developing growth platforms, and expanding into growth regions – continued to be the focus. Besides the expansion of the families of channels at RTL Group, the positive integration of Penguin and Random House and the modernization and expansion of Gruner + Jahr's magazine portfolio, it was the restructuring of Arvato and the bundling of the print businesses in the Bertelsmann Printing Group as of January 1, 2016, which helped to strengthen the core businesses. As part of the digital transformation, RTL Group continued to expand its online video offering and also bundled the participations in the multichannel networks and digital advertising marketing in the RTL Digital Hub. Penguin Random House remains the global market leader in the e-book sector, and Gruner + Jahr expanded its digital content and advertising marketing offerings organically and through acquisitions. The growth platforms were reinforced in the education segment – in particular through the organic and acquisitive expansion of Relias Learning, the increase in the share of the online education provider Udacity and the acquisition of participations in the online education technology provider HotChalk and Alliant International University – and bundled in the newly established Bertelsmann Education Group. Bertelsmann also made progress in China, India and Brazil with investments in a large number of startups in particular.

The net assets and financial position improved over the last financial year. In particular, the financial profile was optimized through the issuance of two hybrid bonds with a total volume of €1.25 billion. As of December 31, 2015, the cash and cash equivalents reported at €1.3 billion represent sufficient liquidity. The ratings agencies Moody's and S&P continued to rate Bertelsmann as "Baa1" and "BBB+," respectively, with a stable outlook. Overall, Bertelsmann ended the financial year 2015 with a successful performance and has a solid financial basis.

Significant Events After the Balance Sheet Date

Since January 1, 2016, the strategic transformation of the Bertelsmann Group is reflected even more strongly in the company structure. From the start of the financial year 2016, the Group will form three additional independent divisions from the operating activities of Corporate Investments: BMG, Bertelsmann Education Group and Bertelsmann Investments. BMG is an international music business; the Bertelsmann Education Group comprises the growth businesses and investments in the education segment; and 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 digital businesses worldwide. In addition, the Group's offset and gravure printing activities were combined in the Bertelsmann Printing Group division as of January 1, 2016. The group comprises the businesses Mohn Media, GGP Media and Vogel Druck previously considered part of service subsidiary Arvato, the gravure activities of Prinovis in Germany and the UK previously operating under Be Printers, and the offset and digital printers of Be Printers in the United States. In the future, the new division will also include individual printing-related service and production businesses such as the Sonopress replication business.

At its meeting on January 26, 2016, the Supervisory Board appointed Bernd Hirsch as the new Bertelsmann Chief Financial Officer. As of April 1, 2016, he will take over the department from Executive Board Chairman Thomas Rabe who was performing this function on a transitional basis.

Risks and Opportunities

Risk Management System

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

The risk management process is based on the internationally accepted frameworks of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Enterprise Risk Management – Integrated Framework and Internal Control – Integrated Framework, respectively) and is organized in subprocesses of identification, assessment, response, control, communication and monitoring. A major element of risk identification is a risk inventory that lists significant risks year by year, from the profit center level upward. It is then aggregated step by step at the division and Group levels. This ensures that risks are registered where their impact would be felt. There is also a Group-wide reassessment of critical risks every six months and quarterly reporting in case the risk situation has changed. Ad hoc reporting requirements ensure that significant changes in the risk situation during the course of the year are brought to the attention of the Executive Board. The risks are compared against risk response and control measures to determine the so-called net risk. Both one-year and three-year risk assessment horizons are applied to enable the timely implementation of risk response measures. The basis for determining the main Group risks is the three-year period, similar to medium-term corporate planning. Risk assessment is the product of the estimated negative impact on Group free cash flow should the risk occur and the estimated probability of occurrence. Risk monitoring is conducted by Group management on an ongoing basis. The RMS, along with its component ICS, is constantly undergoing further development and is integrated into ongoing reporting to the Bertelsmann Executive Board and Supervisory Board. Corporate and Divisional Risk Management Committee meetings are convened at regular intervals to ensure compliance with statutory and internal requirements.

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

Accounting-Related Risk Management System and Internal Control System

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

The ICS for the accounting process consists of the following areas. The Group's internal rules for accounting and the preparation of financial statements (e.g., IFRS manual, guidelines and circulars) are made available without delay to all employees involved in the accounting process. The Group financial statements are prepared in a reporting system that is uniform throughout the Group. Extensive automatic system controls ensure the consistency of the data in the financial statements. The system is subject to ongoing development through a documented change process. Systematized processes for coordinating intercompany transactions serve to prepare the corresponding consolidation steps. Circumstances that could lead to significant misinformation in the Group financial statements are monitored centrally by employees of Bertelsmann SE & Co. KGaA and by RTL Group (for the pre-consolidated subgroup), then verified by external experts as required. Central contact persons from Bertelsmann SE & Co. KGaA and the divisions are also in continuous contact with local subsidiaries to ensure IFRS-compliant accounting as well as compliance with reporting deadlines and obligations. These preventive measures are supplemented by specific controls in the form of analyses by the Corporate Financial Reporting department of Bertelsmann SE & Co. KGaA and RTL Group (for the preconsolidated subgroup). The purpose of such analyses is to identify any remaining inconsistencies. The controlling departments on Group and division level are also integrated into the internal management reporting. Internal and external reporting are reconciled during the quarterly segment reconciliation process. The further aim in introducing a globally binding control framework for the decentralized accounting processes is to achieve a standardized ICS format at the level of the local accounting departments of all fully consolidated Group companies. The findings of the external auditors, Corporate Audit and the internal auditing department of RTL Group are promptly discussed with the affected companies and solutions are developed. An annual self-assessment is conducted to establish reporting on the quality of the ICS in the key Group companies. The findings are discussed in Audit and Finance Committee meetings at the divisional level. Like the RMS, each ICS cannot guarantee with absolute certainty that significant misinformation in the accounting process can be prevented or identified.

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

Major Risks to the Group

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

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

Strategic and Operational Risks

In 2015, the global economy continued to expand in a modest and uneven way. In 2016, the global economy is expected to remain on a moderate and uneven growth path. In view of the recent deterioration in the global economic outlook and the

Overview of Major Risks to the Group

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

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

■ Existing risks

ongoing uncertainty in the markets, Bertelsmann's business development is still subject to risks. Assuming a continuing normalization of the overall economic situation, Bertelsmann expects positive development of Group revenues for 2016. In the short to medium term, in addition to the risk associated with economic development, other significant Group risks include pricing and discounting risks, customer risks, supplier relationship risks, and loss of audience and market share as well as risks from changes in the market environment. How these risks develop depends, among other things, to a large extent on changes in customer behavior due to factors such as the continued digitization of media, the development and implementation of products and services by new or existing competitors, and bad debt losses, as well as default and interference along the production chains in individual sectors, such as IT. Financial market risks, employee-related risks and legal and regulatory risks are moderate risks for Bertelsmann, while risks from future technological changes in the three-year period under review are classified as low.

The following presentation of the risks relates to the segment structure and portfolio composition at the end of the financial year 2015. In the future, as a result of the revised reporting structure effective January 1, 2016, including the newly created Bertelsmann Printing Group and the future independent divisions of BMG, Bertelsmann Education Group and Bertelsmann Investments, possible risks will be allocated differently in organizational terms but without changing the overall risk profile from a Group perspective.

The ongoing digitization is resulting in an increasing fragmentation of RTL Group's markets as audiences will have more choice (for example through online platforms) and, at the same time, the market-entry barriers are being lowered. The possible risks of this for RTL Group are decreasing audience and advertising market shares of its advertising-financed channels and therefore, ultimately, lower revenues. In order to counter these risks, RTL Group is continuously revising and developing the channels and program strategies – for example, by establishing complementary families of channels and constantly adapting these to international program trends. RTL Group is addressing the risks associated with digitization and is actively helping to shape this trend through a range of investments in the fast-growing online video advertising market. Increasing competition in the area of program acquisition and TV production as well as the growing dependence on individual production companies, coupled with the risk of potential cost increases, could also impact RTL Group's ability to generate revenues. This risk is being reduced by expanding the program share of own productions and signing long-term contracts with major content providers. Furthermore, economic development directly impacts the TV advertising markets and therefore RTL Group's revenue. This risk is being countered by focusing on developing non-advertising revenue streams, e.g., distribution revenues from platform operators. To reduce the risk of customer losses, active customer relationship management is established.

Falling e-book sales constitute one risk for Penguin Random House, triggered in particular by changes to the sales conditions for e-books. A further risk is the trend toward consolidation in bricks-and-mortar book retail which is being seen in the reduction of retail space for books or even branch closures. Penguin Random House is countering these risks by introducing differentiated pricing, employing additional advertising measures and continuously examining alternative marketing options. Any risk of bad debt loss is being limited through debtor management and in some cases through credit insurance. In addition, Penguin Random House is finding itself exposed to the risk of cost increases. There are also risks from the general economic uncertainty which could lead to lower sales. Management controls these risks through careful management of supplier relationships and by maintaining a flexible cost structure that allows for a quick response in the event of an economic downturn. Risks from the integration of Penguin and Random House have fallen significantly as the integration has essentially been completed.

For Gruner + Jahr, besides the risk of a deterioration of the overall market environment and the resulting declines in advertising and circulation revenues, supplier risks represent significant challenges. A changing market environment, in which price pressure and declining revenues as a result of further concentration in the agency market and more aggressive advertising conditions on the part of competitors cannot be ruled out, may lead to falling margins. Furthermore, there is the risk of losing key customers as advertising customers could switch to other media, notably digital media. The risks are being countered by active cost and customer management, the development of new, including digital, forms of offerings as well as product, price and quality improvements. Through association work, the Group is responding to the advertising restrictions discussed at EU level (e.g., car advertising) which could lead to declining advertising revenues.

Arvato sees itself as particularly exposed to risks from customer and supplier relationships as well as risks from a changing market environment. The potential loss of key customers is being countered through contracts offering comprehensive service packages with simultaneously flexible cost structures.

On the supplier side, key risks include the quality of goods and services purchased as well as the procurement costs if the increase cannot be passed on to the customers. As a result of a simultaneous increase in dependency on a few suppliers, margin pressure is increasing in a number of segments. Countermeasures include entering into long-term contracts, an active exchange with existing suppliers and monitoring the supplier market. Competition is intensifying because competitors are following Arvato's strategy and expanding their value chains. At the same time, new competitors entering the market could intensify the competitive pressure and lead to lower margins. By developing the range of services, the aim is to improve the competitive position and to increase customer loyalty through integrated solutions. A worsening of the economic environment could result in declining revenues and thus lower margins, which would necessitate cost-cutting measures and capacity downsizing. Broad diversification across customers, sectors and regions helps to reduce this risk. Digitization entails further risks for individual customer segments of Arvato, particularly in physical product distribution. These risks are being addressed, for example, by developing digital services. Furthermore, business segments that offer no strategic or economic prospects are being deliberately scaled back.

For Be Printers, customer risks, in particular greater dependence on a few major customers, are the most significant risks. The aim is to minimize the risks by taking out credit insurance, utilizing active debtor management and entering into more flexible customer contracts. Furthermore, deterioration in the economic environment also may lead to declining circulations with a negative impact on earnings. There are further risks on the supplier side associated with rising raw material prices – particularly for paper – that cannot be passed on to customers and with the quality of the raw materials purchased. In addition, price and margin pressures result from a market environment which is characterized by overcapacity as well as existing trends toward consolidation. Similarly, the increasing use of digital media is accelerating the decline in circulations. These risk minimization strategies are based, in particular, on constantly optimizing cost structures and making them more flexible, as well as using price adjustment clauses and ongoing market monitoring.

Corporate Investments mainly comprises the strategic growth segments of BMG and the Bertelsmann Education Group as well as the fund activities. Risks that affect BMG primarily concern the business structure (including currency risks and customer relations), corporate growth (including acquisitions and integrations) and the profitable scalability of the company (including technical platform and organization). Market risks are addressed through high revenue diversification (clients/catalogs, segments, regions) as well as currency hedging (hedging of royalty liabilities in foreign currencies) and contractual protection clauses (hedging the recouping of advances). Operational risks are countered through process and resource bundling, control mechanisms and continuous optimization of the IT platform. The Bertelsmann Education Group is exposed to risks as a result of the competition with other online providers, particularly in the US healthcare segment, which is being addressed through strategic, and in some cases exclusive, partnerships. The key risks for the fund activities consist of falling market value indicators or a lack of exit opportunities. These risks are being addressed through suitable investment processes and continuous monitoring. From a Group perspective, the identified risks for Corporate Investments are of minor importance for the three-year period under review.

The increasing pace of change in the markets and in Bertelsmann's business segments means that employees will need to be more willing and able to adapt in the future. There are also continuing demographic risks which impact the recruitment, development and retention of talent as a result of shifts in the age distribution of the workforce. To counteract this, employees are being offered further individual education, comprehensive health programs, a competitive salary and flexible working models. Bertelsmann is also extending its recruitment measures and making it easier for employees to switch jobs within the Group by harmonizing processes and structures.

Acquisition-Related Risks

The Group strategy focuses on acquisitions of businesses as well as organic growth. The risk of potential mistakes when selecting investments and the allocation of investment funds is limited by means of strict investment criteria and processes. Acquisitions present opportunities as well as risks. For example, integration into the Group requires one-time costs that are usually offset by increased benefits in the long term thanks to synergy effects. The risks here are that the integration costs may be higher than expected or the predicted level of synergies may not materialize. The integration processes are therefore being monitored by management on an ongoing basis.

Information Security Risks

For a global media company like Bertelsmann, the reliability and security of information technology is crucial and can often give the company a competitive edge. The ability to provide and process information in a timely, comprehensive, error-free and confidential way is crucial to Bertelsmann's success. Challenges arise, on the one hand, from the many non-standardized internal processes as well as from external potential risks such as cyber attacks, which are still increasing dramatically in the market and competitive environment. The use of cloud-based IT solutions and the significant growth of mobile solutions present further challenges. Bertelsmann has responded to the stricter regulatory conditions with the information security management system (ISMS, based on industry standard ISO 27001) which was introduced across the Group in 2014. The ISMS includes regular and structured monitoring of compliance with the regulations as well as systematic recording of information security risks and deriving appropriate mitigation measures.

Legal and Regulatory Risks

Bertelsmann, with its worldwide operations, is exposed to a variety of legal and regulatory risks ranging from litigation to varying interpretations of tax-assessment criteria. Bertelsmann has television and radio operations in several European countries that are subject to regulation. In Germany, for example, media are subject to oversight by the Commission on Concentration in the Media. Bertelsmann Group companies occupy leading market positions in many lines of business and may therefore have limited potential for growth through acquisition due to antitrust legislation. Moreover, the education activities are subject to regulatory provisions of government authorities and accreditation bodies. These risks are being continuously monitored by the relevant divisions within the Group.

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

Foreign investments in the People's Republic of China are highly regulated. In view of this, in order to secure Bertelsmann's rights it is standard market practice to invest through so-called VIE structures by means of trust vehicles. However, there is the risk that it will not be possible to safeguard such vehicles through Chinese courts if the People's Republic changes its policies toward foreign investments or if courts and authorities change their case law or administrative practice. Currently, a draft of a revised "PRC Foreign Investment Law" is being discussed politically. To what extent Chinese investment policy will change as a result of this will not be apparent until the end of 2016 at the earliest. The current draft stipulates a wide-reaching ban on trust structures in regulated markets. However, there is also no provision whatsoever for dealing with existing trust structures. In an extreme case it is conceivable that the total investment could be lost. In the past, however, such measures have only been reported in exceptional cases. By contrast, observers are anticipating solutions that will only have a minor impact on the Chinese economy. These developments would affect BMG, Arvato, Gruner + Jahr and Bertelsmann Asia Investments (BAI).

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

Financial Market Risks

As an international corporation, Bertelsmann is exposed to various forms of financial market risk, especially interest rate and currency risks. These risks are largely controlled by the Central Financial Department on the basis of guidelines established by the Executive Board. Derivative financial instruments are used solely for hedging purposes. Bertelsmann uses currency derivatives mainly to hedge recorded and future transactions involving foreign currency risk. Some firm commitments denominated in foreign currency are partially hedged when they are made, with the hedged amount increasing over time. A number of subsidiaries are based outside the eurozone. The resulting translation risk is managed based on economic debt in relation to operating EBITDA (leverage factor). Bertelsmann's long-term focus is on the maximum leverage factor permitted for the Group. Foreign currency translation risks arising from net investments in foreign entities are not hedged. The cash flow risk from interest rate changes is centrally monitored and controlled as part of interest rate management. The aim is to achieve a balanced ratio of different fixed interest rates through the selection of appropriate maturity periods for the originated financial assets and liabilities affecting liquidity and through the ongoing use of interest rate derivatives. Liquidity risk is monitored on an ongoing basis with reference to the budget for current and future years. The syndicated loan and appropriate liquidity provisions form a sufficient risk buffer for unplanned payments. Counterparty risks exist in the Group in an amount equivalent to the invested cash and cash equivalents and in the default of a counterparty in derivatives transactions. Financial transactions and financial instruments are restricted to a rigidly defined group of banks with a high credit rating (Investment Grade). Within the guidelines a risk limit specified by the Bertelsmann Executive Board has been issued for financial assets and derivatives for each counterparty. Compliance with this limit is regularly monitored by the Central Financial Department. The guidelines concerning the investment of cash and cash equivalents are continuously monitored and if necessary extended. The financial investments are generally made on a short-term basis so that the investment volume can be reduced if the credit rating changes. The financial market risks are estimated as moderate.

Overall Risk

The overall risk position is slightly below the previous year's level. Overall, the top ten Group risks have not changed significantly compared to the previous year. While the integration risk at Penguin Random House no longer constitutes a key Group risk thanks to the largely completed integration, continuing technological changes and digitization are creating challenges for all divisions. In particular, pricing and discounting risks, customer and supplier relationship risks and a changing market environment still constitute the key Group challenges. However, as a result of the diversification of Group businesses, there are no concentration risks stemming from dependency on individual business partners or products in either procurement or sales. The Group's financial position is solid, with liquidity needs covered by existing liquidity and available credit facilities.

No risks endangering Bertelsmann's continued existence were identified in the financial year 2015, nor are any substantial risks discernible from the current perspective that could threaten the continued existence of the Group in the future.

Opportunity Management System

An efficient opportunity management system enables Bertelsmann to secure its corporate success in the long term and to exploit potential in an optimum way. Opportunities are possible future developments or events that could result in a positive deviation from outlook or objective for Bertelsmann. The opportunity management system, like the RMS, is an integral component of the business processes and company decisions. During the strategy and planning process, significant opportunities are determined each year from the profit center level upward, and then aggregated step by step at the division and Group levels. By systematically recording them on several reporting levels, opportunities that arise can be identified and exploited at an early stage. This also creates an interdivisional overview of Bertelsmann's current opportunities. A review of major changes in opportunities is conducted at the divisional level every six months. In addition, the largely decentralized opportunity management system is coordinated by central departments in the Group in order to derive synergies through targeted cooperation in the individual divisions. The interdivisional experience transfer is reinforced by regular meetings of the Group Management Committee.

Opportunities

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

Strategic opportunities can be derived primarily from the Group's four strategic priorities. Strengthening core businesses, driving forward the digital transformation, developing growth platforms and expanding in growth regions constitute the most important long-term growth opportunities for Bertelsmann (see the "Strategy" section). In particular, there are general opportunities for exploiting synergies as a result of the portfolio expansions. There is potential for efficiency improvements in the individual divisions and individual operational opportunities in addition to the possibility of more favorable economic development.

For RTL Group, a better-than-expected development of the TV advertising markets and higher audience and advertising market shares are major opportunities. Furthermore, the increasing digitization and fragmentation of the media landscape is opening up opportunities. Professionally produced content can be distributed across multiple platforms nationally and internationally. New revenue streams could be generated by exploiting existing TV content across different platforms and by creating native digital content. Also, with an increased presence in the digital sector, RTL Group could increase online video advertising sales on all devices and TV platforms and establish pay models in the on-demand business. In this way, new advertising sales could be generated through the offering of new interactive or targeted forms of advertising (HbbTV, IPTV or mobile television). As an established content producer with a global presence, RTL Group could further expand its digital distribution through multichannel networks and digital streaming platforms.

The combination of Penguin and Random House has enhanced the publishing opportunities for Penguin Random House. With market share gains, the publishing group could further increase its leading market position, attract new authors and publish even more bestselling debut publications. As the world's largest trade book publisher, Penguin Random House also has the opportunity to invest more heavily than its competitors. Especially in emerging and multilingual markets, the publishing group could take advantage of the fast-growing demand and offer its products to the widest possible readership. Further acquisitions could also offer significant opportunities for growth. In this context, Penguin Random House could also generate greater synergies through the integration of the acquired businesses. The increasing digitization of the book markets offers opportunities for new product development and more efficient marketing channels. The development of new products and enhancements to existing offerings could make books more appealing to a wider audience and offer new experiences to readers. Moreover, building networks and tools could help authors to connect better with their readers.

For Gruner + Jahr, a better development of the advertising and sales markets represents significant opportunities. The transformation from magazine publisher to a house of content is providing further opportunities. The structure of G+J Germany introduced in 2014 integrates the printing and digital businesses, thus allowing it to implement product innovations faster and more efficiently. Besides the expansion and development of existing media brands, there are opportunities for growth, particularly in the development and expansion of digital activities and in cooperation with other publishers. There are also opportunities for developing additional services, such as commerce and paid services. In terms of marketing, G+J could gain new customers through new forms of advertising in the online, mobile and video media channels. Developing new special advertising formats and implementing integrated campaigns could also help to attract potential new customers.

The restructuring of Arvato implemented in July 2015 enables better exploitation of growth potential. Under the new management structure, the Arvato business units will in the future be able to act independently and flexibly and be able to respond more quickly to market conditions. The global responsibility of the individual Solution Groups can provide additional opportunities for acquiring new customers, particularly key international customers. There are potential business opportunities, primarily in the Financial Solutions and E-Commerce business segments. The global e-commerce market will continue its dynamic growth over the next few years as a result of ongoing digitization. Arvato could benefit significantly from this growth, primarily through the services offered by the Solutions Groups SCM and Financial Solutions. A further growth opportunity from the digital transformation lies in providing support to customers with CRM solutions via multiple digital channels.

The Be Printers print businesses may decline less steeply through additional volumes of existing and new customers. This would provide opportunities from the targeted servicing of market segments that are still growing. Moreover, the prospect of further consolidation of the printing market could effectively strengthen Be Printers' market position.

Corporate Investments comprises the growth platforms BMG and the Bertelsmann Education Group as well as various fund activities and the club and direct marketing businesses. Further takeovers of music catalogs and additional signings of contracts with artists, which could be managed on the existing platform at marginal cost, offer growth opportunities for BMG. The rapid market acceptance of streaming and subscription offers also provides the opportunity to implement more legal digital offers in an international framework (including emerging markets). The education business is to be developed into Bertelsmann's third earnings pillar alongside media and service businesses. Entry into rapidly growing markets and online education offerings focusing on the healthcare and technology segments offers further growth opportunities. The education business could benefit from a faster shift away from traditional classroom-based tuition toward online and skill-based training as well as an increasing demand for training in the healthcare and technology segments. Relias Learning offers additional organic growth potential through the expansion of the business to the related healthcare segments and through international expansion. The participation in Udacity benefits from the short lifespan of knowledge and content in the technology sector which will ensure a high repetitive training requirement. This and the shortage of qualified IT staff give Udacity the opportunity to build up a premium brand in the IT/technology training sector. The range of services offered by HotChalk is targeted at the growing number of universities which require support in the implementation of online programs as a result of the growing acceptance of online training offerings. For fund activities, there is the opportunity to realize higher-than-expected profits thanks to increasing market value indicators. In the club and direct marketing businesses, lower restructuring and closure costs could boost business performance.

The current innovation efforts detailed in the "Innovations" section offer further potential opportunities for the individual divisions.

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

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

Outlook

Anticipated Overall Economic Development

Bertelsmann anticipates that economic conditions will develop as follows in 2016. Overall, the global economy will remain on a moderate and uneven growth path. The Kiel Institute for the World Economy (IfW) estimates that global production will increase by 3.4 percent in 2016. The prospects for the advanced economies will be boosted by the low oil prices and the continuing favorable financing conditions. By contrast, structural barriers and macroeconomic imbalances will dampen the growth perspectives in the emerging countries. The global economic outlook has also noticeably deteriorated recently. Uncertainty on the markets has increased, particularly due to a significant slowdown of the Chinese economy.

In the eurozone, the economic recovery is set to continue even if downward risks remain. The IfW estimates real economic growth of 1.7 percent in 2016. The IfW expects GDP for Germany to grow by 2.2 percent in real terms. It expects the growth rate in France to be 1.2 percent in real terms. For the UK, GDP is expected to rise by 2.3 percent in real terms in 2016. In the United States, the positive growth trend is expected to continue in 2016; the IfW expects the economy to grow by 2.8 percent in real terms.

Anticipated Development in Relevant Markets

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

For 2016, slight growth is expected in most of the European TV advertising markets. In Spain, significant growth is expected. On the book markets, the trends observed in 2015 are expected to be less pronounced in view of the changes to sales conditions in the e-book segment and an overall stable development. In the magazine business, the print advertising and circulation markets in Germany and France are expected to decline further in 2016, while continued strong growth is expected in the digital segment. In 2016, the services markets are expected to achieve growth similar to the previous year. The relevant European print markets and the North American book printing market are likely to show continued decline in 2016. In 2016, the global music publishing market is forecast to show continued slight growth. The recorded music market is expected to show a stable development. For the US education markets, continuing strong growth is expected in the relevant segments.

Expected Business Development

The global economy is on a moderate and uneven growth path. However, economic prospects continue to be dogged by certain risks. The following expectations are therefore based on the assumption that the recovery of the overall economic situation will continue and that most of the forecasted market developments and the economic predictions of the research institutions will be realized.

For the financial year 2016, Bertelsmann anticipates that business development will be driven by the slightly positive market expectations for the European TV advertising markets, particularly in Spain, by stable book markets and by continuously growing service markets. The growth stimuli created through strategic portfolio expansions will continue to have a positive impact on Bertelsmann's growth profile. The accelerated scaling back of structurally declining businesses – in particular, print, replication, clubs and direct marketing – will also help to mitigate their negative impact.

In addition to the assumed market developments, the predicted economic developments in the geographic core markets of Western Europe and the United States are the basis of the expected business development. With revenue and earnings share within the eurozone still expected to remain at around 75 percent, the extent of growth is above all based on the forecasted real and nominal economic development in this economic zone. The IfW therefore assumes that GDP in the eurozone will increase by 2.9 percent in nominal terms and by 1.7 percent in real terms for 2016. The OECD predicts that GDP in the eurozone will increase by 2.8 percent in nominal terms and by 1.8 percent in real terms for 2016. In view of these economic expectations and the dampening effects on growth from the continued scaling back of structurally declining businesses, Bertelsmann expects Group revenues to increase slightly in the financial year 2016. Operating EBITDA is expected to show stable development in the financial year 2016, as start-up losses for new businesses and the digital transformation of existing businesses will continue to increase. As a result of the full-year inclusion of the acquisitions made in the reporting period, Bertelsmann anticipates that invested capital will increase again in the financial year 2016. As a result of the growth profile of the acquired businesses, compensating effects from earnings contributions are not expected to materialize for some time. Consequently, a strong fall in BVA is expected for the Group. Arvato, on the other hand, expects a strong increase in BVA as a result of improved operating earnings.

At present, the expected performance of any individual unit of key significance for the Bertelsmann Group is not expected to deviate significantly from that of the Group.

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

These forecasts are based on Bertelsmann's current business strategy as outlined in the "Corporate Profile" section and which is valid for the forecast period in the financial year 2016. The changes to the segment structure as of January 1, 2016, in particular at Arvato, Gruner + Jahr and Bertelsmann Printing Group, and the expansion of the segments do not affect the forecast from a Group perspective. In general, the forecasts reflect careful consideration of risks and opportunities and are based on operational planning and the medium-term outlook for the corporate divisions. All statements concerning potential economic and business developments represent opinions advanced on the basis of the information that is currently available. Should underlying assumptions 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.

Notes to the Financial Statements of Bertelsmann SE & Co. KGaA (in accordance with HGB, German Commercial Code)

In addition to the Group reporting, the development of Bertelsmann SE & Co. KGaA is outlined below. Bertelsmann SE & Co. KGaA is a parent company and a management holding company of the Bertelsmann Group. Its tasks include management functions for the Bertelsmann Group as well as the management of its investments and financing. There are also service functions for individual divisions within the Corporate Center. It also bears the tax liability for most of the subsidiaries in Germany. The position of Bertelsmann SE & Co. KGaA is essentially determined by the business success of the Bertelsmann Group.

The Annual Financial Statements of Bertelsmann SE & Co. KGaA, in contrast to the Consolidated Financial Statements, have not been prepared in accordance with the International Financial Reporting Standards (IFRS) but in accordance with the regulations of the German Commercial Code (HGB) and the supplementary regulations of the German Stock Corporation Act (AktG).

Results of Operations of Bertelsmann SE & Co. KGaA

Income from participations for Bertelsmann SE & Co. KGaA fell to €815 million in the reporting period (previous year: €899 million). The reduction is primarily attributable to the result of Reinhard Mohn GmbH, with which a profit and loss transfer agreement exists. In the financial year just ended, the result of Reinhard Mohn GmbH of €-146 million (previous year: €26 million) was characterized in particular by write-downs on share values of a subsidiary.

The increase in other operating income is mainly attributable to a write-up on shares in Bertelsmann Inc., Wilmington recognized in the amount of €143 million. The other operating expenses mainly consist of expenses for property rental and maintenance, consulting costs and risks from Group receivables, and were characterized by exchange rate losses in the reporting period. The financial result fell to €-203 million from €-130 million in the previous year. The deviation is primarily attributable to depreciation on financial assets, including a write-down of €74 million on shares in Prinovis GmbH and a write-down of €13 million on shares in Bertelsmann Portuguesa, SGPS, Lda, as well as to the interest income which has increased as a result of the bonds issued.

The profit from ordinary activities fell to €570 million (previous year: €577 million). After deduction of tax totaling €-32 million (previous year: €-69 million), the remaining net income came to €538 million (previous year: €422 million). The previous year was burdened by an extraordinary loss of €-86 million, resulting from a debt waiver in respect of the subsidiary Societa Holding Industriale di Grafica S.p.A., Bergamo. Taking into account the retained profits of €304 million carried forward from the previous year, and after the appropriation of €260 million to revenue reserves, net retained profits totaled €582 million (previous year: €484 million).

Net Assets and Financial Position of Bertelsmann SE & Co. KGaA

Tangible and intangible fixed assets increased slightly to €322 million (previous year: €319 million). The financial assets increased to €14,356 million (previous year: €13,337 million). The increase is attributable, among other things, to an increase of €472 million in the carrying amount of the participation in Bertelsmann Capital Holding GmbH as a result of payments made by Bertelsmann SE & Co. KGaA in connection with the profit and loss transfer agreement between Bertelsmann Capital Holding GmbH and RTL Group Deutschland GmbH. Furthermore, long-term securities of €472 million were acquired which are held and managed by Bertelsmann Pension Trust e. V. They are used to secure and fulfill pension obligations of Bertelsmann SE & Co. KGaA and selected subsidiaries. Receivables and other assets are comprised of, in particular, receivables from affiliated companies. The year-on-year increase in receivables from €2,696 million to €3,082 million primarily results from the performance of the loans to Reinhard Mohn GmbH, Bertelsmann Inc. and Bertelsmann UK Limited, London.

Income Statement of Bertelsmann SE & Co. KGaA in accordance with HGB (German Commercial Code)

in € millions	2015	2014
Results from investments	815	899
Other operating income	364	211
Personnel costs	(159)	(113)
Amortization of intangible assets and depreciation of property, plant and equipment	(15)	(13)
Other operating expenses	(232)	(277)
Financial result	(203)	(130)
Profit from ordinary activities	570	577
Extraordinary income	–	(86)
Income taxes	(32)	(69)
Net income	538	422
Retained profits	304	272
Appropriations to revenue reserves from net income	(260)	(210)
Net retained profits	582	484

Balance Sheet of Bertelsmann SE & Co. KGaA in accordance with HGB (German Commercial Code) (Summary)

in € millions	12/31/2015	12/31/2014
Assets		
Fixed assets		
Tangible and intangible fixed assets	322	319
Long-term financial assets	14,356	13,337
	14,678	13,656
Current assets		
Receivables and other assets	3,082	2,696
Securities, cash	500	246
	3,582	2,942
Deferred items	12	13
	18,272	16,611
Equity and liabilities		
Equity	9,052	8,694
Provisions	398	362
Financial debt	4,209	3,139
Other liabilities	4,613	4,416
Deferred income	–	–
	18,272	16,611

With the share capital remaining unchanged from the previous year, equity totaled €9,052 million as of December 31, 2015 (previous year: €8,694 million). Provisions amounted to €398 million (previous year: €362 million). Financial debt increased as a result of the measures described in the "Financing Activities" section. Other liabilities essentially include liabilities to affiliated companies which have changed year on year, among other things as a result of the increase in a loan from CLT-UFA S.A., Luxembourg, in the amount of €146 million.

Risks and Opportunities for Bertelsmann SE & Co. KGaA

As Bertelsmann SE & Co. KGaA is largely linked to the Bertelsmann Group companies, among other things through the financing and guarantee commitments as well as through direct and indirect investments in the subsidiaries, the situation of Bertelsmann SE & Co. KGaA in terms of risks and opportunities is primarily dependent on the risks and opportunities of the Bertelsmann Group. In this respect, the statements made by corporate management concerning the overall assessment of the risks and opportunities also constitute a summary of the risks and opportunities of Bertelsmann SE & Co. KGaA (see the "Risks and Opportunities" section).

Outlook for Bertelsmann SE & Co. KGaA

As the parent company of the Bertelsmann Group, Bertelsmann SE & Co. KGaA receives dividend distributions from its subsidiaries as well as income from services provided to them. Consequently, the performance of Bertelsmann SE & Co. KGaA is primarily determined by the business performance of the Bertelsmann Group (see the "Outlook" section).

Dependent Company Report (Statement in accordance with Section 312 of Germany's Stock Corporation Act, AktG)

The Executive Board of Bertelsmann Management SE, as general partner of Bertelsmann SE & Co. KGaA, has submitted a voluntary report to the Supervisory Board of Bertelsmann SE & Co. KGaA in accordance with sections 278 (3) and 312 (1) of Germany's Stock Corporation Act, in which it outlines its relationships with affiliated companies for the financial year 2015. The Executive Board hereby declares that Bertelsmann SE & Co. KGaA received adequate consideration in return for each and every legal transaction under the circumstances known at the time that the transactions were undertaken.

Consolidated Financial Statements

Consolidated Income Statement

in € millions	Notes	2015	2014 (adjusted)
Revenues	1	17,141	16,675
Other operating income	2	575	551
Changes in inventories		258	277
Own costs capitalized		31	20
Cost of materials		(5,730)	(5,937)
Royalty and license fees		(1,513)	(1,257)
Personnel costs	3	(5,430)	(5,099)
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	4	(616)	(793)
Other operating expenses	5	(3,064)	(3,176)
Results from investments accounted for using the equity method	6	28	45
Impairment losses and reversals on investments accounted for using the equity method		(23)	4
Results from financial assets	6	–	(6)
Results from disposals of investments		24	(155)
EBIT (earnings before interest and taxes)		1,681	1,149
Interest income	8	20	23
Interest expenses	8	(142)	(109)
Other financial income	9	22	55
Other financial expenses	9	(130)	(264)
Financial result		(230)	(295)
Earnings before taxes from continuing operations		1,451	854
Income tax expense	10	(346)	(286)
Earnings after taxes from continuing operations		1,105	568
Earnings after taxes from discontinued operations		3	4
Group profit or loss		1,108	572
attributable to:			
Bertelsmann shareholders			
Earnings from continuing operations		674	158
Earnings from discontinued operations		3	4
Earnings attributable to Bertelsmann shareholders		677	162
Non-controlling interests			
Earnings from continuing operations		431	410
Earnings from discontinued operations		–	–
Earnings attributable to non-controlling interests		431	410

The figures from the previous year have been adjusted. Further details are presented in the “Prior Year Information” section.

Consolidated Statement of Comprehensive Income

in € millions	Notes	2015	2014 (adjusted)
Group profit or loss		1,108	572
Items that will not be reclassified subsequently to profit or loss			
Remeasurement component of defined benefit plans		282	(565)
Share of other comprehensive income of investments accounted for using the equity method		–	(1)
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Currency translation differences			
– changes recognized in equity		276	272
– reclassification adjustments for gains (losses) included in profit or loss		(2)	(28)
Available-for-sale financial assets			
– changes in fair value recognized in equity		(4)	(8)
– reclassification adjustments for gains (losses) included in profit or loss		–	–
Cash flow hedges			
– changes in fair value recognized in equity		23	34
– reclassification adjustments for gains (losses) included in profit or loss		(17)	4
Share of other comprehensive income of investments accounted for using the equity method		–	7
Other comprehensive income net of tax	18	558	(285)
Group total comprehensive income		1,666	287
attributable to:			
Bertelsmann shareholders		1,164	(175)
Non-controlling interests		502	462

The figures from the previous year have been adjusted. Further details are presented in the “Prior Year Information” section.

Reconciliation to Operating EBITDA (Continuing Operations)

in € millions	Notes	2015	2014 (adjusted)
EBIT from continuing operations		1,681	1,149
Special items	7		
Impairment on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations		–	87
Adjustment to carrying amounts on assets held for sale		–	47
Impairment on other financial assets		17	18
Impairment losses and reversals on investments accounted for using the equity method		23	(4)
Results from disposals of investments		(24)	155
Fair value remeasurement of investments		(82)	(24)
Restructuring and other special items		257	340
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment		616	793
Adjustments on amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment included in special items		(3)	(187)
Operating EBITDA from continuing operations		2,485	2,374

The figures from the previous year have been adjusted. Further details are presented in the “Prior Year Information” section.

Consolidated Balance Sheet

in € millions	Notes	12/31/2015	12/31/2014 (adjusted)
Assets			
Non-current assets			
Goodwill	11	7,895	7,615
Other intangible assets	11	2,522	2,299
Property, plant and equipment	12	1,605	1,584
Investments accounted for using the equity method	13	945	592
Other financial assets	14	405	331
Trade and other receivables	16	146	145
Other non-financial assets	16	640	544
Deferred tax assets	10	961	1,076
		15,119	14,186
Current assets			
Inventories	15	1,661	1,590
Trade and other receivables	16	3,707	3,475
Other financial assets	14	113	108
Other non-financial assets	16	858	704
Current income tax receivables		140	126
Cash and cash equivalents	17	1,310	1,329
		7,789	7,332
Assets held for sale		–	42
		22,908	21,560
Equity and liabilities			
Equity	18		
Subscribed capital		1,000	1,000
Capital reserve		2,345	2,345
Retained earnings		4,146	3,189
Bertelsmann shareholders' equity		7,491	6,534
Non-controlling interests		1,943	1,846
		9,434	8,380
Non-current liabilities			
Provisions for pensions and similar obligations	19	1,709	2,698
Other provisions	20	122	143
Deferred tax liabilities	10	160	157
Profit participation capital	21	413	413
Financial debt	22	3,075	2,364
Trade and other payables	23	375	381
Other non-financial liabilities	23	375	331
		6,229	6,487
Current liabilities			
Other provisions	20	346	411
Financial debt	22	1,000	654
Trade and other payables	23	4,276	4,126
Other non-financial liabilities	23	1,529	1,377
Current income tax payables		94	84
		7,245	6,652
Liabilities related to assets held for sale		–	41
		22,908	21,560

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

Consolidated Cash Flow Statement

in € millions	2015	2014 (adjusted)
Group earnings before interest and taxes	1,684	1,156
Taxes paid	(286)	(387)
Depreciation and write-ups of non-current assets	656	852
Results from disposals of investments	(27)	148
Change in provisions for pensions and similar obligations	(45)	(69)
Change in other provisions	(104)	(12)
Change in net working capital	(201)	(128)
Fair value remeasurement of investments	(82)	(24)
Other effects	5	(13)
Cash flow from operating activities	1,600	1,523
– thereof discontinued operations	–	–
Investments in:		
– intangible assets	(349)	(248)
– property, plant and equipment	(297)	(334)
– financial assets	(447)	(176)
– purchase prices for consolidated investments (net of acquired cash)	(166)	(820)
Cash receipts for disposal of subsidiaries and other business units	2	30
Cash receipts from disposal of other fixed assets	161	60
Contribution to/withdrawals from defined benefit plans	(689)	(35)
Cash flow from investing activities	(1,785)	(1,523)
– thereof discontinued operations	–	(5)
Proceeds from bonds and promissory notes	1,490	595
Redemption of bonds and promissory notes	(430)	(967)
Proceeds from/redemption of other financial debt	(155)	(81)
Interest paid	(156)	(221)
Interest received	11	20
Dividends to Bertelsmann shareholders	(180)	(180)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18b)	(450)	(585)
Change in equity	(8)	–
Payments for release of interest swaps	–	(15)
Cash flow from financing activities	122	(1,434)
– thereof discontinued operations	–	–
Change in cash and cash equivalents	(63)	(1,434)
Exchange rate effects and other changes in cash and cash equivalents	42	50
Cash and cash equivalents 1/1	1,331	2,715
Cash and cash equivalents 12/31	1,310	1,331
Less cash and cash equivalents included within assets held for sale	–	(2)
Cash and cash equivalents 12/31 (according to the Group balance sheet)	1,310	1,329

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

Change in Net Financial Debt

in € millions	2015	2014
Net financial debt at 1/1	(1,689)	(681)
Cash flow from operating activities	1,600	1,523
Cash flow from investing activities	(1,785)	(1,523)
Interest, dividends and changes in equity, additional payments (IAS 32.18b)	(783)	(966)
Exchange rate effects and other changes in net financial debt	(108)	(42)
Net financial debt at 12/31	(2,765)	(1,689)

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: Other retained earnings	Retained earnings: Cumulated other comprehensive income[1)]: Currency transla-tion dif-ferences	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 com-prehensive income of investments accounted for using the equity method	Bertels-mann share-holders' equity	Non-con-trolling interests	Total
Balance as of 1/1/2014	1,000	2,345	3,847	(301)	22	(7)	6	6,912	1,849	8,761
Group profit or loss	–	–	162	–	–	–	–	162	410	572
Other comprehen-sive income	–	–	(544)	179	(6)	28	6	(337)	52	(285)
Group total compre-hensive income	–	–	(382)	179	(6)	28	6	(175)	462	287
Dividend distributions	–	–	(180)	–	–	–	–	(180)	(440)	(620)
Changes in owner-ship interests in subsidiaries that do not result in a loss of control	–	–	2	–	–	–	–	2	9	11
Equity transactions with shareholders	–	–	(178)	–	–	–	–	(178)	(431)	(609)
Other changes	–	–	(31)	5	–	–	1	(25)	(34)	(59)
Balance as of 12/31/2014	1,000	2,345	3,256	(117)	16	21	13	6,534	1,846	8,380
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	–	–	677	–	–	–	–	677	431	1,108
Other comprehen-sive income	–	–	269	213	(3)	6	2	487	71	558
Group total compre-hensive income	–	–	946	213	(3)	6	2	1,164	502	1,666
Dividend distributions	–	–	(180)	–	–	–	–	(180)	(440)	(620)
Changes in owner-ship interests in subsidiaries that do not result in a loss of control	–	–	(26)	–	–	2	–	(24)	20	(4)
Equity transactions with shareholders	–	–	(206)	–	–	2	–	(204)	(420)	(624)
Other changes	–	–	(3)	–	–	–	–	(3)	15	12
Balance as of 12/31/2015	1,000	2,345	3,993	96	13	29	15	7,491	1,943	9,434

1) Thereof, as of December 31, 2015, no significant amounts relate to assets classified as held for sale in accordance with IFRS 5. As of December 31, 2014, a total of €1 million relates to assets classified as held for sale in accordance with IFRS 5.
2) The balance on January 1, 2015, has been adjusted. Further details are presented in the "Prior Year Information" section.

Segment Information (Continuing Operations)

in € millions	RTL Group 2015	RTL Group 2014 (adjusted)	Penguin Random House 2015	Penguin Random House 2014	Gruner + Jahr 2015	Gruner + Jahr 2014	Arvato 2015	Arvato 2014
Revenues from external customers	6,020	5,800	3,715	3,322	1,531	1,739	4,705	4,507
Intersegment revenues	9	8	2	2	7	8	142	155
Divisional revenues	6,029	5,808	3,717	3,324	1,538	1,747	4,847	4,662
Operating EBITDA	1,355	1,334	557	452	128	166	394	384
EBITDA margin[1]	22.5%	23.0%	15.0%	13.6%	8.3%	9.5%	8.1%	8.2%
Depreciation and amortization	202	206	90	78	29	34	170	171
Impairment on intangible assets and property, plant and equipment[2]	(3)	100	–	1	–	2	6	14
Results from investments accounted for using the equity method	57	43	(1)	–	5	6	10	9
Segment assets[3]	9,204	8,766	3,774	3,597	1,063	1,066	2,964	2,884
Segment liabilities	2,721	2,602	1,418	1,411	472	486	1,481	1,398
Invested capital	6,483	6,164	2,356	2,186	591	580	1,483	1,486
Investments accounted for using the equity method	400	381	20	26	34	56	22	14
Additions to non-current assets[4]	281	480	43	106	62	46	197	268

The figures from the previous year have been adjusted. Further details on the adjustment to previously published information are presented in the "Prior Year Information" section and in note 27 "Segment Reporting."
1) Operating EBITDA as a percentage of revenues.
2) Including reversals of impairment.
3) Including 66 percent of the net present value of the operating leases.
4) Additions to property, plant and equipment and intangible assets (including goodwill).

Information about Geographical Areas (Continuing Operations)

in € millions	Germany 2015	Germany 2014	France 2015	France 2014	United Kingdom 2015	United Kingdom 2014	Other European countries 2015	Other European countries 2014	United States 2015	United States 2014 (adjusted)	Other countries 2015	Other countries 2014	Continuing operations 2015	Continuing operations 2014 (adjusted)
Revenues from external customers	5,817	5,863	2,260	2,368	1,143	1,073	3,041	3,070	3,700	3,102	1,180	1,199	17,141	16,675
Non-current assets[1]	3,031	2,991	1,131	1,118	1,441	1,328	3,196	3,128	3,017	2,723	206	210	12,022	11,498

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

	Be Printers		Other operating activities (Corporate Investments)		Total divisions		Corporate Center		Consolidation		Continuing operations	
	2015	2014	2015	2014	2015	2014 (adjusted)	2015	2014	2015	2014	2015	2014 (adjusted)
	574	828	595	479	17,140	16,675	1	–	–	–	17,141	16,675
	168	168	29	31	357	372	12	8	(369)	(380)	–	–
	742	996	624	510	17,497	17,047	13	8	(369)	(380)	17,141	16,675
	47	64	80	44	2,561	2,444	(76)	(71)	–	1	2,485	2,374
	6.3%	6.4%	12.8%	8.6%	14.6%	14.3%	n/a	n/a	n/a	n/a	14.5%	14.2%
	16	35	103	72	610	596	4	4	(2)	–	612	600
	–	70	–	6	3	193	–	–	1	–	4	193
	–	–	(43)	(13)	28	45	–	–	–	–	28	45
	258	292	3,580	2,754	20,843	19,359	141	133	(89)	(84)	20,895	19,408
	116	159	486	413	6,694	6,469	90	89	(66)	(52)	6,718	6,506
	142	133	3,094	2,341	14,149	12,890	51	44	(23)	(32)	14,177	12,902
	–	–	469	114	945	591	–	–	–	1	945	592
	14	29	292	655	889	1,584	3	19	–	(1)	892	1,602

Information on Revenue Sources (Continuing Operations)

	Own products and merchandise		Advertising		Services		Rights and licenses		Continuing operations	
in € millions	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenues from external customers	6,360	6,485	4,237	4,129	4,404	4,132	2,140	1,929	17,141	16,675

Details on segment reporting are presented in note 27 "Segment Reporting."

General Principles

The Bertelsmann SE & Co. KGaA Consolidated Financial Statements as of December 31, 2015, were prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the related interpretations (IFRIC) of the IFRS Interpretations Committee (IFRS IC) that are applicable in the European Union (EU-IFRS). The supplementary requirements set out in section 315a of the German Commercial Code (HGB) were met as well. The Consolidated Financial Statements are prepared in euros. Unless otherwise stated, all amounts are given in millions of euros (€ million). For the sake of clarity, certain items in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated balance sheet are combined. These items are disclosed and explained in greater detail in the notes.

Bertelsmann SE & Co. KGaA is a partnership limited by shares with its registered office in Gütersloh, Germany. The address of the company's registered headquarters is: Carl-Bertelsmann-Strasse 270, 33311 Gütersloh.

As an international media company, Bertelsmann operates in the core business fields of media and services in around 50 countries worldwide. The education business is being further expanded as a third pillar. The geographic core markets are Western Europe – in particular, Germany, France and the UK – and the United States. In addition, Bertelsmann is strengthening its involvement in growth markets such as China, India and Brazil. The Bertelsmann divisions are RTL Group (television), Penguin Random House (books), Gruner + Jahr (magazines), Arvato (services) and Be Printers (printing). Further information on the main activities of Bertelsmann SE & Co. KGaA and its subsidiaries is presented in detail in the Combined Management Report.

Impact of New Financial Reporting Standards

In the financial year 2015, the following financial reporting standards and interpretations have been applied for the first time in the Consolidated Financial Statements:

- IFRIC 21 Levies
- Annual Improvements to IFRSs 2011–2013 Cycle (issued in December 2013)

The first-time application of the new financial reporting standards does not have a material impact on the Bertelsmann Group.

Impact of Issued Financial Reporting Standards that Are Not Yet Effective

The IASB and the IFRS IC have issued the following new or amended financial reporting standards and interpretations, of which the application is not yet mandatory for the Bertelsmann Group for the financial year 2015:

- Annual Improvements to IFRSs 2010–2012 Cycle (issued in December 2013)
- Annual Improvements to IFRSs 2012–2014 Cycle (issued in September 2014)
- IFRS 9 Financial Instruments (not yet adopted by the EU)
- IFRS 14 Regulatory Deferral Accounts (not yet adopted by the EU)
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15 (not yet adopted by the EU)
- IFRS 16 Leases (not yet adopted by the EU)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (not yet adopted by the EU)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception (not yet adopted by the EU)
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 7: Disclosure Initiative (not yet adopted by the EU)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (not yet adopted by the EU)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- 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 Annual Improvements to IFRSs 2010–2012 Cycle (issued in December 2013) as well as the Annual Improvements to IFRSs 2012–2014 Cycle (issued in September 2014) include clarifications or corrections of existing IFRSs or changes as a result of amendments previously made to IFRSs. Application is mandatory for the first time in the financial year 2016 for the Bertelsmann Group. The Annual Improvements to IFRSs 2010–2012 Cycle relate to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38 as well as IAS 24. The Annual Improvements to IFRSs 2012–2014 Cycle relate to amendments to IFRS 5, two amendments to IFRS 7 and amendments to IAS 19 and IAS 34.

IFRS 9, published in July 2014, contains regulations on recognition, measurement, impairment and hedge accounting for financial instruments. The version that has now been published replaces all previous versions and is to be applied for the first time from 2018. IFRS 16, published in January 2016, sets out principles for the recognition, measurement, presentation and disclosure of leases. The changes mainly affect lessee accounting and generally require lessees to recognize assets and liabilities for all leases. The standard replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the right-of-use asset and an interest expense on the lease liability (included within the financial result). IFRS 16 replaces the current standards and interpretations IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is to be applied for the first time from 2019. The Bertelsmann Group is currently reviewing the impact of IFRS 9 and IFRS 16.

IFRS 15 includes new comprehensive regulations for the recognition of revenue that are independent of a specific industry or transaction and replaces the current regulations in 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 Revenues – Barter Transactions Involving Advertising Services. The new standard replaces the current risk and reward approach with a contract-based five-step model. In addition to substantially more extensive guidance for the accounting treatment of revenue from contracts with customers, there are more detailed disclosure requirements. In an amendment to IFRS 15 issued in September 2015, the effective date of first-time application was deferred from January 1, 2017, to the financial years beginning on or after January 1, 2018. First-time application must be generally retrospective, but various simplification options are granted; earlier application is still permitted. The standard, including its amendment, has not yet been adopted by the EU. The Bertelsmann Group launched a Group-wide project to analyze the impact of IFRS 15 as well as possible simplifications as part of the first-time application of IFRS 15. For this project, pilot companies were identified for each division, taking into account the core countries and business model specific information. The quantitative impact anticipated from implementing IFRS 15 is currently being determined. Depending on the individual business models, different impacts are expected, in particular related to identification of performance obligations.

The amendments to IAS 1 are intended to clarify the disclosure requirements. They relate to materiality, line-item aggregation, subtotals, structure of the notes, significant accounting policies and separate disclosure of the other comprehensive income of associates and joint ventures. The amendments have to be applied for the first time for financial years beginning on or after January 1, 2016, and are not expected to have a material impact on the presentation of the financial position and financial performance of the Bertelsmann Group.

With the amendments to IAS 16 and IAS 38, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, the latter is a rebuttable presumption, and revenue-based amortization is permitted when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments have to be applied for the first time for financial years beginning on or after January 1, 2016, and are not expected to have a material impact on the presentation of the financial position and financial performance of the Bertelsmann Group.

Furthermore, IFRS 14, which is not yet effective, and the amendments to IFRS 10 and IAS 28, IFRS 10, IFRS 12 and IAS 28, IFRS 11, IAS 1, IAS 7, IAS 12, IAS 16 and IAS 41, IAS 19 as well as IAS 27, which are not yet effective, relate to transactions in the Bertelsmann Group to a minor extent – similar to the Annual Improvements to IFRSs 2010–2012 Cycle and the Annual Improvements to IFRSs 2012–2014 Cycle – and are not expected to have any material impact.

The Bertelsmann Group has not opted for early adoption of any additional standards, interpretations or amendments that have been issued but are not yet mandatory.

Consolidation

Principles of Consolidation

The Bertelsmann Consolidated Financial Statements include the financial statements of the parent company and its subsidiaries, joint ventures and associates.

Subsidiaries are companies controlled by Bertelsmann SE & Co. KGaA in accordance with IFRS 10. Control exists if Bertelsmann has the power over the investee as well as the exposure, or rights, to variable returns from its involvement with the investee and is able to exercise its power over the investee such that it can affect the amount of these returns. Consolidation begins on the date on which the possibility to exercise control exists and ends when Bertelsmann loses the possibility to exercise control. Profit or loss and each component of total comprehensive income are attributed to the shareholders of the parent company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.
In accordance with IFRS 3, business combinations are accounted for using the acquisition method. Accordingly, the acquisition date fair value of the consideration transferred is offset against the fair value of equity on the acquisition date. Acquisition-related costs are generally recognized in profit or loss. If applicable, contingent consideration is measured at the fair value that applies on the acquisition date. If the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of a previously held equity interest in the acquiree exceeds the fair value of the identifiable net assets, the excess is carried as goodwill. Negative differences are reflected in profit or loss in the period in which the acquisition is made. Deferred taxes from assets acquired and liabilities assumed in a business combination are carried and measured in accordance with IAS 12. Subsequent measurement of the acquired assets and the liabilities assumed or entered into is performed in line with the applicable IFRSs. Non-controlling interests are also measured at the proportionate fair value of the assets and liabilities. If the consideration transferred for the business combination or the fair values attributable to the identifiable assets and liabilities of the company acquired can only be provisionally identified on the date of initial accounting, the business combination is carried using these provisional values. Initial accounting is completed in accordance with IFRS 3.45, taking into account the one-year measurement period. Comparative information for reporting periods prior to the completion of initial accounting is presented as if it had already been completed on the acquisition date.
Changes in the parent's ownership interest in a subsidiary that do not lead to a loss of control are accounted for as equity transactions. After the loss of control of a subsidiary, it is deconsolidated in accordance with the requirements of IFRS 10. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for in accordance with the applicable IFRSs from the date when control is lost.

In accordance with IFRS 11, joint ventures are joint arrangements in which the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint ventures are accounted for using the equity method in accordance with IAS 28. In addition, associates are included in the Consolidated Financial Statements using the equity method. Associates are companies over which Bertelsmann exercises a significant influence. This is generally the case for voting rights between 20 and 50 percent. Smaller shareholdings are accounted for using the equity method if there is a significant influence in accordance with IAS 28.6.
According to the equity method, interests in a joint venture or an associate are initially recognized at cost. These acquisition costs are then adjusted for changes to the Bertelsmann Group's interest in the net assets of the joint venture or the associate after the acquisition date. The same method used for fully consolidated subsidiaries is applied when accounting

for the difference between the acquisition cost at the acquisition date and the share of net assets acquired. Losses from interests in a joint venture or an associate that exceed their carrying amounts are not recognized unless there is an obligation to make additional contributions. When changing the accounting treatment of investments to the equity method, IFRS 3 is applied in analogy so that the fair value of the previously held interest is used in determining the cost of the investment accounted for using the equity method on the transition date. The difference between the fair value and carrying amount of the previously held interest is recognized in profit or loss. When applying the equity method to an associate or a joint venture that is an investment entity, Bertelsmann, which is a non-investment entity, generally retains as investor the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

The Bertelsmann Group recognizes immaterial investments in accordance with IAS 39.

Accounting and measurement policies are applied consistently for all financial statements of companies consolidated within the Consolidated Financial Statements. Intercompany assets, liabilities, equity, income and expenses as well as cash flows relating to transactions between Group companies are eliminated. Deferred taxes on consolidation transactions recognized in profit or loss are accounted for in accordance with IAS 12. The Group's share of unrealized gains or losses on intercompany transactions between fully consolidated Group companies and investments accounted for using the equity method is eliminated.

Scope of Consolidation

Bertelsmann is the majority shareholder of RTL Group with an interest of 75.1 percent and Penguin Random House with an interest of 53 percent. Arvato and Gruner + Jahr are wholly owned by Bertelsmann. Since the acquisition of the remaining 25.1 percent of printing group Prinovis from former co-shareholder Axel Springer in the financial year 2015, Be Printers is also wholly owned by Bertelsmann. The interests held by the minority shareholder Axel Springer are not non-controlling interests in accordance with IFRS 10 and have been previously recognized in the Consolidated Financial Statements in accordance with IAS 32. Corporate Investments bundles the Bertelsmann Group's other operating activities.

The scope of consolidation including Bertelsmann SE & Co. KGaA consists of 954 (previous year: 955) companies. This includes 883 (previous year: 896) fully consolidated companies, of which 758 (previous year: 771) are wholly owned subsidiaries. In addition, investments in 29 (previous year: 29) joint ventures and 42 (previous year: 30) associates are accounted for using the equity method in the Consolidated Financial Statements. A total of 224 (previous year: 240) companies without significant business operations were excluded from the scope of consolidation due to their negligible importance for the financial position and financial performance of the Bertelsmann Group.

Composition of Scope of Consolidation

	RTL Group		Penguin Random House		Gruner + Jahr		Arvato		Be Printers		Corporate Investments/ Corporate Center[1]		Total	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Subsidiaries	268	262	95	117	129	129	229	231	12	16	150	141	883	896
Joint ventures	14	12	–	1	8	9	5	5	–	–	2	2	29	29
Associates	21	15	1	1	3	3	1	1	–	–	16	10	42	30
Total	303	289	96	119	140	141	235	237	12	16	168	153	954	955

1) Including Bertelsmann SE & Co. KGaA.

The change in the scope of consolidation made during the past financial year is presented in the table below.

Change in Scope of Consolidation

	Germany	France	United Kingdom	Other European countries	United States	Other countries	Total
Consolidated as of 12/31/2014	297	109	136	209	85	119	955
Additions	10	7	9	11	14	16	67
Disposals	15	3	7	19	15	9	68
Consolidated as of 12/31/2015	292	113	138	201	84	126	954

The complete list of the Bertelsmann Group's shareholdings will be published in the "Bundesanzeiger" (Federal Gazette) as an annex to these Consolidated Financial Statements in accordance with section 313 (2) of the German Commercial Code and will be presented at the General Meeting. The interests held by associates are not included in the list of shareholdings. The subsidiaries listed in note 30 "Exemption for Subsidiaries from Preparation, Audit and Publication of Financial Statements" have elected to be exempted from the preparation, audit and publication of financial statements in the financial year as set out in sections 264 (3) and 264b of the German Commercial Code and according to foreign regulations.

Acquisitions and Disposals

The Bertelsmann Group made several acquisitions in the financial year 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 cash flow from acquisition activities totaled €166 million (previous year: €820 million), of which €151 million (previous year: €816 million) relates to new acquisitions during the reporting period less cash and cash equivalents acquired. The consideration transferred in accordance with IFRS 3 amounted to €172 million (previous year: €885 million) taking account of contingent consideration of €8 million (previous year: €27 million). In addition, put options in the amount of €9 million (previous year: €55 million) related to the acquisitions were accounted for. The acquisitions resulted in goodwill totaling €124 million, which reflects synergy potential and which is tax-deductible in the amount of €43 million. The other intangible assets in the amount of €86 million are attributable to music catalogs in the amount of €34 million. The transaction-related costs amounted to €6 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 purchase price allocations, some of which are currently preliminary:

Effects of Acquisitions

in € millions	Total
Non-current assets	
Goodwill	124
Other intangible assets	86
Property, plant and equipment	13
Trade and other receivables	5
Other non-current assets	17
Current assets	
Inventories	18
Trade and other receivables	15
Other current assets	11
Cash and cash equivalents	25
Liabilities	
Provisions for pensions and similar obligations	6
Financial debt	41
Other financial and non-financial liabilities	87
Non-controlling interests	(8)

Since initial consolidation, all acquisitions in accordance with IFRS 3 in the financial year 2015 have contributed €98 million to revenues and €-11 million to Group profit or loss. If consolidated as of January 1, 2015, they would have contributed €123 million to revenues and €-20 million to Group profit or loss. The fair value of the acquired receivables amounts to €20 million at the acquisition date. Thereof, €16 million is attributable to trade receivables and €4 million is attributable to other receivables. Trade receivables are impaired in the amount of €-3 million resulting in a gross amount of trade receivables of €19 million. The fair value of other receivables equals the gross amount.

The fair values of the identifiable assets, liabilities and contingent liabilities acquired are measured in accordance with IFRS 3, and primarily using the market price-oriented method. According to this method, assets and liabilities are measured at prices observed in active markets. If measurement using the market price-oriented method is not feasible, the capital value-oriented method is to be applied. Accordingly, the fair value of an asset or a liability is the present value of the future cash inflows or outflows (cash flows).

After considering the cash and cash equivalents disposed of, the Bertelsmann Group generated cash flows in the amount of €2 million from disposals (previous year: €30 million). The disposals led to a loss from deconsolidation of €-10 million (previous year: €-142 million) which is recognized in the item "Results from disposals of investments." The following table shows their impact on the Bertelsmann Group's assets and liabilities at the time of deconsolidation:

Effects of Disposals

in € millions	Total
Non-current assets	
Goodwill	5
Other intangible assets	44
Property, plant and equipment	19
Other non-current assets	3
Current assets	
Inventories	10
Other current assets	86
Cash and cash equivalents	23
Liabilities	
Provisions for pensions and similar obligations	2
Financial debt	9
Other financial and non-financial liabilities	87

Discontinued Operations

Earnings after taxes from discontinued operations of €3 million (previous year: €4 million) comprise follow-on effects related to the disposal of companies of the former Direct Group division.

Assets Held for Sale and Related Liabilities

In the first half of 2015, the Spanish companies Rotocobrhi and Eurohueco, which belong to Be Printers, and Motor Presse France, which belongs to Gruner + Jahr, were sold. The assets sold and related liabilities were classified as held for sale in the Consolidated Financial Statements as of December 31, 2014.

Currency Translation

The financial statements of subsidiaries, joint ventures and associates that were prepared in foreign currencies are translated into euros using the functional currency concept set out in IAS 21 before they are included in the Consolidated Financial Statements. Assets and liabilities are translated into the reporting currency at the closing rate at the end of the reporting period, while income statement items are translated at the average rate for the financial year. Currency translation differences are recognized in other comprehensive income. Such differences arise from translating items in the balance sheet at a closing rate that differs from the previous closing rate and from using the average rate from the period and the closing rate at the end of the reporting period to translate the Group profit or loss. At the time of deconsolidation of Group companies, the respective accumulated currency translation differences recognized in other comprehensive income and accumulated in a separate component of equity are reclassified from equity to the income statement. The following euro exchange rates were used to translate the currencies that are most significant to the Bertelsmann Group.

Euro Exchange Rates for Major Foreign Currencies

		Average rate		Closing rate	
Foreign currency unit per €1		2015	2014	12/31/2015	12/31/2014
Australian dollar	AUD	1.4771	1.4718	1.4897	1.4829
Canadian dollar	CAD	1.4178	1.4669	1.5116	1.4063
Chinese renminbi	CNY	6.9701	8.1860	7.0608	7.5358
British pound	GBP	0.7256	0.8061	0.7340	0.7789
US dollar	USD	1.1089	1.3289	1.0887	1.2141

Accounting and Measurement Policies

Recognition of Income and Expense

Revenues are measured at the fair value of the compensation received or receivable and reduced by anticipated reductions in price, trade discounts and similar other deductions.

Revenues from the sale of goods are recognized when the Bertelsmann Group has transferred the significant risks and rewards associated with ownership of the goods to the purchaser and the amount of revenue can be reliably measured, except for revenues from transactions applying the percentage of completion method in accordance with IAS 11. The latter includes income from services measured by reference to the stage of completion to the extent the point of completion can be reliably estimated at the end of the reporting period. The stage of completion is determined using the input-oriented method. Under the input-oriented method, contract costs accruing up to the end of the reporting period are applied as a percentage of total estimated contract costs (cost-to-cost method). Revenues from advertising are recognized when the corresponding advertisement or commercial appears in the respective medium. Income from royalties (licenses) is recognized on an accrual basis in line with the provisions of the underlying contract. Revenues from services rendered are recognized based on their percentage of completion. Interest income and expenses are recognized on an accrual basis using the effective interest method in accordance with IAS 39. Dividends are only recognized in profit or loss when the shareholder's legal entitlement to payment is established. Other income is recognized when the economic benefits are probable and the amount can be measured reliably. Expenses are deferred on the basis of underlying facts or the period of time to which they relate.

Goodwill

In accordance with IFRS 3, goodwill resulting from a business combination is initially recognized at acquisition cost, with subsequent recognition at acquisition cost less accumulated impairment losses. Goodwill is subject to impairment testing at least annually by comparing the carrying amount of the cash-generating unit to which goodwill has been allocated, with the recoverable amount of the cash-generating unit. If the carrying amount of a cash-generating unit exceeds its recoverable amount, an impairment loss is immediately recognized in profit or loss. Impairment, including impairment losses recognized during the year, is not reversed. In the Bertelsmann Group, goodwill is tested for impairment each year as of December 31, as outlined in the "Impairment Losses" section, and if a triggering event arises.

Other Intangible Assets

Non-current internally generated intangible assets are capitalized at cost, if the requirements set out in IAS 38 have been met. Intangible assets acquired separately are carried at acquisition cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired as part of a business combination are initially recognized at fair value at the acquisition date in accordance with IFRS 3.

Intangible assets with finite useful life are amortized on a straight-line basis over their estimated useful life. Impairment losses and reversal of impairment losses are determined by applying the requirements for impairment testing (IAS 36). As a rule, capitalized software has a useful life of between three and five years. Supply rights and subscriber portfolios are amortized over a period of two to 15 years, while the amortization period for trademarks and music and publishing rights is three to 25 years. Licenses are amortized on a straight-line basis over the term of the license agreement or depending on performance (based on the ratios of income from use generated in the reporting period to the estimated total income from use over the whole useful life). The estimate of useful life and amortization methods are reviewed annually and prospectively adjusted to reflect changes in expectations.

Intangible assets with indefinite useful life are not amortized. Instead, they are subject to at least annual impairment testing and written down to their recoverable amount if applicable.

Property, Plant and Equipment

Items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of items of property, plant and equipment produced internally within the Bertelsmann Group includes direct costs and a portion of overhead costs directly attributable to their production. The cost of property, plant and equipment produced over a longer period of time also includes borrowing costs accrued up to the completion date. The amounts involved are insignificant to the Bertelsmann Group. All other borrowing costs are expensed in the period in which they occurred. Maintenance costs are carried as expenses of the period, whereas expenses for activities that lead to a longer useful life or improved use are generally capitalized. Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. Estimates of useful life and the depreciation method are reviewed annually in line with IAS 16 and are adjusted prospectively according to the changed expectations. In the financial year 2015, depreciation is generally based on the following useful lives:

- buildings: ten to 50 years
- technical equipment and machinery: four to 15 years
- other equipment, fixtures, furniture and office equipment: three to 15 years

Land is not subject to depreciation.

Individually significant components of property, plant and equipment are recognized and depreciated separately (component approach).

Impairment Losses

Goodwill and intangible assets with indefinite useful life are tested for impairment at least annually. Intangible assets with a finite useful life and property, plant and equipment are tested for impairment at the end of each reporting period in accordance with IAS 36 if there are any indications of impairment.

An impairment loss is recognized when the recoverable amount of a cash-generating unit has fallen below its carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal and the value in use are generally determined using the discounted cash flow method, which is based on future cash flow forecasts which are part of company forecasts. For determining the value in use, estimated future cash inflows or outflows from future restructurings or from improvement or enhancement of the cash-generating units' performance are excluded unless, as of the end of the reporting period, the cash-generating unit is committed to the restructuring and related provisions have been made. For assets held for sale, only fair value less costs to sell is used as a basis for comparison.

As long as an active market exists, the market price or the price in the most recent comparable transaction is used for measuring fair value. If there is no active market, fair value less costs of disposal is generally calculated using the discounted cash flow method. If it is not possible to allocate cash flows to assets, the relevant impairment losses are determined on the basis of cash flows attributable to the cash-generating unit to which the assets belong. Projected cash flows are based on internal estimates for three planning periods. Generally, two further detailed planning periods are applied in addition. Based on historical data, the company's internal forecasts take into account expectations relating to the market development. For periods beyond this detailed horizon, a perpetual annuity is recognized, taking into account individual business-specific growth rates of generally -1.5 to 2.5 percent. Discounting is generally based on the weighted average cost of capital (WACC) after tax. Specific WACCs are derived for cash-generating units with different risk profiles. Management estimates of cash flow are based on factors including assumptions of economic trends and the associated risks, the regulatory environment, the competitive environment, market share, investments and growth rates. The growth rates applied are based on long-term real growth figures for the relevant economies, growth expectations for the relevant sectors and long-term inflation forecasts for the countries in which the cash-generating units operate. The values allocated to the key assumptions are in line with external sources of information. The figures obtained using the respective discount rates reflect the recoverable amount of the cash-generating units. Material changes in the market or competitive environment may impair the value of cash-generating units. If the reasons for an impairment loss recognized in prior periods no longer exist, the impairment loss is reversed up to a maximum of the carrying amount of the respective asset if the impairment loss had not been recognized. The latter does not apply to goodwill.

Leases

If the Bertelsmann Group bears all material rewards and risks as part of leasing agreements and is thus to be regarded as the economic owner (finance lease), the leased item is capitalized at its fair value at the inception of the lease term or the lower net present value of the future minimum lease payments. Payment obligations arising from finance leases are recognized as financial liabilities in the same amount. In the subsequent periods, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability such that this results in a constant interest rate on the remaining balance of the liability. As a rule, financing costs are recognized in profit or loss as "Interest expenses." The leased item is subject to depreciation. If it is reasonably certain that ownership of the leased assets will pass to the lessee at the end of the lease term, the assets are depreciated over their useful life. Otherwise, they are depreciated over the term of the lease or the useful life, whichever is shorter. Contingent lease payments are recognized as an expense in the period in which they result.

Leased assets primarily relate to buildings. Finance leases for buildings are generally subject to non-cancelable minimum lease terms of approximately 20 years. Upon expiry of the lease term, the lessee is as a rule entitled to purchase the leased asset at its residual value. The operating leases entered into by the Bertelsmann Group primarily relate to rental agreements for buildings and technical transmission facilities. Based on the substance of transaction, the leased assets are allocated to the lessor. The lease installments constitute expenses for the period and are carried as "Other operating expenses" using the straight-line method over the term of the lease.

Financial Assets

Financial assets are recognized initially at fair value, taking into account transaction costs that are directly attributable to the acquisition of the financial asset. In the case of financial assets that are recognized at fair value through profit or loss, transaction costs are recognized directly in the income statement. Regular purchases and sales of financial assets are recognized on the trade date – the day on which the Bertelsmann Group enters into an obligation to buy or sell the asset.

For subsequent measurement, financial assets are classified into the following categories and subcategories:

- held-to-maturity investments
- available-for-sale financial assets
- financial assets recognized at fair value through profit or loss
  - primary and derivative financial assets held for trading
  - financial assets initially recognized at fair value through profit or loss
- loans and receivables
  - originated loans and trade receivables
  - cash and cash equivalents

Held-to-maturity investments:
Financial instruments are held to maturity if they have fixed or determinable payments and a fixed maturity that the Bertelsmann Group is to hold to maturity. Subsequent measurement is at amortized cost using the effective interest method. In the financial year, no held-to-maturity investments were recognized.

Available-for-sale financial assets:
The available-for-sale category primarily includes current and non-current securities and equity investments not classified as held-to-maturity investments, as loans and receivables, or at fair value through profit or loss. In accordance with IAS 39, available-for-sale financial assets are measured at their fair value at the end of the reporting period to the extent that this value can be reliably measured. Otherwise these are measured at cost. With deferred taxes taken into consideration, gains and losses resulting from fluctuations in the fair value are recognized in other comprehensive income. However, if there is objective evidence of impairment, this is recognized in profit or loss. A significant or prolonged decline in the fair value of an equity instrument below its acquisition cost is also to be regarded as objective evidence of impairment. If these assets are sold, the accumulated gains and losses previously recognized in other comprehensive income are reclassified from equity to the income statement.

Primary and derivative financial assets held for trading:
As a rule, this category includes derivatives that do not meet the formal requirements of IAS 39 for hedge accounting. They are measured at their fair value. Gains or losses from changes to the fair values are recognized in profit or loss.
All derivatives that fulfill the formal requirements of IAS 39 for hedge accounting are carried separately as derivative financial instruments used in hedging relationships and are measured at fair value. Further details are presented in the section "Derivative Financial Instruments."

Financial assets initially recognized at fair value through profit or loss:
This category includes financial assets that are designated upon initial recognition at fair value through profit or loss. Changes in fair value are recognized in the other financial result.

Originated loans and trade receivables:
Originated loans and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method. Long-term interest-free or low-interest loans and receivables are discounted. Foreign currency items are translated using the closing rate. If there is objective evidence of impairment, the carrying amount is reduced through use of an allowance account and the loss is recognized in profit or loss.

Cash and cash equivalents:
Cash includes bank balances and cash on hand. Cash equivalents include short-term, highly liquid securities with a term to maturity on acquisition of a maximum of three months. Foreign currency items are translated using the closing rate.

Measurement at fair value:
In the case of financial assets measured at fair value, the valuation technique applied depends on the respective inputs present in each case. If listed prices can be identified for identical assets on active markets, they are used for valuation (level 1). If this is not possible, the fair values of comparable market transactions are applied, and financial methods that are based on observable market data are used (level 2). If the fair values are not based on observable market data, they are identified using recognized financial methods (level 3).

Impairment losses and reversals of financial assets:
The carrying amounts of financial assets not recognized at fair value through profit or loss are examined at the end of each reporting period in order to determine whether there is objective evidence of impairment. Such evidence exists in the following cases: information concerning financial difficulties of a customer or a group of customers; default or delinquency in interest or principal payments; the probability of being subject to bankruptcy or other financial restructuring; and recognizable facts that point to a measurable reduction in the estimated future cash flows, such as an unfavorable change in the borrower's payment status or the economic situation that corresponds to the delayed performance. In the case of financial assets carried at amortized cost, the loss in case of impairment corresponds to the difference between the carrying amount and the present value of the anticipated future cash flows – discounted using the original effective interest rate for the financial asset. If it is established that the fair value has increased at a later measurement date, the impairment loss previously recognized is reversed up to a maximum of amortized cost in profit or loss. Impairment losses are not reversed in the case of unlisted equity instruments that are classified as available-for-sale assets and carried at cost. In case of impairment on available-for-sale assets carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted using the risk-adjusted interest rate.

Offsetting financial instruments:
Financial assets and liabilities are offset and the net amount is presented in the consolidated balance sheet if there is a legally enforceable right to offset the recognized amounts against each other and if it is intended to settle on a net basis. Settlement on a net basis must thus be legally valid both as part of ordinary business activities and also in the event of payment default, insolvency or bankruptcy by one of the parties.

Inventories

Inventories – including raw materials and supplies, finished goods and work in progress as well as merchandise – are recognized at the lower of historical cost and net realizable value at the end of the reporting period. Similar inventories are measured at average cost or using the FIFO (first-in, first-out) method. Inventories originating from intragroup suppliers are adjusted to eliminate intercompany earnings and are measured at the Group's cost.

Inventories are tested for recoverability at the end of each reporting period. For this purpose, net realizable value is determined. Net realizable value is defined as the estimated sales price less expected costs to complete and estimated selling expenses. A write-down is recognized if the net realizable value is lower than its historical cost. Write-downs are reversed if the circumstances causing their recognition no longer exist. The new carrying amount then represents the lower of historical cost and adjusted net realizable value.

In addition to raw materials and supplies, finished goods, work in progress and merchandise, inventories include all short-term film, television and similar rights that are intended for broadcast or sale within the Group's normal operating cycle. In particular, this includes films and TV shows currently in production, co-productions and acquired broadcasting rights. The carrying amount of such items at the end of the reporting period is the lower of historical cost or net realizable value.

The consumption of film and television rights starts from the date of initial broadcast and depends either on the number of planned broadcasts or the expected revenues. The broadcast-based consumption of film and television rights is as follows:

- Free television thematic channels: Program rights are consumed on a straight-line basis over a maximum of six runs.
- Free television other channels:
  - Entertainment programs such as soap operas, documentaries and sports, quiz or music programs are written off in full at the initial broadcast date.
  - 50 percent of the carrying amount of children's programs and cartoons is written off at each of the first two broadcast dates.
  - The consumption of cinema productions, TV feature films and series also spans a maximum of two broadcasts: 67 percent of the value is consumed upon the first broadcast, the remaining 33 percent upon the second broadcast.
- Pay television channels: Program rights are consumed on a straight-line basis over the license period.

The consumption of inventories and film and television rights is recognized in the income statement in the cost of materials and changes in inventories, respectively.

Customer-Specific Production Contracts

To the extent that they meet the requirements of IAS 11, customer-specific production contracts are recognized using the percentage of completion method. Revenues and gains on customer-specific production contracts are recognized by reference to the stage of completion of the respective projects. The stage of completion is calculated as the proportion of the contract costs incurred up to the end of the reporting period to the total estimated project cost (cost-to-cost method). Irrespective of the extent to which a project has been completed, losses resulting from customer-specific production contracts shall be recognized as an expense immediately. In the financial year 2015, no material revenues were recognized from customer-specific production contracts.

Deferred Taxes

In accordance with IAS 12, deferred tax assets and liabilities are recognized for temporary differences between the tax base and the carrying amounts shown on the IFRS consolidated balance sheet, and for as yet unused tax loss carryforwards and tax credits.

Deferred tax assets are recognized only to the extent it is probable that taxable income will be available against which the deductible temporary difference can be utilized. Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by valuation allowances. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets and liabilities resulting from business combinations are recognized with the exception of temporary differences on goodwill not recognizable for tax purposes. The tax rates applied for computation are those expected as of the date of reversal of temporary differences and use of tax loss carryforwards respectively. As a rule, deferred taxes are recognized in profit or loss unless they relate to items recognized in other comprehensive income. In this case, deferred taxes are recognized in other comprehensive income.

Cumulated Other Comprehensive Income

Cumulated other comprehensive income includes foreign exchange gains and losses as well as unrealized gains and losses from the fair value measurement of available-for-sale financial assets and derivatives used in cash flow hedges or hedges of net investments in foreign operations in accordance with IAS 39.
In addition, in accordance with IAS 28.10, changes in other comprehensive income for entities accounted for using the equity method are recognized. Remeasurement effects of defined benefit pension plans (actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the return implied by the net interest cost on the plan assets, and effects of the asset ceiling) are recognized in the retained earnings in the year in which these gains and losses have been incurred as part of the reconciliation of total comprehensive income for the period in the statement of changes in equity. Deferred taxes on the aforementioned items are also recognized directly in equity.

Provisions

Provisions for pensions and similar obligations are calculated using the projected unit credit method in accordance with IAS 19. This method involves the use of biometric calculation tables, current long-term market interest rates and current estimates of future increases in salaries and pensions.
The net interest expense included in pension expense is recognized in the financial result. Remeasurement effects of defined benefit pension plans (actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the return implied by the net interest cost on the plan assets, and effects of the asset ceiling) are recognized immediately in equity under other comprehensive income and are not reclassified to profit or loss in a subsequent period (recycled).
With the exception of the other personnel-related provisions calculated in accordance with IAS 19, all of the other provisions are established on the basis of IAS 37 where there is a legal or constructive obligation to a third party, the outflow of resources is probable and it is possible to reliably determine the amount of the obligation. Provisions are measured in the amount of the most likely outcome. Long-term provisions are discounted. The discount rates take into account current market expectations and, if necessary, specific risks for the liability. As a rule, income from the reversal of provisions is generally included in the income statement line item to which the provision was previously charged.

Liabilities

Trade payables and other primary financial liabilities including profit participation certificates are initially measured at their fair value less transaction costs. Subsequent measurement is based on amortized cost using the effective interest method (financial liabilities at amortized cost), unless the financial liability is classified as initially recognized at fair value through profit or loss. In the case of financial liabilities measured at fair value, the valuation technique applied depends on the respective inputs present in each case. If listed prices can be identified for identical assets on active markets, they are used for valuation (level 1). If this is not possible, the fair values of comparable market transactions are applied, and financial methods that are based on observable market data are used (level 2). If the fair values are not based on observable market data, they are identified using established financial methods (level 3). Foreign currency liabilities are translated at the exchange rate at the end of the reporting period. Finance lease liabilities, which are also recognized under financial liabilities, are carried at their net present value in accordance with IAS 17.

Derivative Financial Instruments

As set out in IAS 39, all derivative financial instruments are recognized at fair value on the balance sheet. Derivative financial instruments are recognized as of the transaction date. When a contract involving a derivative is entered into, it is initially determined whether that contract is intended to serve as a fair value hedge or as a cash flow hedge. Some derivatives do not meet the requirements included in IAS 39 for recognition as hedges, despite this being their economic purpose.

Changes in the fair values of derivatives are recognized as follows:

1. Fair value hedge: Changes in the fair value of these derivatives used to hedge assets or liabilities are recognized in profit or loss; the corresponding gain or loss on the change in fair value of the underlying balance sheet item is also directly included in the income statement.
2. Cash flow hedge: The effective portion of the changes in the fair value of derivatives used to hedge future cash flows is recognized in other comprehensive income. The amounts carried here are included in the initial measurement when an underlying non-financial asset or a non-financial liability is received (basis adjustment). In other cases, the reclassification of the previously recognized gains and losses from equity to the income statement is performed when the hedged underlying transaction affects profit or loss. The ineffective portion of the changes in the fair value of the hedging instrument is recognized in profit or loss.
3. Hedge of a net investment in a foreign operation: For this type of hedge, the effective portion of the gains and losses on changes in the fair value of the hedging instrument is taken directly to other comprehensive income. The ineffective portion is recognized in profit or loss. On disposal of the investment, the changes in the fair value of the hedging instruments that are contained in equity are recognized in profit or loss.
4. Stand-alone derivatives (no hedge relationship): Changes in the fair value of derivatives that do not meet the criteria for recognition as hedges are recognized in profit or loss in accordance with the held-for-trading category and are therefore classified as at fair value through profit or loss.

In the financial year 2015, no hedge transactions were recognized with fair value hedges or to hedge a net investment in foreign operations.

Share-Based Payments

Share-based payments for employees of the Bertelsmann Group include equity-settled share-based payment transactions and cash-settled share-based payment transactions. Equity-settled share-based payment transactions are granted to certain directors and senior employees in the form of share options. The options are granted at the market price on the grant date and are exercisable at that price. For share options, the fair value of the options granted is recognized as personnel costs with a corresponding increase in equity. The fair value is measured at the grant date and allocated over the vesting period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial option pricing model, taking into account the terms and conditions at which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options vesting. Share options forfeited solely due to share prices not achieving the vesting threshold are excluded.

The financial liability of cash-settled share-based payment transactions is measured initially at fair value at grant date using an option pricing model. Until the liability is settled, its fair value shall be remeasured at the end of each reporting period and at the date of settlement, with any value changes recognized in profit or loss as personnel costs of the period.

Non-Current Assets Held for Sale and Related Liabilities

Non-current assets or disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through a sale transaction and not from continued use. These non-current assets and the associated liabilities are presented in separate line items in the balance sheet in accordance with IFRS 5. They are measured at the lower of the carrying amount and fair value less costs to sell. Depreciation/amortization is not recognized if a non-current asset is classified as held for sale or forms part of a disposal group that is classified as held for sale.
Components of entities that fulfill the requirements of IFRS 5.32 are classified as discontinued operations and thus are carried separately in the income statement and cash flow statement as well. All of the changes in amounts made during the reporting period that are directly connected with the sale of a discontinued operation in any preceding period are also stated in this separate category. If a component of an entity is no longer classified as held for sale, the results of this entity component that were previously carried under discontinued operations are reclassified to continuing operations for all of the reporting periods shown.

Government Grants

A government grant is not recognized until there is reasonable assurance that the entity will comply with the conditions attached to it and that the grant will be received. Grants for assets are deducted when the carrying amount is calculated and are recognized in profit or loss over the useful life of the depreciable asset as a reduced depreciation expense. Grants related to income are recognized as income in the periods in which the expenses to be compensated by the grants were incurred.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of Consolidated Financial Statements requires the use of accounting judgments, estimates and assumptions that may impact the carrying amounts of assets, liabilities, income and expenses recognized. Amounts actually realized may differ from estimated amounts. The following section presents accounting judgments, estimates and assumptions that are material in the Bertelsmann Consolidated Financial Statements for understanding the uncertainties associated with financial reporting.

- Recognition of income and expense: In the event of return rights, mostly for print products, estimates must be made with regard to the anticipated return volume as revenues are recognized taking the anticipated returns into account. Return ratios determined using statistical methods are used to identify the anticipated returns.
- Control of entities in which the Bertelsmann Group holds less than half of the voting rights: Management considers that the Bertelsmann Group has de facto control of Groupe M6, which belongs to RTL Group, even though it holds less than 50 percent of the voting rights. RTL Group is the majority shareholder of Groupe M6 while the balance of other holdings remains highly dispersed, and the other shareholders have not organized their interest in such a way that they intend to vote differently from the Bertelsmann Group.
- Trade receivables and other receivables: Valuation allowances are recognized for doubtful receivables based on risk factors such as a customer's financial difficulties and unfavorable changes in the economic situation, taking into account the maturity structure of the receivables. Sales estimates and assumptions on future sales success are also made in connection with advances paid to authors to secure exploitation rights in their publications. In addition, in the case of sports and film rights, estimates are made with regard to anticipated revenues.
- Impairment losses: Goodwill and intangible assets with indefinite useful life are tested for impairment at least annually. Intangible assets with finite useful life and property, plant and equipment are tested for impairment in accordance with IAS 36 if there are indications that an asset may be impaired. Impairment loss has occurred when the carrying

amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal and the value in use are generally determined using the discounted cash flow method, which is based on future cash flow forecasts which are part of company forecasts. The cash flow forecasts are based on the management's best possible estimates with regard to future performance. The Bertelsmann Group has used a combination of long-term trends, industry forecasts and in-house knowledge, with special emphasis on recent experience, in forming the assumptions about the development of the various relevant markets in which the Bertelsmann Group operates. This is an area highly exposed to the general economic conditions. The state of the relevant market is just one of the key operational drivers which the Bertelsmann Group uses when assessing individual business models. The most important assumptions include estimated growth rates, the weighted average cost of capital and tax rates. All of these different elements are variable, interrelated and difficult to isolate as the main driver of the various business models and respective valuations. Changes to these estimates as a result of more recent information could have a material impact on the amount of the possible impairment. The Bertelsmann Group performs sensitivity analyses on the cash-generating units, especially on those where the headroom between the recoverable amount and the carrying value is low. Detailed information on the assumptions and estimates that are used in impairment testing for intangible assets (including goodwill) in the Bertelsmann Group is presented in note 11 "Intangible Assets."

- Pension obligations: Pension obligations are measured using the projected unit credit method. Using this approach, biometric calculations, the prevailing long-term capital market interest rates and, in particular, assumptions about future salary and pension increases are taken into account. The discount rate determination for the eurozone was modified regarding the data selection in the financial year 2015. Further refinements were also implemented. If the discount rate at December 31, 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 €53 million. Information on the assumptions made in pension accounting is presented in note 19 "Provisions for Pensions and Similar Obligations."
- Provisions for onerous contracts and warranties are also based to a significant extent on management estimates with regard to their amount and probability of occurrence. Assessments of whether there is a present obligation, whether an outflow of resources is probable and whether it is possible to reliably determine the amount of the obligation are generally based on the expertise of in-house or third-party specialists. More recent information could change the estimates and thus impact the Group's financial position and performance. The legal and regulatory environment in which Bertelsmann operates does not bear significant litigation risks. With regard to risk provisioning, a provision for potential losses from litigation is recognized when the risks of a loss are considered to be probable and when a reliable estimate of the anticipated financial impact is possible. For significant contingent liabilities for which the possibility of a future loss is more than remote but less than probable, the Bertelsmann Group estimates the possible loss where the Group believes that an estimate can be made. At the end of the reporting period, there were no reportable contingent liabilities from litigation. Management regularly reviews the recognition, measurement and use of provisions as well as the disclosure requirements for contingent liabilities.

In the case of purchase price allocations, assumptions are also made regarding the measurement of assets and liabilities assumed as part of business combinations. This applies in particular with regard to the acquired intangible assets, as measurements are based on fair value. As a rule, this is the present value of the future cash flows after taking into account the present value of the tax amortization benefit. In addition, the definition of uniform useful lives within the Group is based on the management's assumptions. General information on useful lives is presented in the sections "Other Intangible Assets" and "Property, Plant and Equipment."

Assessments of the ability to realize uncertain tax positions and future tax benefits are also based on assumptions and estimates. Recognition of an asset or liability from an uncertain tax position is performed in accordance with IAS 12 if payment or refund of an uncertain tax position is probable.

Measurement of the uncertain tax position is at its most likely amount. Deferred tax assets are only carried to the extent that it is probable that they can be utilized against future taxable profits. When assessing the probability of the ability to use deferred tax assets in the future, various factors are taken into account, including past earnings, company forecasts, tax forecast strategies and loss carryforward periods. Information relating to the ability to realize tax benefits is presented in note 10 "Income Taxes."

Assumptions are also made for measuring fair values of financial assets and financial liabilities. In this regard, Bertelsmann uses various financial methods that take into account the market conditions and risks in effect at the end of the respective reporting periods. The inputs to these models are taken from observable markets where possible, but where this is not feasible, measuring fair values is based on assumptions by management. These assumptions relate to input factors such as liquidity risk and default risks.

Estimates and assumptions also relate to the share-based payments. The conditions of the cash-settled share-based payment transactions and the stock option plans are presented in greater detail in the "Share-Based Payments" section in note 18 "Equity."

Estimates and the underlying assumptions are reviewed on an ongoing basis. As a rule, adjustments to estimates are taken into account in the period in which the change is made and in future periods.

Prior Year Information

The purchase price allocations of the business combinations SpotX (formerly SpotXchange) and StyleHaul in the financial year 2014 have been finalized in the financial year 2015. The following table shows the slightly adjusted final fair values of the assets and liabilities and the final resulting goodwill on their dates of initial consolidation:

in € millions	SpotX (formerly 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
Other financial and non-financial liabilities	29	5
Non-controlling interests	(5)	–

Notes to the Income Statement and Balance Sheet

1 Revenues

in € millions	2015	2014
Revenues from selling goods and merchandise	6,360	6,485
Revenues from providing services	4,404	4,132
Revenues from advertising	4,237	4,129
Revenues from grant of use of assets	2,140	1,929
	17,141	16,675

The item "Revenues from advertising" includes, among others, revenues from barter transactions in the amount of €66 million (previous year: €68 million), which were primarily incurred by RTL Group and Gruner + Jahr. Changes in revenues by segment and geographical areas are presented on page 44.

2 Other Operating Income

in € millions	2015	2014
Income from sideline operations	177	184
Income from reimbursements	170	159
Fair value remeasurement of investments	82	24
Gains from disposals of non-current assets	30	51
Sundry operating income	116	133
	575	551

The item "Fair value remeasurement of investments" includes income of €56 million from the remeasurement of the interest in Udacity previously held and carried at cost, carried out as part of determining the cost of investment; it also includes income of €14 million from an exchange of shares relating to the investment in HotChalk which is accounted for using the equity method. Further information is presented in note 13 "Investments in Group Companies."

The item "Sundry operating income" includes government grants related to income in the amount of €21 million (previous year: €19 million), which, as in the previous year, are mostly attributable to finance film projects of RTL Group subsidiaries and for certain tax relief items for the French companies to promote competition and employment ("Crédit d'Impôt pour la Compétitivité et l'Emploi [CICE]").

3 Personnel Costs

in € millions	2015	2014
Wages and salaries	4,268	4,054
Statutory social security contributions	694	661
Expenses for pensions and similar obligations	160	119
Profit sharing	95	85
Other employee benefits	213	180
	5,430	5,099

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

in € millions	2015	2014
Amortization/depreciation, impairment losses and reversals of		
– intangible assets	354	434
– property, plant and equipment	262	359
	616	793

5 Other Operating Expenses

in € millions	2015	2014
Administrative expenses	1,352	1,292
Selling and transmission expenses	588	645
Advertising costs	470	448
Allowances on current assets	236	278
Consulting and audit fees	210	236
Operating taxes	100	113
Adjustment to carrying amounts on assets held for sale	–	47
Losses on disposals of non-current assets	7	6
Foreign exchange losses	2	–
Sundry operating expenses	99	111
	3,064	3,176

The item “Administrative expenses” includes, among others, payments recognized as expenses from operating leases of €272 million (previous year: €247 million) and associated services and incidental costs of €23 million (previous year: €26 million), as well as contingent lease payments of €9 million (previous year: €9 million). In addition, this item includes repair and maintenance costs of €187 million (previous year: €194 million) and costs for IT services of €161 million (previous year: €133 million).

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

in € millions	2015	2014
Income from investments accounted for using the equity method	83	66
– Joint ventures	30	28
– Associates	53	38
Expenses from investments accounted for using the equity method	(55)	(21)
– Joint ventures	(4)	(5)
– Associates	(51)	(16)
Results from investments accounted for using the equity method	28	45
– Joint ventures	26	23
– Associates	2	22
Income from participations	17	12
Impairment on other financial assets	(17)	(18)
Results from financial assets	–	(6)

7 Special Items

Special items are primarily business transactions that are not repeatable and therefore not operational in nature. They include income and expense items that do not objectively reflect the assessment of the results of operations of the divisions and of the Group due to their size and low frequency of occurrence. The following table shows the special items recognized in the reporting period:

in € millions	2015	2014
RTL Hungary	–	(77)
Other	–	(10)
Impairment on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations	–	(87)
Be Printers Spain	–	(32)
Motor Presse France, Gruner + Jahr	–	(14)
Other	–	(1)
Adjustment to carrying amounts on assets held for sale	–	(47)
Impairment on other financial assets	(17)	(18)
Boda, Gruner + Jahr	(18)	–
Other	(5)	4
Impairment losses and reversals on investments accounted for using the equity method	(23)	4
Be Printers Italy	(1)	(103)
Book club Círculo de Lectores, Corporate Investments	–	(15)
Atresmedia	10	(5)
Other	15	(32)
Results from disposals of investments	24	(155)
Udacity, Corporate Investments	56	–
Synergis, Corporate Investments	14	–
StyleHaul, RTL Group	8	21
Other	4	3
Fair value remeasurement of investments	82	24
Integration expenses, Penguin Random House	(63)	(75)
Restructuring and severance payments, Arvato	(55)	(52)
Investment funds, Corporate Investments	(47)	–
Restructuring and severance payments, Gruner + Jahr	(29)	(29)
Integration and transaction expenses, BMG	(18)	(14)
Project costs, Corporate Center	(12)	(14)
Onerous contract IT Solutions, Arvato	(12)	–
One-off expenses direct-to-customer businesses, Corporate Investments	(9)	(18)
Restructuring and severance payments, Corporate Investments	(5)	(16)
Impairment on fixed assets Prinovis, Be Printers	–	(70)
Impairment on assets RTL Hungary	–	(18)
Withdrawal from pension plan USA, Be Printers	–	(15)
Other	(7)	(19)
Restructuring and other special items	(257)	(340)
Total of special items	(191)	(619)

8 Interest Income and Interest Expenses

in € millions	2015	2014
Interest income		
Interest income on cash and cash equivalents	3	7
Interest income on interest derivatives	2	3
Other interest income	15	13
	20	23
Interest expenses		
Interest expenses on financial debt	(123)	(93)
Interest expenses on interest derivatives	(1)	(2)
Other interest expenses	(18)	(14)
	(142)	(109)

9 Other Financial Income and Expenses

in € millions	2015	2014
Other financial income		
Financial income from put options	15	4
Minority interests in partnerships	2	46
Other	5	5
	22	55
Other financial expenses		
Net interest on defined benefit plans	(53)	(64)
Dividend entitlement on profit participation certificates	(44)	(44)
Minority interests in partnerships	(8)	(112)
Non-operating foreign exchange losses	(1)	(2)
Other	(24)	(42)
	(130)	(264)

To better reflect the economic content, income and expenses from non-operating foreign currency transactions are offset against the results from the measurement of the hedged foreign currency items and are recognized as non-operating forex gains or losses. In the financial year 2015, expenses from these non-operating foreign currency transactions of €-91 million (previous year: €-55 million) were offset by gains from hedged foreign currency transactions amounting to €129 million (previous year: €61 million). Income from foreign currency transactions of €186 million (previous year: €131 million) was offset by losses from hedged foreign currency transactions amounting to €-225 million (previous year: €-139 million).

10 Income Taxes

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

Income Taxes

in € millions	2015	2014
Earnings before income taxes (total)	1,454	861
Current income taxes from continuing operations	(287)	(299)
Deferred income taxes from continuing operations	(59)	13
Income taxes from continuing operations	(346)	(286)
Current income taxes from discontinued operations	–	–
Deferred income taxes from discontinued operations	–	(3)
Income taxes from discontinued operations	–	(3)
Total income taxes	(346)	(289)
Net income after income taxes (total)	1,108	572

Tax loss carryforwards of €446 million (previous year: €352 million) were utilized in the financial year 2015, reducing current tax expenses by €104 million (previous year: €71 million). Of the tax loss carryforwards utilized, €172 million (previous year: €175 million) was due to German corporate income tax, €25 million (previous year: €29 million) was due to German trade tax and €249 million (previous year: €148 million) was due to foreign income taxes. These amounts include €88 million (previous year: €34 million) for tax loss carryforwards for which no deferred tax assets were recognized in the past. These relate to German corporate tax in the amount of €1 million (previous year: €1 million), German trade tax in the amount of €5 million (previous year: €2 million) and foreign income taxes in the amount of €82 million (previous year: €31 million). This led to a reduction in current tax expense of €24 million (previous year: €8 million).

Deferred tax assets and liabilities resulted from the following items and factors; the presentation of the table has been adjusted compared to the prior year for clarification:

Deferred Taxes

in € millions	12/31/2015 Assets	12/31/2015 Equity and liabilities	thereof recognized in profit or loss	12/31/2014 Assets	12/31/2014 Equity and liabilities	thereof recognized in profit or loss
Intangible assets	301	569	11	317	546	26
Property, plant and equipment	64	46	9	49	46	9
Financial assets	5	21	7	7	28	12
Inventories	80	4	(11)	85	1	22
Receivables	123	25	7	113	27	5
Advance payments and other assets	118	165	(46)	110	119	(27)
Provisions	776	240	12	724	134	–
Financial debt	22	32	(13)	25	23	(8)
Liabilities	19	3	1	16	1	5
Advance payments and other liabilities	54	40	(4)	56	48	(14)
Loss carryforwards/tax credits	384	–	(32)	390	–	(20)
Total	1,946	1,145	(59)	1,892	973	10
Offset	(985)	(985)	–	(816)	(816)	–
Carrying amount	961	160	–	1,076	157	–

No deferred tax liabilities were recognized for temporary differences in connection with investments in subsidiaries in the amount of €657 million (previous year: €424 million) as Bertelsmann can control their reversal, and it is probable that these temporary differences will not be reversed in the foreseeable future. Current and deferred tax assets and liabilities are offset against each other if they relate to the same tax authority and meet the criteria for offsetting. The term of the deferred taxes on temporary differences is mostly long term.

Information on amounts of income tax relating to other comprehensive income is presented in note 18 "Equity."

Valuation allowances for deferred tax assets are recognized on temporary differences, tax loss carryforwards and tax credits when it is unlikely that they can be utilized in the foreseeable future. The need to recognize valuation allowances is assessed primarily based on existing deferred tax liabilities from temporary differences and projected taxable income within a planning period.

Temporary differences, tax loss carryforwards and tax credits for which no deferred taxes have been recognized can be carried forward as follows:

Expiration

in € millions	12/31/2015	12/31/2014
Tax loss carryforwards		
To be carried forward for more than 5 years	6,733	6,800
To be carried forward for up to 5 years	131	70
Temporary differences	121	417
Tax credits		
To be carried forward for more than 5 years	68	67
To be carried forward for up to 5 years	3	3

A reconciliation of expected tax result to actual tax result is shown in the following table:

Reconciliation to Actual Tax Expense

in € millions	2015	2014
Earnings before income taxes from continuing operations	1,451	854
Income tax rate applicable to Bertelsmann SE & Co. KGaA	30.70%	30.70%
Expected tax expense from continuing operations	(445)	(262)
The tax effects of the following items led to differences between the expected and actual tax expense:		
Adjustment to different national tax rates	(23)	(31)
Effect of changes in tax rate and tax law	5	(4)
Non-tax-deductible impairment of goodwill	–	(19)
Tax effects in respect of results from disposals of investments	(6)	(37)
Current income taxes for previous years	22	20
Deferred income taxes for previous years	55	80
Change in valuation allowance on deferred tax assets	4	(52)
Permanent differences	51	21
Other adjustments	(9)	(2)
Total of adjustments	99	(24)
Actual tax expense from continuing operations	(346)	(286)

The income tax rate applied at Bertelsmann SE & Co. KGaA consists of corporate income tax, the solidarity surcharge and trade tax.

Effective Income Tax Rate

	2015	2014
Corporate income tax including solidarity surcharge	15.83%	15.83%
Trade tax	14.87%	14.87%
Effective income tax rate	30.70%	30.70%

11 Intangible Assets

in € millions	Goodwill	Other intangible assets: Music and film rights	Other intangible assets: Other rights and licenses	Other intangible assets: Internally generated intangible assets	Other intangible assets: Advance payments	Other intangible assets: Total	Total
Cost							
Balance as of 1/1/2014	7,209	2,038	1,843	873	5	4,759	11,968
Currency translation differences	108	105	86	37	–	228	336
Acquisitions through business combinations	709	82	169	1	–	252	961
Other additions	–	120	85	46	7	258	258
Reductions through disposal of investments	(50)	–	(17)	–	–	(17)	(67)
Other disposals	(34)	(78)	(250)	(3)	–	(331)	(365)
Reclassifications in accordance with IFRS 5	(26)	–	(28)	–	–	(28)	(54)
Reclassifications and other changes	(1)	87	(10)	(75)	(10)	(8)	(9)
Balance as of 12/31/2014	7,915	2,354	1,878	879	2	5,113	13,028
Currency translation differences	159	113	82	52	–	247	406
Acquisitions through business combinations	124	34	43	9	–	86	210
Other additions	–	215	95	56	12	378	378
Reductions through disposal of investments	(7)	(15)	(72)	–	–	(87)	(94)
Other disposals	–	(32)	(45)	(5)	–	(82)	(82)
Reclassifications in accordance with IFRS 5	–	–	–	–	–	–	–
Reclassifications and other changes	2	32	8	(29)	(3)	8	10
Balance as of 12/31/2015	8,193	2,701	1,989	962	11	5,663	13,856
Accumulated amortization							
Balance as of 1/1/2014	256	1,050	920	736	–	2,706	2,962
Currency translation differences	3	18	27	36	–	81	84
Amortization	–	137	139	48	–	324	324
Impairment losses	89	1	19	2	–	22	111
Reversals of impairment losses	–	(1)	–	–	–	(1)	(1)
Reductions through disposal of investments	(18)	–	(14)	–	–	(14)	(32)
Other disposals	–	(77)	(208)	(3)	–	(288)	(288)
Reclassifications in accordance with IFRS 5	(26)	–	(21)	–	–	(21)	(47)
Reclassifications and other changes	(4)	2	6	(3)	–	5	1
Balance as of 12/31/2014	300	1,130	868	816	–	2,814	3,114
Currency translation differences	–	25	23	52	–	100	100
Amortization	–	157	163	32	–	352	352
Impairment losses	–	1	4	1	4	10	10
Reversals of impairment losses	–	(1)	(7)	–	–	(8)	(8)
Reductions through disposal of investments	(2)	(10)	(41)	–	–	(51)	(53)
Other disposals	–	(32)	(40)	(4)	–	(76)	(76)
Reclassifications in accordance with IFRS 5	–	–	–	–	–	–	–
Reclassifications and other changes	–	(1)	1	–	–	–	–
Balance as of 12/31/2015	298	1,269	971	897	4	3,141	3,439
Carrying amount as of 12/31/2015	7,895	1,432	1,018	65	7	2,522	10,417
Carrying amount as of 12/31/2014	7,615	1,224	1,010	63	2	2,299	9,914

Other rights and licenses include brands, supply rights, publishing rights and acquired software as well as other licenses. In the financial year, BMG acquired music catalogs in the amount of €134 million, €69 million of which relates to several music catalogs in the United Kingdom and €48 million to several music catalogs in the United States. Internally generated intangible assets mostly include own film and TV productions and internally generated software. As in the previous year, no intangible assets have been provided as collateral for liabilities.

Goodwill and other intangible assets are attributable to the following cash-generating units:

Goodwill and Other Intangible Assets with Indefinite Useful Life by Cash-Generating Units

	Goodwill		Other intangible assets with indefinite useful life	
in € millions	12/31/2015	12/31/2014	12/31/2015	12/31/2014
RTL Group	5,081	4,990	121	121
RTL Group, Group level	2,123	2,123	–	–
Fremantle Media	1,042	1,001	–	–
Television Germany	915	915	–	–
Television France	446	429	120	120
RTL Nederland	152	151	–	–
SpotX	121	105	–	–
StyleHaul	114	100	–	–
Other	168	166	1	1
Penguin Random House	1,002	927	–	–
Penguin Random House Ventures	957	882	–	–
Random House Germany	45	45	–	–
Gruner + Jahr	471	439	–	–
Magazines and digital business Germany & MPS	282	251	–	–
Magazines and digital business International	173	172	–	–
Newspapers	16	16	–	–
Arvato	505	513	–	–
Financial Solutions	402	411	–	–
Other	103	102	–	–
Be Printers	24	22	–	–
Be Printers Americas	24	22	–	–
Corporate Investments	812	724	–	–
Online Learning	465	387	–	–
BMG	341	337	–	–
Other	6	–	–	–
	7,895	7,615	121	121

Intangible assets with an indefinite useful life are primarily Groupe M6 trademark rights in France (€120 million; previous year: €120 million). The relevant factors that apply when determining the useful life include, in particular, developments in the advertising and sales markets, consumers' reading and leisure time behavior, changes in the technology or regulatory environment and management strategies to maintain the brands. In addition, in accordance with IAS 38.94, when determining the useful life, extension periods are included if the extension is possible without significant additional costs. Consideration of these factors and past experience with regard to these and comparable internally generated trademark rights and titles support the management's estimate that there are currently no foreseeable restrictions on the ability to use these rights to the extent that they are capable of generating corresponding cash flows for the unit.

For the purpose of impairment testing (IAS 36), goodwill from a business combination is allocated to the cash-generating units that are expected to benefit from the synergies of the business combination. Goodwill is tested for impairment at least annually and whenever there is an indication that it may be impaired, as outlined in the "Accounting and Measurement Policies" section and under the following assumptions. The recoverable amount is the higher of fair value less costs of disposal and value in use.

Management estimates of cash flow are based on factors including assumptions of economic trends and the associated risks, the regulatory environment, the competitive environment, market share, investments, EBITDA margins and growth rates. With regard to the individual cash-generating units bearing material goodwill, the following assumptions relating to the market development for the beginning of the detailed planning period were applied:

- For the financial year 2016, slight growth is generally expected in the European TV advertising markets.
- The English-, Spanish- and German-language book markets are expected to show largely stable development.
- In the magazine business, the advertising markets and the sales markets are expected to continue to decline in Germany and France in the financial year 2016.
- In the financial year 2016, the services markets are expected to achieve growth similar to the financial year 2015.
- In 2016, the global music publishing market is expected to show continued slight growth.
- For the US education markets, continuing strong growth is expected in the relevant segments.

In addition, fair values were measured using the following individual business-specific growth rates and discount rates for periods after the detailed planning period:

Overview of Growth and Discount Rates

	Growth rate in % for the year 12/31/2015	Discount rate in % for the year 12/31/2015	Growth rate in % for the year 12/31/2014	Discount rate in % for the year 12/31/2014
RTL Group				
RTL Group, Group level	2.0	6.9	2.0	7.6
Fremantle Media	2.5	7.4	2.5	7.7
Television Germany	2.0	6.9	2.0	7.6
Television France	2.0	7.5	2.5	7.6
RTL Nederland	2.0	6.9	2.0	7.6
SpotX	2.0	10.8	2.0	10.9
StyleHaul	2.0	13.0	2.0	13.9
Other	0.0–2.0	6.5–13.0	2.0	6.7–13.9
Penguin Random House				
Penguin Random House Ventures	0.5	8.4	0.5	8.3
Random House Germany	0.5	6.9	1.0	7.1
Gruner + Jahr				
Magazines and digital business Germany & MPS	-0.8	6.0	-1.5	5.7
Magazines and digital business International	-0.5	7.5	-1.0	7.6
Newspapers	-1.5	6.9	-2.5	6.9
Arvato				
Financial Solutions	1.0	5.7	1.0	5.8
Other	0.0–1.0	5.7–8.3	0.0–1.0	5.8–7.5
Be Printers				
Be Printers Americas	-1.0	6.5	-1.0	6.5
Corporate Investments				
Online Learning	2.5	8.6	–	–
BMG	2.0	6.7	2.0	6.5
Other	2.5	10.2	–	–

The recoverable amount for the impairment test for RTL Group's goodwill recognized at the Group level was identified using the fair value less costs of disposal. The fair value is derived from the stock market price and is therefore based on level 1 of the fair value hierarchy. No impairment was identified for goodwill carried, and the validation with the business expectations confirms this estimate. The recoverable amount for the other cash-generating units of the RTL Group division equals the value in use.

For the cash-generating units of all other divisions, the recoverable amount equals the fair value, which is derived from discounted cash flows less costs of disposal, and which is based on level 3 of the fair value hierarchy. Projected cash flows were based on internal estimates for three detailed planning periods and generally two further detailed planning periods were applied in addition. For periods after this detailed horizon, a perpetual annuity was applied, taking into account individual business-specific growth rates.

During the reporting period, no impairment losses were recognized for goodwill (previous year: €-89 million). Impairment losses on goodwill and other intangible assets with indefinite useful lives are disclosed in the income statement under "Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment."

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 the 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 had 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 initial 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 retrospectively amended 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 €5 million recognized in the position "Other operating expenses" as of December 31, 2015. In addition, RTL Group's management reassessed 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 reassessment of the net realizable value of the current program rights resulted in the recognition of a reversal of the valuation allowance of €5 million.

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 (previous year: 2.5 percent) and a discount rate of 7.4 percent (previous year: 7.7 percent). As of December 31, 2015, the recoverable amount exceeds the carrying amount by €189 million (previous year: €124 million). In the event of an increase in the discount rate by 0.7 percentage points, a reduction in the annual revenue of 1.0 percent or a reduction in the EBITDA margin by 1.0 percentage point, the recoverable amount is lower than the carrying amount.

The significant increase of video views recorded in the year 2015 was not reflected in revenue growth of StyleHaul due to the delayed launch of certain diversification revenue streams, notably branded 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 (previous year: 2.0 percent) and a discount rate of 13.0 percent (previous year: 13.9 percent). As of December 31, 2015, the recoverable amount exceeds the carrying amount on the level of StyleHaul by €11 million (previous year: €14 million). In the event of an increase in the discount rate by 0.7 percentage points, a reduction in the annual revenue of 1.4 percent or a reduction in the EBITDA margin by 2.4 percentage points, the recoverable amount is lower than the carrying amount.

As of December 31, 2015, the recoverable amount for the cash-generating unit BMG exceeds the carrying amount by €295 million (previous year: €357 million). In the event of an increase in the discount rate by 0.7 percentage points, a reduction in the long-term growth rate by 0.7 percentage points or a reduction in the EBITDA margin by 3.5 percentage points, the recoverable amount is lower than the carrying amount for the first time.

Other material goodwill was not subject to impairment even given a change by one of the two most important factors: discount rate (increase of 1.0 percentage point) and long-term growth rate (reduction of 1.0 percentage point).

12 Property, Plant and Equipment

in € millions	Land, rights equivalent to land and buildings	Technical equipment and machinery	Other equipment, fixtures, furniture and office equipment	Advance payments and construction in progress	Total
Cost					
Balance as of 1/1/2014	1,996	3,316	1,199	94	6,605
Currency translation differences	17	51	30	2	100
Acquisitions through business combinations	–	13	10	15	38
Other additions	42	78	120	105	345
Reductions through disposal of investments	(163)	(627)	(28)	(7)	(825)
Other disposals	(63)	(174)	(110)	(1)	(348)
Reclassifications in accordance with IFRS 5	(24)	(139)	(11)	(1)	(175)
Reclassifications and other changes	11	40	66	(95)	22
Balance as of 12/31/2014	1,816	2,558	1,276	112	5,762
Currency translation differences	20	47	27	2	96
Acquisitions through business combinations	4	–	9	–	13
Other additions	28	62	125	76	291
Reductions through disposal of investments	(1)	(1)	(12)	–	(14)
Other disposals	(98)	(161)	(88)	(1)	(348)
Reclassifications in accordance with IFRS 5	–	–	–	–	–
Reclassifications and other changes	–	67	18	(91)	(6)
Balance as of 12/31/2015	1,769	2,572	1,355	98	5,794
Accumulated depreciation					
Balance as of 1/1/2014	1,072	2,951	882	–	4,905
Currency translation differences	11	48	20	–	79
Depreciation	54	106	116	–	276
Impairment losses	29	46	9	–	84
Reversals of impairment losses	–	(1)	–	–	(1)
Reductions through disposal of investments	(89)	(590)	(24)	–	(703)
Other disposals	(53)	(170)	(91)	–	(314)
Reclassifications in accordance with IFRS 5	(17)	(130)	(10)	–	(157)
Reclassifications and other changes	1	–	8	–	9
Balance as of 12/31/2014	1,008	2,260	910	–	4,178
Currency translation differences	12	44	18	–	74
Depreciation	51	89	120	–	260
Impairment losses	1	2	–	–	3
Reversals of impairment losses	–	(1)	–	–	(1)
Reductions through disposal of investments	(1)	(1)	(8)	–	(10)
Other disposals	(79)	(153)	(84)	–	(316)
Reclassifications in accordance with IFRS 5	–	–	–	–	–
Reclassifications and other changes	(6)	4	3	–	1
Balance as of 12/31/2015	986	2,244	959	–	4,189
Carrying amount as of 12/31/2015	783	328	396	98	1,605
Carrying amount as of 12/31/2014	808	298	366	112	1,584

As of the end of the reporting period, property, plant and equipment in the amount of €9 million was pledged as collateral for liabilities. In the previous year, no property, plant and equipment was pledged as collateral for liabilities. Impairment losses totaling €-3 million were recognized for property, plant and equipment (previous year: €-84 million).

13 Investments in Group Companies
Subsidiaries with Material Non-Controlling Interests

In the Group's view, material non-controlling interests relate to RTL Group and the publishing group Penguin Random House. The proportion of ownership interests held by non-controlling interests in RTL Group based in Luxembourg, Luxembourg, is 24.3 percent after treasury shares (previous year: 24.3 percent). At RTL Group itself, material non-controlling interests relate to the subsidiary Groupe M6 based in Paris, France. Bertelsmann has a 48.4 percent interest (previous year: 48.4 percent) in Groupe M6. Of the non-controlling interests of RTL Group, €409 million (previous year: €405 million) is attributable to Groupe M6. The publishing group Penguin Random House, formed due to the merger of Random House and Penguin as of July 1, 2013, consists of the two legal groups Penguin Random House LLC, based in Wilmington, Delaware, United States, which bundles all of the publishing units in the United States, and Penguin Random House Limited, based in London, UK, comprised of all other publishing units. To better reflect the substance of the Bertelsmann Group's investment in the two groups, both groups are considered as a single entity. The proportion of ownership interests held by non-controlling interests in Penguin Random House is 47.0 percent (previous year: 47.0 percent).

The following table shows summarized financial information on RTL Group and Penguin Random House including the interests in their subsidiaries, joint ventures and associates. The information disclosed shows the amounts before intercompany eliminations.

Financial Information for Subsidiaries with Material Non-Controlling Interests

	RTL Group		Penguin Random House	
in € millions	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Non-current assets	6,694	6,570	2,011	1,965
Current assets	3,611	3,288	1,757	1,692
Non-current liabilities	1,258	1,222	223	237
Current liabilities	3,525	3,250	1,319	1,368
Bertelsmann shareholders' equity	4,435	4,337	1,394	1,282
Non-controlling interests	1,087	1,049	832	770

in € millions	2015	2014	2015	2014
Revenues	6,029	5,808	3,394	3,007
Profit or loss	865	726	342	260
thereof non-controlling interests	266	238	162	122
Total comprehensive income	907	744	531	434
thereof non-controlling interests	277	241	232	205
Dividends to non-controlling interests	243	313	192	119
Cash flow from operating activities	990	934	350	419
Cash flow from investing activities	(264)	(454)	(33)	(135)
Cash flow from financing activities	(768)	(545)	(405)	(283)
Increase/(decrease) in cash and cash equivalents	(42)	(65)	(88)	1

Investments Accounted for Using the Equity Method

The investments accounted for using the equity method relate to joint ventures in the amount of €46 million (previous year: €50 million) and to associates in the amount of €899 million (previous year: €542 million).

Investments in Joint Ventures

The Bertelsmann Group holds investments in 29 (previous year: 29) individually immaterial joint ventures as of the end of the reporting period. The following table shows summarized financial information on these joint ventures. The information given represents in each case the Bertelsmann Group's interest.

Financial Information on Individually Immaterial Joint Ventures

in € millions	12/31/2015	12/31/2014
Non-current assets	48	43
Current assets	79	76
Non-current liabilities	6	7
Current liabilities	70	55

in € millions	2015	2014
Earnings after taxes from continuing operations	26	24
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	(2)	(1)
Total comprehensive income	24	23

Investments in Associates

The Bertelsmann Group holds investments in 42 (previous year: 30) associates as of the end of the reporting period. As in the previous year, the investment of RTL Group in Atresmedia, based in San Sebastián de los Reyes, Spain, is individually material for the Group. The investment in Atresmedia decreased from 19.2 percent as of December 31, 2014, to 18.6 percent as of June 30, 2015, and remained unchanged as of December 31, 2015. The transaction resulted in a dilution of interest generating a gain of €10 million. In the previous year, the ownership in Atresmedia decreased from 20.5 percent as of December 31, 2013, to 19.2 percent as of December 31, 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. This transaction resulted in a dilution of interest generating a loss of €5 million in the financial year 2014. As of December 31, 2015, the ownership is 18.7 percent after treasury shares (previous year: 19.3 percent). Although the Bertelsmann Group holds less than 20 percent of the interest in Atresmedia, management considers that the Bertelsmann Group still exercises a significant influence in Atresmedia due to the representation of RTL Group within decision-making bodies of Atresmedia. On December 31, 2015, the stock market value of Atresmedia, which is listed on the Madrid Stock Exchange, amounted to €2,221 million (previous year: €2,628 million). As of December 31, 2015, the fair value of the Bertelsmann Group's interest in Atresmedia amounted to €414 million (previous year: €504 million).

The following table shows summarized financial information on Atresmedia. The information presented is the amounts included in the financial statements of Atresmedia plus adjustments for using the equity method, and not the Bertelsmann Group's share of these amounts.

Financial Information on Individually Material Associates

	Atresmedia	
in € millions	12/31/2015	12/31/2014
Non-current assets	638	642
Current assets	615	565
Non-current liabilities	(203)	(204)
Current liabilities	(567)	(561)
Equity	483	442

in € millions	2015	2014
Revenues	970	883
Earnings after taxes from continuing operations	103	42
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	1	1
Total comprehensive income	104	43
Dividends received from the associate	12	9

Reconciliation of the summarized financial information shown to the carrying amount of the interest in Atresmedia in the Consolidated Financial Statements:

Reconciliation to Carrying Amount

in € millions	12/31/2015	12/31/2014
Equity	483	442
Proportionate equity	90	85
Goodwill	166	171
Carrying amount	256	256

The following table shows summarized financial information on associates which management considers individually immaterial. The information given represents in each case the Bertelsmann Group's interest.

Summarized Financial Information on Individually Immaterial Associates

in € millions	12/31/2015	12/31/2014
Non-current assets	563	240
Current assets	214	128
Non-current liabilities	33	20
Current liabilities	134	67

in € millions	2015	2014
Earnings after taxes from continuing operations	(17)	14
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	(3)	2
Total comprehensive income	(20)	16

The total carrying amount of the investments in all individually immaterial associates amounts to €643 million (previous year: €286 million) as of December 31, 2015. Thereof, €179 million is attributable to the investment in the online education platform HotChalk made in December 2015. The interest in HotChalk was acquired by purchase price payment of €134 million and contribution of an existing interest in Synergis in the amount of €45 million. The carrying amount of the investment mainly reflects goodwill. As of December 31, 2015, the proportion of ownership interest is 40.8 percent. The online education platform provides services to universities that enable them to run online degree programs, collaborates with universities in designing courses and provides support in marketing and student recruitment.

In addition, the Bertelsmann Group increased its investment in the online learning provider Udacity from 5.0 percent as of December 31, 2014, to 17.5 percent as of December 31, 2015. Although the interest is less than 20 percent, management considers that the Bertelsmann Group exercises a significant influence in Udacity due to the representation within the board of directors. After remeasurement of the interest previously held and carried at cost, carried out as part of determining the cost of investment, and a purchase price payment in the amount of €69 million, the carrying amount is €139 million at the end of the reporting period. The carrying amount of the investment mainly reflects goodwill. Udacity offers special interactive online courses that include multimedia exercises, instructional videos, interviews with coaches and experts, and exams.

Of the total carrying amount of the investments in all individually immaterial associates, an additional €58 million (previous year: €84 million) is attributable to the four University Venture Funds, which invest in high-growth companies in the education sector. Bertelsmann holds between 47.3 percent and 100 percent of the shares in these funds. As operational management and investment decisions in particular are the responsibilities of the respective fund managers (general partners), control as defined by IFRS 10 does not exist despite an ownership interest of over 50 percent in some cases, but rather a significant influence.

Due to deterioration in business results, an impairment loss of €18 million was recognized during the financial year for the investment accounted for using the equity method in Beijing Boda New Continent Advertising Company Limited, attributable to the Gruner + Jahr division.

14 Other Financial Assets

	At amortized cost		At fair value		Derivatives with hedge relation		Total	
in € millions	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Current								
Loans	21	41	–	–	–	–	21	41
Securities and financial assets	4	2	1	1	–	–	5	3
Derivative financial instruments	–	–	65	36	22	28	87	64
	25	43	66	37	22	28	113	108
Non-current								
Loans	20	26	–	–	–	–	20	26
Investments in affiliates	14	14	–	–	–	–	14	14
Other investments	274	207	38	42	–	–	312	249
Securities and financial assets	3	3	10	7	–	–	13	10
Derivative financial instruments	–	–	16	6	30	26	46	32
	311	250	64	55	30	26	405	331

Other financial assets are measured at fair value in accordance with IAS 39 or they are measured at amortized cost. Investments in affiliates and other investments are measured at cost in accordance with IAS 39.46 (c) as they do not have a quoted market price in an active market and a reliable estimate of the fair value is not possible. Information on impairment is presented in note 25 "Additional Disclosures on Financial Instruments."

As in the previous year, no financial assets have been provided as collateral for liabilities as of the end of the reporting period. Financial assets of €13 million (previous year: €9 million) were pledged with restrictions on disposal. No financial assets were provided as security for contingent liabilities to third parties for the financial years 2014 or 2015.

15 Inventories

in € millions	12/31/2015	12/31/2014
Program rights	954	897
Raw materials and supplies	109	114
Work in progress	139	131
Finished goods and merchandise	317	315
Advance payments	142	133
	1,661	1,590

In the financial year 2015, write-downs on inventories were recognized in the amount of €-139 million (previous year: €-145 million). In addition, reversals of write-downs on inventories were recognized in the amount of €116 million (previous year: €128 million). These are due to broadcasting factors for program rights and also increased prices on some markets. As in the previous year, no inventories have been pledged as collateral for liabilities.

16 Receivables and Other Non-Financial Assets

in € millions	12/31/2015	12/31/2014
Non-current		
Trade receivables	17	11
Other receivables	129	134
Other non-financial assets	640	544
Current		
Trade receivables	3,248	2,945
Other receivables	459	530
Advance payments	450	393
Other tax receivables	80	94
Deferred items	180	156
Sundry non-financial assets	148	61
Other non-financial assets	858	704

The non-current other non-financial assets in the amount of €600 million (previous year: €538 million) relate to advance payments for royalties and licenses. Advance payments for royalties and licenses are generally written off if no recoupment is expected. The amount of these write-downs is based on management estimates of future sales volumes and price changes using historical data.
The item "Other receivables" includes receivables in the amount of the continuing involvement in connection with factoring agreements, receivables from reimbursement rights for defined benefit obligations as well as other refund entitlements, creditors with debit balances and accounts receivable from participations.

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

17 Cash and Cash Equivalents

in € millions	12/31/2015	12/31/2014
Cash	1,209	1,095
Other securities < 3 months	101	234
	1,310	1,329

Cash and cash equivalents of €22 million (previous year: €16 million) were used as collateral for liabilities. As in the previous year, no cash and cash equivalents were pledged with restrictions on disposal as of the end of the reporting period.

In order to reduce the counterparty risk, cash investments are made in some cases against the provision of collateral (tri-party transactions). As in the previous year, no collateralized cash investments existed at the end of the reporting period.

18 Equity

Subscribed Capital

Number of shares	12/31/2015	12/31/2014
Ordinary shares	83,760	83,760
Total shares	83,760	83,760

Compared with the previous year, the subscribed capital of Bertelsmann SE & Co. KGaA remained unchanged at €1,000 million and comprises 83,760 registered shares (ordinary shares). As of December 31, 2015, foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) held 80.9 percent of Bertelsmann SE & Co. KGaA shares, with the other 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft mbH (BVG) controls the voting rights at the General Meeting of Bertelsmann SE & Co. KGaA and Bertelsmann Management SE (personally liable partner).

Capital Reserve

The capital reserve mainly includes share premiums received from the issue of ordinary shares in excess of their par values.

Retained Earnings

Retained earnings include the undistributed prior year net profits of those companies included in the Consolidated Financial Statements, remeasurement effects of defined benefit pension plans (actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the return implied by the net interest cost on the plan assets, and effects of the asset ceiling) and cumulated other comprehensive income.

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

Changes to Components of Other Comprehensive Income After Taxes

in € millions	2015				
	Before-tax amount	Taxes	Net-of-tax amount	thereof of Bertelsmann shareholders	thereof of non-controlling interests
Items that will not be reclassified subsequently to profit or loss					
Remeasurement effects on defined benefit plans	348	(66)	282	269	13
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	274	–	274	213	61
Available-for-sale financial assets	(5)	1	(4)	(3)	(1)
Cash flow hedges	10	(4)	6	6	–
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	2	(2)
Other comprehensive income net of tax	627	(69)	558	487	71

in € millions	2014				
	Before-tax amount	Taxes	Net-of-tax amount	thereof of Bertelsmann shareholders	thereof of non-controlling interests
Items that will not be reclassified subsequently to profit or loss					
Remeasurement effects on defined benefit plans	(764)	199	(565)	(544)	(21)
Share of other comprehensive income of investments accounted for using the equity method	(1)	–	(1)	(1)	–
Items that will be reclassified subsequently to profit or loss when specific conditions are met					
Currency translation differences	244	–	244	179	65
Available-for-sale financial assets	(9)	1	(8)	(6)	(2)
Cash flow hedges	50	(12)	38	28	10
Share of other comprehensive income of investments accounted for using the equity method	7	–	7	7	–
Other comprehensive income net of tax	(473)	188	(285)	(337)	52

In the financial year 2015, changes in the fair value of previous year hedging relationships relating to cash flow hedges amounted to €34 million (previous year: €46 million) and new hedging relationships totaled €2 million (previous year: €1 million). The amount of €-26 million relating to other comprehensive income (previous year: €3 million) was reclassified to the income statement. These are amounts before tax.

Share-Based Payments

The Bertelsmann Group has granted cash-settled and equity-settled share-based payment awards.

Relias Learning LLC, a subsidiary of Bertelsmann Learning LLC, has granted Class C Units to be settled in cash to selected employees in the current financial year for the first time. The Class C Units are intended to constitute "profit interests" under US tax laws and will be settled in cash if the fair market value of Bertelsmann Learning LLC exceeds a pre-defined threshold. They vest over a period of four years after issuance, provided the employee continues to be employed by Bertelsmann Learning LLC or any of its subsidiaries. The employees are entitled to sell the Class C Units to Bertelsmann Learning LLC after the vesting period while Bertelsmann Learning LLC has the right to purchase the Class C Units after eight years. Class C Units may be issued up to a maximum nominal value of US$10 million, in the aggregate. As of December 31, 2015, Class C Units with a nominal value of US$6.65 million have been issued. The cash settlement is limited at three times the nominal value. The fair value of the Class C Units granted is measured at the end of the reporting period using a binominal model, taking into account the terms and conditions under which the Class C Units were granted and the current likelihood of achieving the specified threshold. The fair value of the Class C Units is accrued as personnel expense over the vesting period. The carrying amount of the financial liability related to the Class C Units amounts to €1 million as of December 31, 2015.

There are various stock option plans at Groupe M6, which belongs to RTL Group. Métropole Télévision has established a stock option plan open to directors and certain employees within Groupe M6. The number of options granted to participants is approved by the Supervisory Board of Métropole Télévision SA in accordance with the authorization given by the General Meeting of Shareholders.

The terms and conditions of the grants are as follows, whereby all options are settled by the physical delivery of shares:

Granting and Vesting Conditions (Groupe M6)

Grant date	Number of options initially granted (in thousands)	Remaining options (in thousands)	Vesting conditions	Contractual life of options[1]
Stock option plans				
May 2008	883.83	–	4 years of service	7 years
Total	883.83	–		
Free share plans	**Maximum number of free shares granted (in thousands)[2]**			
July 2013	642.50	–	2 years of service + performance conditions	
April 2014	149.55	142.68	2 years of service	
October 2014	513.15	491.90	2 years of service + performance conditions	
May 2015	32.50	32.50	2 years of service	
July 2015	480.40	480.40	2 years of service + performance conditions	
Total	1,818.10	1,147.48		

1) Contractual life of options corresponds to the vesting period (i.e., four years) plus three years (which represents the time frame during which the options can be exercised).
2) Maximum number of free shares granted if the performance conditions are significantly exceeded. Such number could be reduced to zero if objectives are not met.

The free share plans are subject to performance conditions. The plans granted in July 2013, October 2014 and July 2015 are subject to Groupe M6 achieving its target growth in net consolidated result over the financial years 2013, 2014 and 2015 respectively. The plans granted in April 2014 and May 2015 are only subject to presence in Groupe M6.

The price to be paid when exercising the remaining options is the average value of the shares of Métropole Télévision on the Paris Stock Exchange, taken over 20 trading days prior to the date of grant. The management free share allocation plan forms an exception to the above.

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

Options (Groupe M6)

in thousands	Average exercise price in € per share	2015	Average exercise price in € per share	2014
Options outstanding at the beginning of the year	15	233	21	1,029
Options exercised during the year	15	(152)	15	(297)
Options expired during the year	15	(81)	27	(499)
Options outstanding at the end of the year	–	–	15	233

An estimated 1,147,000 free shares are exercisable at the end of the year against 1,235,000 at the beginning of the year. 513,000 free shares were granted during the year, with 558,000 being exercised and 43,000 being forfeited.

Share options outstanding at the end of the year have the following terms:

Conditions for Stock Options (Groupe M6)

Expiry date	Exercise price in €	Number of options/shares (in thousands) 2015	Number of options/shares (in thousands) 2014
Stock option plans			
2015	14.73	–	233
		–	233
Free share plans			
2014		–	–
2015		–	579
2016		634	656
2017		513	–
		1,147	1,235
Options outstanding at the end of the year		1,147	1,468
of which exercisable		–	233

As of December 31, 2015, the market price of Groupe M6 shares on the Paris Stock Exchange was €15.84 (December 31, 2014: €15.58).

The fair value of services received in return for share options granted is measured by reference to the fair value of stock options granted. The estimate of fair value of the services received is measured based on a binomial model. Free shares are valued at the share price at the date they are granted less discounted dividends, which employees are not entitled to receive during the vesting period.

Fair Values of Stock Options (Groupe M6)

Grant date	Share price	Risk-free interest rate	Expected return	Option life	Personnel costs in € millions 2015	2014
Free share plans						
7/27/2012	€11.51	0.24%	9.50%	2 years	–	1.0
7/26/2013	€14.79	0.58%	6.10%	2 years	1.9	3.2
4/14/2014	€16.05	0.53%	5.60%	2 years	0.8	0.6
10/13/2014	€12.03	0.23%	7.60%	2 years	1.9	0.4
5/11/2015	€18.62	0.16%	4.80%	2 years	0.1	–
7/28/2015	€18.38	0.22%	4.90%	2 years	1.3	–
Total					6.0	5.2

There are additional share-based payments within the Bertelsmann Group which are immaterial on a stand-alone basis.

19 Provisions for Pensions and Similar Obligations

in € millions	12/31/2015	12/31/2014
Defined benefit obligation	1,607	2,596
Obligations similar to pensions	102	102
	1,709	2,698

The Bertelsmann Group operates various pension plans for current and former employees and their surviving dependents. The model of such plans varies according to the legal, fiscal and economic environment of the country concerned. These company pension plans include both defined contribution and defined benefit plans.

In the case of defined contribution plans, the company makes payments into an external pension fund or another welfare fund through a statutory, contractual or voluntary model. The company has no obligation to provide further benefits once it has made these payments, so no provisions are recognized. Expenses for defined contribution plans in the amount of €50 million were recognized in the financial year (previous year: €40 million). The contributions paid by employer to state pension plans amount to €338 million (previous year: €311 million) in the financial year 2015.

All other pension plans are defined benefit plans. The US companies' obligations for healthcare costs for employees after they retire (medical care plans) are also defined benefit obligations and are included in the provisions on the balance sheet. For all of the retirement benefit plans, a distinction must be made as to whether these are financed through an external investment fund or not.

Net Defined Benefit Liability Recognized in the Balance Sheet

in € millions	12/31/2015	12/31/2014
Present value of defined benefit obligation of unfunded plans	840	1,905
Present value of defined benefit obligation of funded plans	3,120	2,314
Total present value of defined benefit obligation	3,960	4,219
Fair value of plan assets	(2,365)	(1,624)
Net defined benefit liability recognized in the balance sheet	1,595	2,595
thereof provisions for pensions	1,607	2,596
thereof other assets	12	1

During the financial year and in the previous year, the asset ceiling prescribed by IAS 19.64 did not impact other comprehensive income.

Provisions are recognized for these defined benefit plans. These are mostly flat salary plans and final salary plans.

Defined Benefit Plans

in € millions	12/31/2015	12/31/2014
Flat salary plans/plans with fixed amounts	2,184	2,404
Final salary plans	1,164	1,217
Career average plans	374	366
Other commitments given	174	166
Medical care plans	64	66
Present value of defined benefit obligation	3,960	4,219
thereof capital commitments	216	213

The defined benefit obligation and the plan assets can be broken down by geographical areas as follows:

Breakdown of Defined Benefit Obligation and Plan Assets by Geographical Areas

in € millions	12/31/2015	12/31/2014
Germany	3,052	3,326
United Kingdom	493	478
United States	216	207
Other European countries	176	184
Other countries	23	24
Present value of defined benefit obligation	3,960	4,219

in € millions	12/31/2015	12/31/2014
Germany	1,685	1,011
United Kingdom	501	451
United States	123	109
Other European countries	45	41
Other countries	11	12
Fair value of plan assets	2,365	1,624

The obligations and plan assets available for the existing pension plans are, in some cases, exposed to demographic, economic and legal risks. The demographic risks are primarily the longevity risk for pensioners. Economic risks include, in this respect, mostly unforeseeable developments on the capital markets and the associated impacts on plan assets and pension obligations. Legal risks can result from restrictions to investments and minimum funding requirements. In order to substantially minimize these risks, a Group-wide pension guideline was introduced in 2004. This stipulates that all new pension plans are, as a rule, only to be designed as defined contribution plans so that the charges from benefit commitments are always acceptable, calculable and transparent, and so that no risks can arise that the company cannot influence. In addition, the Bertelsmann Group aims, in particular, to transfer existing final salary-related pension agreements to plans with fixed amounts and capital commitments that are independent from trends. As a result of these measures, the obligations are almost entirely due to the plans that have been closed.

The Bertelsmann Group has minimum funding obligations for the plans in the United States and United Kingdom. The pension plan in the United States is subject to the minimum funding agreements according to the "Employee Retirement Income Security Act of 1974" (ERISA). In general, the aim under this agreement is for a fully funded pension plan so that the annual contributions to the plan assets are limited to the pension entitlements that the insured employee has earned during the year, as is the case for a defined contribution plan. If the pension obligations are not fully covered by the plan assets, an additional amount sufficient to ensure full financing over a seven-year period must be applied in excess of this contribution. The plans in the United Kingdom are subject to the "Pensions Act 2004," which includes reviewing the full financing of the pension plan from an actuarial perspective every three years with annual monitoring and, if necessary, eliminating any deficits that may have arisen by means of further additions to plan assets. There are no other material regulatory conditions over and above the minimum funding regulations in the United States and United Kingdom.

Furthermore, one Group entity in the United States participated in a multiemployer plan with other non-affiliated companies until December 31, 2014. As the relevant information required to account for this as a defined benefit plan was neither available on time nor available to a sufficient extent, this benefit plan was carried in the Consolidated Financial Statements in line with the requirements for defined contribution benefit plans. In the financial year 2015, Bertelsmann declared the withdrawal from the plan with retrospective effect from January 1, 2015. The resulting withdrawal liability shall be settled by a lump sum for which a provision in the amount of €16 million was recognized in 2014. Further negotiations concerning the agreement of the withdrawal modalities have not yet begun.

The provisions are determined using actuarial formulas in accordance with IAS 19. The amount of provisions depends on employees' length of service with the company and their pensionable salary. Provisions are computed using the projected unit credit method, in which the benefit entitlement earned is allocated to each year of service, thus assuming an increasing cost of service in comparison to the entry age normal method. When identifying the present value of the pension obligation, the underlying interest rate is of material importance. In the Bertelsmann Group, this is based on the "Mercer Yield Curve Approach." With this approach, separate spot rate yield curves are created for the eurozone, the United Kingdom and the United States on the basis of high-quality corporate bonds. In order to appropriately present the time value of money in accordance with IAS 19.84, the basis does not consider either spikes for which the risk estimate may be substantially higher or lower or bonds with embedded options that distort interest rates. As in the previous year, the biometric calculations in Germany are based on the 2005 G mortality tables issued by Prof. Klaus Heubeck.

Further significant actuarial assumptions are assumed as follows:

Actuarial Assumptions

	12/31/2015		12/31/2014	
	Germany	Foreign	Germany	Foreign
Discount rate	2.58%	3.63%	1.98%	3.34%
Rate of salary increase	2.25%	3.26%	2.25%	3.73%
Rate of pension increase	1.74%	1.70%	1.73%	1.70%

An increase or decrease of one percentage point in the assumptions set out above compared with the assumptions actually applied would have had the following effects on the defined benefit obligation as of December 31, 2015:

Effect of Actuarial Assumptions

in € millions	Increase	Decrease
Effect of 0.5 percentage point change in discount rate	(303)	341
Effect of 0.5 percentage point change in rate of salary increase	44	(39)
Effect of 0.5 percentage point change in rate of pension increase	152	(136)
Effect of change in average life expectancy by one year	127	(127)

In order to determine the sensitivity of the longevity, the mortality rates for all beneficiaries were reduced or increased evenly, so that the life expectancy of a person of a country-specific retirement age increases or decreases by one year.

Changes in the present value of defined benefit obligations and plan assets in the reporting period were as follows:

Changes in Defined Benefit Obligations and Plan Assets

in € millions	2015	2014
Present value of defined benefit obligation on 1/1	4,219	3,272
Current service cost	78	61
Past service cost	1	(7)
Interest expenses	97	123
Actuarial gains (-) and losses (+)		
– changes in financial assumptions	(316)	833
– changes in demographic assumptions	(12)	18
– experience adjustments	(29)	(13)
Gains (-) or losses (+) from settlements	–	1
Cash effects from settlements	–	(7)
Pension payments paid by employer	(112)	(109)
Contributions to plan assets by employees	5	4
Pension payments from the plan assets	(25)	(19)
Changes of consolidation scope	(2)	(31)
Currency translation differences	58	53
Other changes	(2)	40
Present value of defined benefit obligation on 12/31	3,960	4,219
Fair value of plan assets on 1/1	1,624	1,449
Interest income	44	59
Remeasurement component	(7)	45
Settlements	(5)	(7)
Contributions by employer	689	35
Contributions by employees	5	4
Pension payments from the plan assets	(25)	(19)
Changes of consolidation scope	(2)	–
Currency translation differences	45	41
Other changes	(3)	17
Fair value of plan assets on 12/31	2,365	1,624
Funded status	1,595	2,595

Of the contributions to plan assets, €653 million (previous year: €11 million) pertains to Germany. Employer contributions to plan assets are expected to amount to €28 million in the next financial year.

In Germany, reimbursement rights for defined benefit obligations in the amount of €21 million (previous year: €22 million) mostly relate to reinsurance, which is not pledged to the pension beneficiary. Reimbursement rights are carried under the balance sheet item "Trade receivables and other receivables."

Of the expenses for defined benefit plans in the amount of €132 million (previous year: €119 million), €79 million (previous year: €55 million) was recognized under the item "Personnel expenses" and €53 million (previous year: €64 million) under "Other financial expenses" and "Other financial income." The past service cost and losses from settlements recognized under "Personnel expenses" totaled €1 million. The €-6 million recognized in the previous year was mostly due to curtailments of plans for medical care at Be Printers USA. The expenses are broken down as follows:

Expenses for Defined Benefit Plans

in € millions	2015	2014
Current service cost	78	61
Past service cost and impact from settlement	1	(6)
Net interest expenses	53	64
Net pension expenses	132	119

The portfolio structure of plan assets is composed as follows:

Portfolio Structure of Plan Assets

in € millions	12/31/2015	12/31/2014
Equity instruments[1]	653	492
Debt instruments[1]	1,310	903
Other funds	67	91
Qualifying insurance policies	125	117
Cash and cash equivalents	198	14
Property	6	6
Derivatives	4	(2)
Other	2	3
Fair value of plan assets	2,365	1,624

1) For almost all equity and debt instruments, market prices are listed on an active market.

All plan assets in the Bertelsmann Group are used exclusively for the fulfillment of benefit obligations. In order to avoid a concentration of risk, plan assets are invested in various classes of investments. The majority of plan assets are managed by Bertelsmann Pension Trust e. V. under a contractual trust arrangement (CTA) for pension commitments of Bertelsmann SE & Co. KGaA and some of the German subsidiaries. There is no funding requirement for the CTA. A voluntary contribution in the amount of €650 million was made to plan assets during the reporting period. The trust assets were invested in accordance with the investment guideline of the beneficiary, using a long-term total return approach. This approach is based on the aim of using strategic asset allocation to generate a suitable return in the long term regardless of short-term market fluctuations and/or crises. The management board of the pension trust is responsible for the investment and regularly informs the beneficiary of the status and performance of the pension assets.

Net defined benefit liability recognized in the balance sheet changed as follows:

Change in Net Defined Benefit Liability Recognized in the Balance Sheet

in € millions	2015	2014
Net defined benefit liability recognized in the balance sheet at 1/1	2,595	1,823
Net pension expenses	132	119
Remeasurement component of defined benefit plans	(350)	793
Pension payments	(112)	(109)
Contributions to plan assets	(689)	(35)
Changes of consolidation scope	–	(31)
Currency translation differences	13	12
Other effects	6	23
Net defined benefit liability recognized in the balance sheet at 12/31	1,595	2,595

The weighted average duration of the pension obligations on December 31, 2015, was 17 years (previous year: 17 years).

The maturity profile of the anticipated non-discounted pension payments can be seen in the following table:

Maturity Profile of Pension Payments

in € millions	2015
Expected maturities	
Less than 1 year	144
1 to less than 2 years	144
2 to less than 3 years	153
3 to less than 4 years	158
4 to less than 5 years	165
5 to less than 10 years	872

Obligations similar to pensions relate to provisions for bonuses for employee service anniversaries, amounts due but not yet paid to defined contribution plans, and severance payments at retirement. Severance payments at retirement are made when employees leave the company and are based on statutory obligations, primarily in Italy and Austria. Provisions for employee service anniversary bonuses and severance payments at retirement are recognized in the same way as defined benefit plans, but with actuarial gains and losses recognized in profit or loss. Employees in Germany who are at least 55 years old and have a permanent employment contract with the company qualify for the old-age part-time schemes. The partial retirement phase lasts two to five years.

The following table shows the breakdown in obligations similar to pensions:

Breakdown of Obligations Similar to Pensions

in € millions	12/31/2015	12/31/2014
Provisions for old-age part-time schemes	35	38
Provisions for severance payments	35	32
Provisions for employee service anniversaries	28	28
Other	4	4
Obligations similar to pensions	102	102

20 Other Provisions

in € millions	12/31/2014	of which > 1 year	Additions	Reversal	Usage	Other effects	Change of consolida-tion scope	Accrued interest	12/31/2015	of which > 1 year
Restructuring	147	20	42	(14)	(92)	2	–	1	86	7
Onerous contracts	142	16	79	(5)	(93)	–	–	2	125	15
Litigation	126	65	18	(25)	(9)	(5)	–	–	105	57
Guarantees and warranties	16	7	4	(2)	(8)	14	–	–	24	10
Sales and distribution	11	–	3	(3)	(1)	1	–	–	11	–
Other employee benefits	26	–	6	(2)	(2)	2	(1)	–	29	–
Other	86	35	31	(18)	(13)	2	–	–	88	33
	554	143	183	(69)	(218)	16	(1)	3	468	122

In accordance with IAS 37, restructuring provisions include termination benefits and other costs relating to the discontinuation of business activities. Provisions in the amount of €86 million (previous year: €147 million) are recognized for various restructuring programs within the Bertelsmann Group, including for structurally declining businesses such as print, replication, clubs and direct marketing. 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; the related provision recognized in 2014 amounted to €18 million (previous year: €22 million) as of December 31, 2015. Provisions of €24 million and €10 million were recognized in the financial year 2015 for additional restructuring programs within the Arvato and Gruner + Jahr divisions.

The provisions for onerous contracts concern RTL Group in the amount of €93 million (previous year: €111 million) and were recognized mainly for program rights, including sports events in the amount of €7 million (previous year: €16 million). A total of €49 million (previous year: €67 million) relates to Mediengruppe RTL Deutschland and another €41 million (previous year: €42 million) to Groupe M6. Additions related to provisions for onerous contracts total €52 million for movies and series and €7 million for sports events.

Provisions for litigation totaling €92 million (previous year: €111 million) also pertain mainly to RTL Group companies. They cover expected losses from partly multiannual court proceedings and extrajudicial disputes. Please refer to the risk report in the Combined Management Report for information on antitrust litigation.

The other provisions include a provision in the amount of €27 million (previous year: €30 million) for compensation obligations from pension entitlements for employees at the Prinovis location in Ahrensburg, toward Axel Springer SE.

21 Profit Participation Capital

in € millions	12/31/2015	12/31/2014
Profit participation capital 1992	23	23
Profit participation capital 2001	390	390
	413	413

Profit participation capital is made up of profit participation certificates issued in 2001 (ISIN DE0005229942, hereafter referred to as 2001 profit participation certificates) and profit participation certificates issued in 1992 (ISIN DE0005229900, hereafter referred to as 1992 profit participation certificates). At the end of the reporting period, nominal profit participation capital consisted of €390 million in 2001 profit participation certificates (previous year: €390 million) and €23 million in 1992 profit participation certificates (previous year: €23 million). The 1992 and 2001 profit participation certificates are listed for public trading on the Regulated Market.

On December 31, 2015, the nominal value of the profit participation capital totaled €301 million (previous year: €301 million). Of this amount, €284 million is due to 2001 profit participation certificates (previous year: €284 million) and €17 million to 1992 profit participation certificates (previous year: €17 million). The 2001 profit participation certificates each have a notional value of €10 and the notional value of each 1992 profit participation certificate is €0.01. The market value of the 2001 profit participation certificates with a closing rate of 317.50 percent on the last day of trading in the past financial year on the Frankfurt Stock Exchange was €903 million (previous year: €856 million with a rate of 301.00 percent) and correspondingly, €29 million for the 1992 profit participation certificates with a rate of 172.00 percent (previous year: €34 million with a rate of 200.00 percent). The fair values are based on level 1 of the fair value hierarchy.

22 Financial Debt

Financial debt includes all of the Bertelsmann Group's interest-bearing liabilities to banks and capital markets as of the end of the reporting period. Carrying amounts are calculated as follows:

Current and Non-Current Financial Debt

	Current		Non-current			
			Remaining term in years			
in € millions	12/31/2015	12/31/2014	1 to 5 years	> 5 years	12/31/2015	12/31/2014
Bonds	786	430	100	2,578	2,678	2,220
Promissory notes	–	–	160	149	309	60
Liabilities to banks	82	91	12	–	12	10
Lease liabilities	10	9	54	–	54	62
Other financial debt	122	124	17	5	22	12
	1,000	654	343	2,732	3,075	2,364

At initial recognition within the scope of IAS 39, the non-current financial debt is recognized at fair value including transaction costs, and the subsequent measurement is based on amortized cost using the effective interest method. Foreign currency liabilities are translated using the exchange rate at the end of the reporting period. The Bertelsmann Group has access to floating rate and fixed-rate funds through various contractual arrangements. Financial debt is generally unsecured.

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. In December 2015, Bertelsmann issued a promissory note in the amount of €100 million with a term of five years and a promissory note in the amount of €150 million with a term of ten years in private placements. The bond due in October 2015 in the amount of €500 million was repaid on time, of which €70 million had already been repaid ahead of time in the financial year 2013. At the end of the reporting period, the Group had bonds, private placements and promissory notes outstanding with a nominal volume of €3,796 million (previous year: €2,726 million).

The differences in carrying amount versus nominal value in the table below result from transaction costs, premiums and discounts.

Bonds and Promissory Notes

in € millions	Due date	Effective interest rate in %	Carrying amount 12/31/2015	Carrying amount 12/31/2014	Fair value 12/31/2015	Fair value 12/31/2014
3.625% Bertelsmann SE & Co. KGaA (€500 million bond) 2005	10/6/2015	3.74	–	430	–	441
4.750% Bertelsmann SE & Co. KGaA (€1,000 million bond) 2006	9/26/2016	4.89	786	785	813	842
4.207% Bertelsmann SE & Co. KGaA (€60 million promissory note) 2012	5/4/2019	4.21	60	60	68	69
3-mon.-EURIBOR + 40 Bp. Bertelsmann SE & Co. KGaA (€100 million floating rate note) 2014	11/18/2019	n/a	100	100	100	100
0.774% Bertelsmann SE & Co. KGaA (€100 million promissory note) 2015	12/1/2020	0.84	100	–	100	–
2.625% Bertelsmann SE & Co. KGaA (€750 million bond) 2012	8/2/2022	2.80	742	741	816	836
1.750% Bertelsmann SE & Co. KGaA (€500 million bond) 2014	10/14/2024	1.84	496	496	506	516
1.787% Bertelsmann SE & Co. KGaA (€150 million promissory note) 2015	12/1/2025	1.83	149	–	151	–
3.700% Bertelsmann SE & Co. KGaA (€100 million bond) 2012	6/29/2032	3.84	98	98	121	128
3.000% Bertelsmann SE & Co. KGaA (€650 million hybrid bond) 2015	4/23/2075	3.11	646	–	606	–
3.500% Bertelsmann SE & Co. KGaA (€600 million hybrid bond) 2015	4/23/2075	3.58	596	–	531	–
			3,773	2,710	3,812	2,932

The documentation of the bonds from Bertelsmann SE & Co. KGaA in 2005, 2012 and 2014 is within the framework of a base documentation for debt issuance programs. The bonds issued by Bertelsmann SE & Co. KGaA in 2006 and the promissory notes were issued on the basis of separate documentation. The bonds have a rating of "Baa1" (Moody's) and "BBB+" (Standard & Poor's). The debt issuance program was updated in April 2015. The framework documentation allows Bertelsmann SE & Co. KGaA to place bonds with a total volume of up to €4 billion on the capital market. Transaction costs and agreed discounts or premiums are taken into account in interest result over the term, impacting the carrying amount of the bonds and promissory notes. These led to a difference to the nominal volume of €-23 million (previous year: €-16 million) at the end of the year.

As a rule, in order to determine the fair value of the bonds issued, the quoted prices at the end of the reporting period are used. On December 31, 2015, the cumulative fair value of the listed bonds totaled €3,272 million (previous year: €2,635 million) with a nominal volume of €3,286 million (previous year: €2,466 million) and a carrying amount of €3,266 million (previous year: €2,452 million). The stock market prices are based on level 1 of the fair value hierarchy.

The quoted prices applied in determining the fair values are shown in the table below.

Quoted Prices

in percent	12/31/2015	12/31/2014
3.625% Bertelsmann SE & Co. KGaA (€500 million bond) 2005	–	102.589
4.750% Bertelsmann SE & Co. KGaA (€1,000 million bond) 2006	103.370	107.008
2.625% Bertelsmann SE & Co. KGaA (€750 million bond) 2012	108.793	111.447
1.750% Bertelsmann SE & Co. KGaA (€500 million bond) 2014	101.210	103.170
3.000% Bertelsmann SE & Co. KGaA (€650 million hybrid bond) 2015	93.261	–
3.500% Bertelsmann SE & Co. KGaA (€600 million hybrid bond) 2015	88.417	–

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 -0.07 percent to 2.29 percent. The fair values of the private placements and promissory notes are based on level 2 of the fair value hierarchy.

The table below shows the interest rates for bonds and promissory notes issued.

Interest on Bonds and Promissory Notes

	Carrying amount as of 12/31/2015			Carrying amount as of 12/31/2014		
in € millions	Fixed interest	Floating rate	Total	Fixed interest	Floating rate	Total
Bonds	3,364	100	3,464	2,550	100	2,650
Promissory notes	309	–	309	60	–	60
	3,673	100	3,773	2,610	100	2,710

Credit Facility

The Bertelsmann Group has access to a syndicated agreement entered into with major international banks in the amount of €1,200 million (previous year: €1,200 million), which in June 2015 was extended by one year to 2020. Bertelsmann SE & Co. KGaA can draw down this credit facility using floating rate loans in euros, US dollars and pounds sterling based on EURIBOR or LIBOR on a revolving basis.

Leasing Liabilities

Finance leases exist for the following assets:

Leased Assets

in € millions	12/31/2015		12/31/2014	
	Acquisition costs	Net carrying amount	Acquisition costs	Net carrying amount
Land, rights equivalent to land and buildings	105	48	105	52
Technical equipment and machinery	8	2	6	2
Other equipment, fixtures, furniture and office equipment	13	5	15	7
	126	55	126	61

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

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

Minimum Lease Payments for Finance Leases

in € millions	12/31/2015			12/31/2014		
	Nominal amount of lease payments	Discount amounts	Present value	Nominal amount of lease payments	Discount amounts	Present value
Up to 1 year	10	–	10	10	–	10
1 to 5 years	62	8	54	41	4	37
Over 5 years	–	–	–	31	7	24
	72	8	64	82	11	71

As of the end of the reporting period, no subleases were in place as part of finance lease agreements. In the previous year, future minimum lease payments with a nominal value of less than €1 million were expected as a result of subleases arising from finance lease agreements.

23 Liabilities

in € millions	12/31/2015	12/31/2014
Non-current		
Trade payables	183	189
Other financial payables	192	192
Other non-financial liabilities	375	331
Current		
Trade payables	3,563	3,273
Other financial payables	713	853
Tax liabilities	172	199
Social security liabilities	108	96
Personnel-related liabilities	630	556
Received advance payments	101	66
Deferred items	274	297
Sundry non-financial liabilities	244	163
Other non-financial liabilities	1,529	1,377

Non-current other financial payables in the amount of €192 million (previous year: €192 million) include liabilities from put options relating to shareholders with non-controlling interests of €86 million (previous year: €99 million), minority interests in partnerships of €38 million (previous year: €49 million) and derivative financial instruments of €6 million (previous year: €3 million). The item "Current other financial payables" includes liabilities in the amount of the continuing involvement in connection with factoring agreements, liabilities from refund entitlements, liabilities from the acquisition of assets, liabilities to participations, debtors with credit balances and derivative financial instruments.

24 Off-Balance-Sheet Liabilities
Contingent Liabilities and Other Commitments

in € millions	12/31/2015	12/31/2014
Guarantees	37	–
Rental and lease commitments	1,499	1,372
Other commitments	3,907	3,611
	5,443	4,983

Of other commitments, €2,797 million (previous year: €2,606 million) pertains to RTL Group. These relate to supply agreements for (co-)productions, contracts for TV licenses and broadcasting rights and other rights and services. A further €775 million (previous year: €785 million) of other commitments pertains to Penguin Random House which represents the portion of obligations to authors for which no payments have yet been made, where future payments are contingent upon other events (such as delivery and acceptance of manuscripts). Other commitments of €49 million (previous year: €48 million) are for the acquisition of property, plant and equipment.

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

Minimum Lease Payments for Operating Leases

in € millions	12/31/2015	12/31/2014
Nominal amount		
Up to 1 year	284	272
1 to 5 years	754	687
Over 5 years	461	413
	1,499	1,372
Present value	1,347	1,238

These commitments largely concern tenancy and technical broadcasting facilities. They are partially offset by expected minimum lease payments from subleases with a nominal value of €71 million (previous year: €66 million). The net present values calculated considering country-specific interest rates show all of the net payments required to settle the obligation.

25 Additional Disclosures on Financial Instruments

Maturity Analysis of Selected Financial Assets

	Neither impaired nor past due on the reporting date	Not individually impaired as of the reporting date and past due by:					Gross value of accounts receivable individually impaired
in € millions		< 1 month	1 to 3 months	3 to 6 months	6 to 12 months	> 12 months	
Loans	42	–	–	–	–	–	45
Securities and financial assets	18	–	–	–	–	–	4
Trade receivables	2,451	529	145	75	33	39	235
Receivables from participations	33	2	2	1	–	–	4
Other selected receivables	520	8	3	1	1	14	28
Balance as of 12/31/2015	3,064	539	150	77	34	53	316
Loans	67	–	–	–	–	–	100
Securities and financial assets	13	–	–	–	–	–	4
Trade receivables	2,308	407	123	60	30	36	218
Receivables from participations	29	2	–	–	–	–	–
Other selected receivables	603	9	2	1	2	15	50
Balance as of 12/31/2014	3,020	418	125	61	32	51	372

No impairment losses were recognized for unsettled receivables not yet due as of the end of the reporting period, as there was no indication of default.

Reconciliation of Changes in Impairment in accordance with IFRS 7

in € millions	Balance as of 1/1	Additions	Usage	Reversal	Change of consolida-tion scope	Exchange rate effect	Balance as of 12/31
Loans	(100)	(7)	59	1	2	(1)	(46)
Investments in affiliates	(42)	–	–	3	–	(1)	(40)
Other investments	(88)	(12)	1	16	–	(3)	(86)
Securities and financial assets	(4)	–	–	–	–	–	(4)
Trade receivables	(226)	(65)	9	57	(6)	(11)	(242)
Receivables from participations	–	(3)	–	–	–	–	(3)
Other receivables	(49)	(3)	17	7	–	–	(28)
Total 2015	(509)	(90)	86	84	(4)	(16)	(449)
Loans	(94)	(6)	–	1	–	(1)	(100)
Investments in affiliates	(52)	–	–	10	–	–	(42)
Other investments	(65)	(19)	–	17	(19)	(2)	(88)
Securities and financial assets	(6)	–	–	3	–	(1)	(4)
Trade receivables	(229)	(55)	20	29	20	(11)	(226)
Receivables from participations	–	–	–	–	–	–	–
Other receivables	(27)	(28)	1	5	–	–	(49)
Total 2014	(473)	(108)	21	65	1	(15)	(509)

As a result of the Bertelsmann Group's global activities and diversified customer structure, there is no material concentration of default risks. The Bertelsmann Group has obtained credit collateralization in the amount of €541 million for trade receivables in order to reduce a potential, but currently non-existent, default risk for these receivables. In the previous year, credit collateralization in the amount of €360 million was in place for trade receivables of more than €5 million. The carrying amount of all receivables, loans and securities constitutes the Group's maximum default risk.

The following table presents the remaining contractual maturity of the financial liabilities. The figures are based on undiscounted cash flows at the earliest date at which the Bertelsmann Group can be held liable for payment.

Contractual Maturity Analysis of Financial Liabilities

in € millions	Carrying amount	Undiscounted cash flows			
		Up to 1 year	1 to 5 years	Over 5 years	Total
Profit participation capital	413	–	–	413	413
Fixed interest bonds and promissory notes	3,673	786	160	2,750	3,696
Floating rate bonds and promissory notes	100	–	100	–	100
Liabilities to banks	94	82	12	–	94
Lease liabilities	64	10	62	–	72
Other financial debt	144	122	17	5	144
Trade payables	3,746	3,563	171	12	3,746
Liabilities to participations	8	8	–	–	8
Other financial payables	863	677	113	73	863
Balance as of 12/31/2015	9,105	5,248	635	3,253	9,136
Profit participation capital	413	–	413	–	413
Fixed interest bonds and promissory notes	2,610	430	846	1,350	2,626
Floating rate bonds and promissory notes	100	–	100	–	100
Liabilities to banks	101	91	10	–	101
Lease liabilities	71	10	41	31	82
Other financial debt	136	124	8	4	136
Trade payables	3,462	3,273	177	12	3,462
Liabilities to participations	13	13	–	–	13
Other financial payables	972	783	97	92	972
Balance as of 12/31/2014	7,878	4,724	1,692	1,489	7,905

Current cash outflows from financial obligations are offset by planned cash inflows from receivables and other financial assets. To cover current cash flows, Bertelsmann SE & Co. KGaA also has adequate financial reserves in the amount of the cash and cash equivalents and unutilized credit facilities in place at the end of the reporting period.

The following table presents the remaining terms of the contractual amounts to be exchanged in a derivative financial instrument for which gross cash flows are exchanged:

Liabilities from Derivatives with Gross Settlement

	Remaining term of liabilities		
in € millions	Up to 1 year	1 to 5 years	Over 5 years
Cash outflow	(1,550)	(160)	–
Cash inflow	1,520	155	–
Balance as of 12/31/2015	(30)	(5)	–
Cash outflow	(2,179)	(67)	–
Cash inflow	2,126	65	–
Balance as of 12/31/2014	(53)	(2)	–

The remaining terms of the contractual amounts of derivative financial instruments for which net cash flows are exchanged are as follows:

Liabilities from Derivatives with Net Settlement

	Remaining term of liabilities		
in € millions	Up to 1 year	1 to 5 years	Over 5 years
Cash outflow 12/31/2015	(1)	–	–
Cash outflow 12/31/2014	(1)	(1)	–

Based on the remaining contractual terms of its financial liabilities at the end of the reporting period, the Bertelsmann Group will have to make the following future interest payments:

Future Undiscounted Interest Payments

	Undiscounted interest payments			
in € millions	Up to 1 year	1 to 5 years	Over 5 years	Total
Profit participation capital	45	181	90	316
Bonds and promissory notes	116	313	338	767
Liabilities to banks	4	1	–	5
Lease liabilities	2	7	–	9
Other financial debt	3	1	–	4
Balance as of 12/31/2015	170	503	428	1,101
Profit participation capital	45	91	–	136
Bonds and promissory notes	88	179	151	418
Liabilities to banks	7	2	1	10
Lease liabilities	3	8	1	12
Other financial debt	3	1	–	4
Balance as of 12/31/2014	146	281	153	580

Carrying Amounts and Measurement Methods by Measurement Category

Assets

in € millions	Category in accordance with IAS 39					
	Loans and receivables	Available-for-sale		Financial assets initially recognized at fair value through profit or loss	Financial assets held for trading	Derivatives with hedge relation
Measurement	At amortized cost	At cost	Fair value recognized in equity	Fair value recognized in profit or loss	Fair value recognized in profit or loss	
Loans	41	–	–	–	–	–
Investments in affiliates	–	14	–	–	–	–
Other investments	–	274	38	–	–	–
Securities and financial assets	1	6	1	10	–	–
Derivative financial instruments	–	–	–	–	81	52
Trade receivables	3,265	–	–	–	–	–
Receivables from participations	39	–	–	–	–	–
Other receivables	549	–	–	–	–	–
Cash	1,209	–	–	–	–	–
Other securities < 3 months	101	–	–	–	–	–
	5,205	294	39	10	81	52

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. No plan has been made to sell significant holdings of the other available-for-sale investments in the near future. For all other financial assets and financial liabilities, their carrying amount represents a reasonable approximation of fair value.

Equity and Liabilities

in € millions	Category in accordance with IAS 39				
	Financial liabilities	Financial liabilities initially recognized at fair value through profit or loss	Financial liabilities held for trading	Derivatives with hedge relation	Payables out of scope of IAS 39
Measurement	At amortized cost	Fair value recognized in profit or loss	Fair value recognized in profit or loss		
Profit participation capital	413	–	–	–	–
Bonds and promissory notes	3,773	–	–	–	–
Liabilities to banks	94	–	–	–	–
Lease liabilities	–	–	–	–	64
Other financial debt	144	–	–	–	–
Trade payables	3,746	–	–	–	–
Liabilities to participations	8	–	–	–	–
Derivative financial instruments	–	–	29	5	–
Other financial payables	818	45	–	–	–
	8,996	45	29	5	64

	Balance as of 12/31/2015	Category in accordance with IAS 39: Loans and receivables – At amortized cost	Available-for-sale – At cost	Available-for-sale – Fair value recognized in equity	Financial assets initially recognized at fair value through profit or loss – Fair value recognized in profit or loss	Financial assets held for trading – Fair value recognized in profit or loss	Derivatives with hedge relation	Balance as of 12/31/2014
	41	67	–	–	–	–	–	67
	14	–	14	–	–	–	–	14
	312	–	207	42	–	–	–	249
	18	2	3	1	7	–	–	13
	133	–	–	–	–	42	54	96
	3,265	2,956	–	–	–	–	–	2,956
	39	31	–	–	–	–	–	31
	549	633	–	–	–	–	–	633
	1,209	1,095	–	–	–	–	–	1,095
	101	234	–	–	–	–	–	234
	5,681	5,018	224	43	7	42	54	5,388

	Balance as of 12/31/2015	Category in accordance with IAS 39: Financial liabilities – At amortized cost	Financial liabilities initially recognized at fair value through profit or loss – Fair value recognized in profit or loss	Financial liabilities held for trading – Fair value recognized in profit or loss	Derivatives with hedge relation	Payables out of scope of IAS 39	Balance as of 12/31/2014
	413	413	–	–	–	–	413
	3,773	2,710	–	–	–	–	2,710
	94	101	–	–	–	–	101
	64	–	–	–	–	71	71
	144	136	–	–	–	–	136
	3,746	3,462	–	–	–	–	3,462
	8	13	–	–	–	–	13
	34	–	–	57	3	–	60
	863	929	43	–	–	–	972
	9,139	7,764	43	57	3	71	7,938

Financial Assets Measured at Fair Value Categorized Using the Fair Value Measurement Hierarchy

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2015
Financial assets initially recognized at fair value through profit or loss	–	10	–	10
Available-for-sale financial assets	8	1	30	39
Primary and derivative financial assets held for trading	–	75	6	81
Derivatives with hedge relation	–	52	–	52
	8	138	36	182

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2014
Financial assets initially recognized at fair value through profit or loss	–	7	–	7
Available-for-sale financial assets	8	1	34	43
Primary and derivative financial assets held for trading	–	42	–	42
Derivatives with hedge relation	–	54	–	54
	8	104	34	146

It is possible to allocate the financial instruments measured at fair value in the balance sheet to the three levels of the fair value hierarchy by category based on the tables "Carrying Amounts and Measurement Methods by Measurement Category."

Financial Assets Measured at Fair Value Based on Level 3

in € millions	Financial assets initially recognized at fair value through profit or loss	Available-for-sale financial assets	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 (-)	–	(5)	6	–	1
– in profit or loss	–	–	6	–	6
– in other comprehensive income	–	(5)	–	–	(5)
Transfers from "Investments accounted for using the equity method"	–	–	–	–	–
Purchases	–	1	–	–	1
Issues	–	–	–	–	–
Sales/settlements	–	–	–	–	–
Transfers out of/into level 3	–	–	–	–	–
Balance as of 12/31/2015	–	30	6	–	36
Gain (+) or loss (-) for assets still held at the end of the reporting period	–	–	6	–	6

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 1/1/2014	–	35	–	–	35
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	–	1	–	–	1
Issues	–	–	–	–	–
Sales/settlements	–	–	–	–	–
Transfers out of/into level 3	–	–	–	–	–
Balance as of 12/31/2014	–	34	–	–	34
Gain (+) or loss (-) for assets still held at the end of the reporting period	–	–	–	–	–

Financial Liabilities Measured at Fair Value Categorized Using the Fair Value Measurement Hierarchy

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2015
Financial liabilities initially recognized at fair value through profit or loss	–	–	45	45
Primary and derivative financial liabilities held for trading	–	29	–	29
Derivatives with hedge relation	–	5	–	5
	–	34	45	79

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 12/31/2014
Financial liabilities initially recognized at fair value through profit or loss	–	–	43	43
Primary and derivative financial liabilities held for trading	–	57	–	57
Derivatives with hedge relation	–	3	–	3
	–	60	43	103

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 (+)	(2)	–	–	(2)
– in profit or loss	(4)	–	–	(4)
– in other comprehensive income	2	–	–	2
Purchases	5	–	–	5
Issues	–	–	–	–
Settlements	(1)	–	–	(1)
Transfers out of/into level 3	–	–	–	–
Balance as of 12/31/2015	45	–	–	45
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	–	–	–	–

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 1/1/2014	–	–	–	–
Total gain (-) or loss (+)	–	–	–	–
– in profit or loss	–	–	–	–
– in other comprehensive income	–	–	–	–
Purchases	43	–	–	43
Issues	–	–	–	–
Settlements	–	–	–	–
Transfers out of/into level 3	–	–	–	–
Balance as of 12/31/2014	43	–	–	43
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	–	–	–	–

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 at the end of the reporting period. 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. During the financial year 2015, no reclassifications were performed between levels 1, 2 and 3.

Net Result from Financial Instruments

in € millions	Loans and receivables	Available-for-sale financial assets	Financial assets initially recognized at fair value through profit or loss	Financial liabilities at amortized cost	Financial liabilities initially recognized at fair value through profit or loss	Derivatives with hedge relation	Financial instruments held for trading	Other currency translation differences
From dividends	–	17	–	–	–	–	–	–
From interest	12	–	–	(123)	–	–	(2)	–
From impairment	(17)	(12)	–	–	–	–	–	–
From fair value measurement	–	–	–	–	4	1	6	–
From currency translation differences	–	–	–	–	–	–	(97)	91
From disposal/derecognition	(20)	23	–	12	–	–	–	–
Net income 2015	(25)	28	–	(111)	4	1	(93)	91
From dividends	–	12	–	–	–	–	–	–
From interest	16	–	–	(90)	–	–	1	–
From impairment	(54)	(19)	–	–	–	–	–	–
From fair value measurement	–	–	–	–	–	(7)	–	–
From currency translation differences	–	–	–	–	–	–	(60)	63
From disposal/derecognition	(25)	4	–	3	–	–	–	–
Net income 2014	(63)	(3)	–	(87)	–	(7)	(59)	63

Other currency translation differences consist of the exchange rate effects of the “Loans and receivables” and “Financial liabilities at amortized cost” categories.

In the case of the financial assets and liabilities which are shown in the following tables and which are offset on the balance sheet, master netting agreements or similar agreements allow the Bertelsmann Group and the counterparty to reach settlement on a net basis. Settlement on a net basis is thus legally valid both as part of ordinary business activities and also in the event of payment default by one of the parties. In addition, Bertelsmann purchases financial derivatives that do not meet the criteria for offsetting on the balance sheet as future events determine the right to offset.

Offsetting Financial Assets

in € millions	12/31/2015				
				Related amounts not set off in the balance sheet	
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Net amount
Derivative financial assets	133	–	133	(32)	101
Trade receivables	3,267	(2)	3,265	–	3,265
Cash and cash equivalents	1,318	(8)	1,310	–	1,310
	4,718	(10)	4,708	(32)	4,676

in € millions	12/31/2014				
				Related amounts not set off in the balance sheet	
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Net amount
Derivative financial assets	96	–	96	(28)	68
Trade receivables	2,960	(4)	2,956	–	2,956
Cash and cash equivalents	1,338	(9)	1,329	–	1,329
	4,394	(13)	4,381	(28)	4,353

Offsetting Financial Liabilities

in € millions	12/31/2015				
				Related amounts not set off in the balance sheet	
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Net amount
Derivative financial liabilities	34	–	34	(32)	2
Trade payables	3,748	(2)	3,746	–	3,746
Liabilities to banks	102	(8)	94	–	94
	3,884	(10)	3,874	(32)	3,842

in € millions	12/31/2014				
				Related amounts not set off in the balance sheet	
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Net amount
Derivative financial liabilities	60	–	60	(28)	32
Trade payables	3,466	(4)	3,462	–	3,462
Liabilities to banks	110	(9)	101	–	101
	3,636	(13)	3,623	(28)	3,595

Accounting of Derivative Financial Instruments and Hedges

All derivatives are recognized at their fair value. When a contract involving a derivative is entered into, it is determined whether that contract is intended to serve as a fair value hedge or as a cash flow hedge. Some derivatives, however, do not meet the requirements for recognition as hedges, even though they function as such in financial terms.
Bertelsmann documents all relationships between hedging instruments and hedged items as well as its risk management objectives and strategies in connection with the various hedges. This method includes linking all derivatives used for hedging purposes to the underlying assets, liabilities, firm commitments and forecasted transactions. Furthermore, the Bertelsmann Group assesses and documents the degree to which changes in the fair values or cash flows of hedged items are effectively offset by changes in the corresponding hedging instruments, both when the hedges are initiated and on an ongoing basis.

Financial Derivatives

Bertelsmann uses standard market financial derivatives, primarily unlisted (OTC) instruments. These include, in particular, forward agreements, currency swaps, currency options, interest rate swaps and individual commodities forwards. Transactions are entered into solely with banks with a high credit rating. As a rule, the Central Financial Department's transactions are only performed with a group of banks approved by the Executive Board. The nominal volume is the total of all underlying buying and selling amounts of the respective transactions.
The majority of the financial derivatives at the end of the reporting period are used to hedge against exchange rate risks from intercompany financing activities (55 percent). A total of €1,602 million (43 percent) is due to financial derivatives used to hedge currency risks from operating business as of the end of the reporting period. Financial derivatives are also used to hedge against interest rate risks from cash and cash equivalents and financing. No financial derivatives were purchased for speculative purposes.
The maturity bands correspond to the remaining maturities of the financial derivatives.

Nominal Amounts of Financial Derivatives

	Nominal volume as of 12/31/2015				Nominal volume as of 12/31/2014			
in € millions	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Currency derivatives								
Forward contracts and currency swaps	3,149	516	–	3,665	2,686	390	5	3,081
Interest rate derivatives								
Interest rate swaps	52	–	–	52	551	52	–	603
Other derivative financial instruments	7	–	–	7	–	–	–	–
	3,208	516	–	3,724	3,237	442	5	3,684

Fair Values of Financial Derivatives

	Nominal volume		Fair values	
in € millions	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Currency derivatives				
Forward contracts and currency swaps	3,665	3,081	94	35
Interest rate derivatives				
Interest rate swaps	52	603	(1)	1
Other derivative financial instruments	7	–	6	–
	3,724	3,684	99	36

The option offered in IFRS 13.48 (net risk position) is used for measuring fair value of financial derivatives. In order to identify the credit exposure from financial derivatives, the respective net position of the fair values with the contractual partners is used as a basis, as these are managed based on a net position in view of their market or credit default risks. Currency forwards are used to hedge the exchange rate risk relating to the purchase of program rights and output deals for the TV business. Bertelsmann hedges between 80 and 100 percent of the future cash flows from the purchase of program rights in foreign currency, which represent a fixed obligation (within one year) or a future transaction with a high probability of occurrence, and between 20 and 80 percent of the longer-term (two to five years) transactions expected in the future under output deals. The derivatives used for this purpose are recognized as hedging instruments in connection with cash flow hedges. The effective portion of changes in the fair value of cash flow hedges is recognized in other comprehensive income until the effects of the hedged underlying transaction affect profit or loss. The portion remaining in other comprehensive income at December 31, 2015, will thus mainly impact the income statement in the financial years 2016 through 2019. The ineffective portion of the cash flow hedges in the amount of €3 million (previous year: €-7 million) is recognized under the items “Other financial expenses” and “Other financial income.”

The following table provides an overview of the carrying amounts of the Group's derivative financial instruments, which correspond to their fair values. A distinction is made between derivatives that are included in an effective hedging relationship in accordance with IAS 39 and those that are not.

Derivative Financial Instruments

in € millions	Carrying amount as of 12/31/2015	Carrying amount as of 12/31/2014
Assets		
Forward contracts and currency swaps		
Without hedge relation	75	40
In connection with cash flow hedges	52	54
Interest rate swaps		
Without hedge relation	–	2
In connection with cash flow hedges	–	–
Other derivative financial instruments	6	–
Equity and liabilities		
Forward contracts and currency swaps		
Without hedge relation	28	56
In connection with cash flow hedges	5	3
Interest rate swaps		
Without hedge relation	1	1
In connection with cash flow hedges	–	–
Other derivative financial instruments	–	–

Financial Instruments
Financial Risk Management

The Bertelsmann Group is exposed to various forms of financial risk through its international business operations. Above all, this includes the effects of exchange and interest rate movements. Bertelsmann's risk management activities are designed to effectively mitigate these risks.
The Executive Board establishes basic risk management policy, outlining general procedures for hedging currency and interest rate risk and the utilization of derivative financial instruments. The Corporate Treasury and Finance Department advises subsidiaries on operating risk and hedges risks using derivative financial instruments as necessary. However, subsidiaries are not obliged to use the services provided by this department for their operating risks. Some subsidiaries, such as RTL Group in particular, have their own finance departments. These report their hedge transactions to the Corporate Treasury and Finance Department each quarter. Further information on financial market risks and financial risk management is presented in the Combined Management Report.

Exchange Rate Risk

Bertelsmann is exposed to an exchange rate risk in various currencies. Its subsidiaries are advised, but not obliged, to hedge themselves against exchange rate risks in the local reporting currency by signing forward agreements with banks that have a high credit rating. Loans within the Bertelsmann Group that are subject to exchange rate risk are hedged using derivatives.
A number of subsidiaries are based outside the eurozone. The resulting translation risk is managed through the relationship of economic debt to operating EBITDA of key currency areas. Over the long term, the Group aims to achieve a reasonable relationship between financial debt and results of operations. Bertelsmann's focus is on the maximum leverage factor permitted for the Group.

Interest Rate Risk

There are interest rate risks for interest-bearing assets and financial debt. Interest rate risk in the Bertelsmann Group is analyzed centrally and managed on the basis of the Group's planned net financial debt. A key factor in this management is the Group's interest result over time and its sensitivity to interest rate changes. The Group aims for a balanced relationship between floating rate and long-term fixed interest rates depending on the absolute amount, forecast performance of the interest-bearing liability and interest level. This is implemented using underlying and derivative instruments for control.

Liquidity Risk

Liquidity risks may arise through a lack of rollover financing (liquidity risk in a narrower sense), delayed receipt of payment and unforeseen expenditure (budgeting risk). Budgeting risk is determined by comparing deviations in actual spending with budget and reserve amounts. In a narrower sense, liquidity risk depends on the volume of debt due within a given period. Liquidity risk is monitored on an ongoing basis with reference to the budget for current and future years. New and unplanned transactions (e.g., acquisitions) are continuously tracked. The maturity profile of financial assets and liabilities is also reconciled on a regular basis. Budget risks are managed through effective cash management and constant monitoring of projected versus actual cash flows. Debt maturities are also diversified to ensure that rising financing costs do not have a short-term impact. Credit facilities are also maintained for unplanned expenditure.

Counterparty Risk

The Bertelsmann Group is exposed to default risks in the amount of the invested cash and cash equivalents and the positive fair value of the derivatives in its portfolio. Transactions involving money market securities and other financial instruments are exclusively conducted with a defined group of banks with a high credit rating ("core banks"). The credit ratings of core banks are constantly monitored and classified on the basis of quantitative and qualitative criteria (rating, CDS spreads, stock price, etc.). Counterparty limits determined on the basis of credit ratings refer to cash holdings and positive fair values; the use of limits is monitored regularly. Funds are invested in very short-term portfolios in some cases to preserve flexibility in the event of credit rating changes. In addition, some tri-party transactions with banks have been concluded to reduce default risks. These tri-party transactions are collateralized investments, and the banks provide pre-defined securities as collateral. As in the previous year, at the end of the reporting period, no tri-party transactions were outstanding and no collateral had been provided. Processing these transactions as well as managing and valuing the collateral are performed by a clearing agent. Default risks arising from trade receivables are partially mitigated through credit insurance coverage. The Bertelsmann Group has obtained credit collateralization in the amount of €541 million for these receivables. In the previous year, credit collateralization in the amount of €360 million was in place for receivables of more than €5 million.

Capital Management

The financing guidelines adopted by the Bertelsmann Group are designed to ensure a balance between financing security, return on equity and growth. The Group's net indebtedness is based specifically on the requirements for a credit rating of "Baa1/BBB+." Financial management at Bertelsmann is conducted using quantified financing objectives that are a central factor in ensuring the Group's independence and capacity to act. These objectives, as elements of the planning process and regular monitoring, are broadly defined performance indicators. The key performance indicator for limiting economic debt within the Bertelsmann Group is the leverage factor of maximum 2.5. On December 31, 2015, the leverage factor was 2.4 (previous year: 2.7). The coverage ratio is to remain above 4. The coverage ratio amounted to 10.1 on December 31, 2015 (previous year: 7.5). The equity ratio is not to fall below 25 percent of total assets. Management of the equity ratio is based on the definition of equity in IFRS. Although minority interests in partnerships represent equity in financial terms, they are classified as debt for accounting purposes.

In the financial year 2015, the equity ratio was 41.2 percent (previous year: 38.9 percent), meeting the internal financial target set by the Group.

Interest Rate and Exchange Rate Sensitivity

For the analysis of interest rate risk, a distinction is made between cash flow and present value risks. Financial debt, cash and cash equivalents and interest rate swaps with variable interest terms are subject to a greater degree of cash flow risk, as changes in market interest rates impact the Group's interest result almost immediately. In contrast, medium- and long-term interest rate agreements are subject to a greater degree of present value risk. The accounting treatment of present value risks depends on the respective financial instrument or a hedging relationship documented in conjunction with a derivative (micro-hedge).

Upon initial recognition, originated financial debt is measured at fair value less transaction costs. Subsequent measurement is based on amortized cost. Changes in fair value are limited to opportunity effects, as changes in interest rates have no effect on the balance sheet or the income statement. The recognition of originated financial debt at fair value is only permitted for transactions for which a micro-hedge is documented in accordance with IAS 39 in conjunction with the conclusion of an interest rate or exchange rate hedge transaction involving derivatives. In this case, changes in the fair value of the respective items are recognized in the income statement in order to substantially balance out the offsetting effects of the fair value measurement of the related derivatives.

For derivative financial instruments, the effects of changes in interest rates are recognized in the income statement. In the case of documented hedging relationships (cash flow hedges), however, these effects are taken directly to equity.

The cash flow or present value risks existing at the end of the reporting periods are analyzed using a sensitivity calculation as an after-tax observation. A parallel shift in the interest rate curve of +/-1 percent is assumed for all major currencies. The analysis is performed on the basis of financial debt, cash and cash equivalents and derivatives at the end of the reporting period. The results are shown in the following table:

Sensitivity Analysis of Cash Flow and Present Value Risks

	12/31/2015		12/31/2014	
in € millions	Shift +1%	Shift -1%	Shift +1%	Shift -1%
Cash flow risks (income statement)	5	(5)	3	(3)
Present value risks (income statement)	–	–	(2)	2
Present value risks (equity)	–	–	–	–

The analysis of exchange rate sensitivity includes the Group's financial debt and operating transactions at the end of the reporting period as well as the hedging relationships entered into (forward agreements and options). The calculation is performed for the unsecured net exposure on the basis of an assumed 10 percent write-up of the euro versus all foreign currencies and is presented after tax. A uniform devaluation of foreign currencies would have resulted in a change in the carrying amount recognized in profit or loss of €-9 million (previous year: €-8 million). Thereof, €-3 million (previous year: €-3 million) relates to fluctuations in the US dollar exchange rate with a net exposure of US$53 million (previous year: US$52 million). Shareholders' equity would have changed by €43 million (previous year: €-41 million) as a result of fluctuations in the fair values of documented cash flow hedges. Thereof, €43 million (previous year: €-43 million) relates to fluctuations in the US dollar exchange rate on the basis of a documented cash flow hedge volume of US$680 million (previous year: US$753 million). If there had been a uniform increase in the value of foreign currencies, this would have led to opposite changes in these amounts for the Bertelsmann Group.

Factoring

In individual cases, Bertelsmann sells receivables to financial intermediaries. The receivables sold relate primarily to short-term external receivables which Arvato Financial Solutions acquires from third parties as part of its services in receivables management. This business can be changed at any time during the year. The receivables are resold to financial intermediaries on an ongoing basis. The volume of receivables sold amounted to €331 million as of the end of the reporting period (previous year: €370 million). As part of the contractual agreements on the sale of receivables, in the majority of cases neither all rewards nor all risks that are associated with the receivables were transferred or retained. In particular, parts of the default and late payment risks were retained by Bertelsmann, with the result that a receivable was accounted for in the amount of the continuing involvement of €45 million (previous year: €48 million). The carrying amount of the associated liability is €54 million (previous year: €59 million).

26 Cash Flow Statement

The Bertelsmann consolidated cash flow statement has been prepared in accordance with IAS 7 and is used to evaluate the Group's ability to generate cash and cash equivalents. Cash flows are divided into those relating to operating activities, investing activities and financing activities. Cash flows from operating activities are presented using the indirect method, with Group earnings before interest and taxes adjusted for non-cash items. Income and expenses relating to cash flows from investing activities are also eliminated.

The management of Group operations of the Bertelsmann Group utilizes indicators that include operating EBITDA and is thus before interest and taxes as well as depreciation, amortization and impairment and special items. Operating results and the resulting cash flow from operating activities should therefore be consistent and comparable. Accordingly, the net balance of interest paid and interest received during the financial year is shown in the cash flow statement as part of financing activities.

Contributions to pension plans are a cash outflow reported as a separate item in the cash flow from investing activities. In the reporting period, a voluntary contribution to plan assets managed by Bertelsmann Pension Trust e.V. was made in the amount of €650 million. The change in provisions for pensions and similar obligations represents the balance of personal expenses for pensions and similar obligations and company payments for these obligations (further explanations are presented in note 19 "Provisions for Pensions and Similar Obligations").

The consolidated cash flow statement includes the effects of changes in foreign currencies and changes in the scope of consolidation. Items in the consolidated cash flow statement thus cannot be compared with changes in items disclosed on the consolidated balance sheet. Investing activities include payments for fixed assets and purchase price payments for consolidated investments acquired as well as proceeds from the disposal of non-current assets and participations. Further explanations concerning acquisitions made during the financial year are presented in the "Acquisitions and Disposals" section. Disposals during the financial year are also presented separately in that section. Investments in financial assets include, among others, a purchase price payment in the amount of €134 million for the acquired interest in the online education platform HotChalk and a purchase price payment in the amount of €69 million for the acquisition of interest in the online learning provider Udacity. Financial debt of €41 million (previous year: €62 million) was assumed during the financial year.

Cash flow from financing activities includes changes in equity, financial debt and dividend payments affecting cash, as well as interest paid and interest received. The item "Proceeds from bonds and promissory notes" mainly includes payments received from two subordinated hybrid bonds totaling a volume of €1,250 million. The item "Proceeds from/redemption of other financial debt" includes receipts in the amount of €222 million (previous year: €126 million) and payments in the amount of €-377 million (previous year: €-207 million).

27 Segment Reporting

IFRS 8 Operating Segments stipulates that external segment reporting must be based on internal organizational and management structure and on management and reporting indicators used internally. The Bertelsmann Group is comprised of Corporate Investments and five operating segments, which differ according to the type of products and services they offer:

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

Segment reporting thus consists of five operating reportable segments: RTL Group, Penguin Random House, Gruner + Jahr, Arvato and Be Printers, as well as other operating activities (Corporate Investments).

Each of the five segments is run by a segment manager who is responsible for results. This manager reports to the Executive Board of Bertelsmann Management SE in its role as the chief operating decision maker in accordance with IFRS 8. Bertelsmann's remaining operating activities are grouped under Corporate Investments. Among others, these include the strategic growth segments of music and education as well as the club and direct marketing businesses, which are being phased out. Bertelsmann Digital Media Investments (BDMI), Bertelsmann Asia Investments (BAI), Bertelsmann India Investments (BII), Bertelsmann Brazil Investments (BBI) and other investments in the growth regions are also allocated to Corporate Investments. The responsibilities of the Corporate Center comprise, in particular, activities in the areas of accounting and reporting, taxes, legal, human resources, information technology, internal auditing, corporate communications and management, internal control and strategic development of the Group, financing, risk management and the optimization of the Group's investment portfolio.

Intersegment eliminations are carried in the column "Consolidation."

As in the past, specific segment information is defined according to the definitions on which Group management is based. As a rule, accounting and measurement in the segment reporting uses the same IFRS principles as in the Consolidated Financial Statements. Notwithstanding the IFRS principles, 66 percent of the net present value of the operating leases is considered in the calculation of invested capital. Intercompany revenues are recognized using the same arm's-length conditions applied to transactions with third parties.

Operating EBITDA serves as a key performance indicator for a sustainable determination of operating result. Assessment of the operating segments' performance is based on this performance indicator as well. Operating EBITDA represents the operating earnings generated by the respective segment management before interest and income taxes as well as depreciation, amortization and impairment, and is adjusted for special items. Elimination of these special items allows the determination of a normalized performance indicator, thus simplifying forecasting and comparability. Segment depreciation and amortization includes the depreciation of property, plant and equipment, and amortization of intangible assets as set out in notes 11 "Intangible Assets" and 12 "Property, Plant and Equipment."

Segment assets constitute the operating assets for each segment. These consist of property, plant and equipment, intangible assets including goodwill and financial assets. Also included is 66 percent of the net present value of the operating leases and current assets with the exception of cash and cash equivalents, tax receivables and other non-operating assets. Segment liabilities consist of operating liabilities and provisions. Provisions for pensions and similar obligations, income taxes, financial debt or other non-operating liabilities and provisions are thus not included. Additions to non-current assets are balance sheet additions to property, plant and equipment and intangible assets including goodwill.

Each segment shows the investments accounted for using the equity method and their results, provided these companies can be clearly allocated to the segment concerned. Results from investments accounted for using the equity method are shown before impairment. In addition to the segment breakdown, revenues are broken down by customer location and revenue source. Non-current assets are also stated according to the location of the respective company.

Tabular information on the segment information is presented on page 44f.

The following table shows the reconciliation of segment information to the Consolidated Financial Statements:

Reconciliation of Segment Information to the Consolidated Financial Statements

in € millions	2015	2014 (adjusted)
Operating EBITDA of divisions	2,561	2,444
Corporate Center	(76)	(71)
Consolidation	–	1
Amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment	(616)	(793)
Adjustments on amortization/depreciation, impairment losses and reversals of intangible assets and property, plant and equipment included in special items	3	187
Special items	(191)	(619)
EBIT from continuing operations	1,681	1,149
Financial result	(230)	(295)
Earnings before taxes from continuing operations	1,451	854
Income tax expense	(346)	(286)
Earnings after taxes from continuing operations	1,105	568
Earnings after taxes from discontinued operations	3	4
Group profit or loss	1,108	572

in € millions	12/31/2015	12/31/2014 (adjusted)
Total assets of the segments	20,843	19,359
Corporate Center	141	133
Consolidation	(89)	(84)
Total assets of the Group[1)]	20,895	19,408
Operating leases (66% of net present value)	(889)	(817)
Cash and cash equivalents	1,310	1,329
Deferred tax assets	961	1,076
Other assets (not allocated)[2)]	631	564
Total assets	22,908	21,560
Total liabilities of the segments	6,694	6,469
Corporate Center	90	89
Consolidation	(66)	(52)
Group liabilities	6,718	6,506
Profit participation capital	413	413
Provisions for pensions and similar obligations	1,709	2,698
Financial debt	4,075	3,018
Deferred tax liabilities	160	157
Other liabilities (not allocated)[3)]	399	388
Total liabilities of the Group	13,474	13,180
Equity	9,434	8,380
Total liabilities	22,908	21,560

The figures from the previous year have been adjusted. Further details are presented in the “Prior Year Information” section.
1) Continuing operations, including 66 percent of the net present value of the operating leases.
2) Includes assets held for sale.
3) Includes liabilities related to assets held for sale.

28 Related Party Disclosures

For the Bertelsmann Group, related parties as defined in IAS 24 are those persons and entities that control or exercise a significant influence over the Bertelsmann Group, as well as those persons and entities controlled or jointly controlled by the Bertelsmann Group, or over which it exercises a significant influence. Accordingly, certain members of the Mohn family, the members of the Executive Board of Bertelsmann Management SE as the personally liable partner and the Supervisory Board of Bertelsmann SE & Co. KGaA including close members of their families, including the companies that are controlled or jointly managed by them, as well as the joint ventures and associates forming part of the Bertelsmann Group and their subsidiaries are defined as related parties.

Bertelsmann Verwaltungsgesellschaft mbH (BVG), Gütersloh, a holding company with no operating activities, has control of the Bertelsmann Group. Johannes Mohn GmbH, Bertelsmann Beteiligungs GmbH, Reinhard Mohn Verwaltungsgesellschaft mbH and Mohn Beteiligungs GmbH have informed Bertelsmann SE & Co. KGaA that they each own more than one quarter of the shares. Shares held both directly and indirectly are included when identifying shareholdings.

In the legal form of a KGaA, the business is managed by a personally liable partner. In the case of Bertelsmann SE & Co. KGaA, Bertelsmann Management SE, represented by its Executive Board, is responsible for the management of the business. The statutory bodies consist of the Supervisory Board and the General Meeting at the Bertelsmann SE & Co. KGaA level, and the Executive Board, Supervisory Board and General Meeting at the Bertelsmann Management SE level. The Supervisory Board of the KGaA is elected by the limited partners at the General Meeting. The members of the Bertelsmann Management SE Supervisory Board are appointed by the General Meeting of Bertelsmann Management SE. BVG controls the voting rights at the Bertelsmann SE & Co. KGaA and Bertelsmann Management SE General Meeting.

Remuneration for key management personnel includes:

Remuneration for Key Management Personnel

in € millions	2015	2014
Short-term employee and termination benefits	23	22
Post-employment benefits	2	2
Other long-term benefits	5	4

The remuneration shown also includes remuneration for activities by the members of the Supervisory Board of Bertelsmann SE & Co. KGaA in the Supervisory Board of Bertelsmann Management SE. Transactions with subsidiaries included in the scope of consolidation are eliminated and are not further disclosed. In addition to transactions with consolidated subsidiaries, the following transactions with related parties and entities were conducted in the reporting period:

Transactions with Related Parties

in € millions	Parent and entities with significant influence	Key members of management	Joint ventures	Associates	Other related parties
2015					
Goods delivered and services provided	–	–	69	29	–
Goods and services received	–	(2)	(28)	(10)	(1)
Receivables against	–	–	33	25	–
Commitments provided	–	35	34	9	15
2014					
Goods delivered and services provided	–	–	77	22	–
Goods and services received	–	(2)	(27)	(12)	(1)
Receivables against	–	–	21	25	–
Commitments provided	–	40	28	15	16

Transactions with the personally liable partner Bertelsmann Management SE are shown under "Other related parties." The obligations as of the end of the reporting period result from expenses passed on by Bertelsmann Management SE.

No guarantees were entered into for associates during the financial year and also not in the previous year. In line with the previous year, Bertelsmann has no share in the contingent liabilities at the associates. There are contribution obligations in the amount of €72 million to a Brazilian fund set up by Bertelsmann along with the investment company Bozano Investimentos and other partners, investing in educational companies, with a particular focus on healthcare. Further contribution obligations exist to University Ventures Funds in the amount of €51 million (previous year: €45 million) and to HotChalk in the amount of €32 million.

Joint ventures have obligations to the Bertelsmann Group from operating leases in the amount of €14 million (previous year: €9 million) and contingent liabilities in the amount of €16 million (previous year: €8 million). As of the end of the reporting period, contingent liabilities for RTL Group joint ventures existed in the amount of €54 million (previous year: €7 million).

29 Events After the Reporting Period

From the beginning of the financial year 2016, three additional independent divisions will be formed from the operating activities of Corporate Investments: BMG, Bertelsmann Education Group and Bertelsmann Investments. BMG is an international music company. The Bertelsmann Education Group division comprises the growth businesses and investments specializing in activities related to high-quality education services. 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 and thus focused on establishing and expanding the growth businesses of the future. The activities of the new divisions were previously included in Corporate Investments. In addition, the division Bertelsmann Printing Group bundles the Group's offset and gravure printing activities as of January 1, 2016. It comprises the businesses Mohn Media, GGP Media and Vogel Druck 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 several additional service and production businesses: the RTV Media Group, direct marketing specialist Arvato Campaign and the replication business (Arvato Entertainment). As of January 1, 2016, the Bertelsmann Executive Board manages and monitors the three new divisions separately, and they will therefore be reported as separate divisions in the internal reporting and external segment reporting from 2016 onwards.

30 Exemption for Subsidiaries from Preparation, Audit and Publication of Financial Statements

The following subsidiaries took advantage of the exemption regulations set out in section 264 (3) of the German Commercial Code (HGB) relating to additional requirements for limited liability companies to prepare annual financial statements and a management report, as well as the requirements for audit of and publication by limited liability companies for the financial year ended December 31, 2015:

"I 2 I" Musikproduktions- und Musikverlagsgesellschaft mbH	Cologne
adality GmbH	Munich
arvato AG	Gütersloh
arvato analytics GmbH	Gütersloh
arvato backoffice services Erfurt GmbH	Erfurt
arvato business support GmbH	Gütersloh
arvato CRM Energy GmbH	Leipzig
arvato CRM Healthcare GmbH	Berlin
arvato CRM Nordhorn GmbH	Nordhorn
arvato CrossMarketing GmbH	Munich
arvato direct services Brandenburg GmbH	Brandenburg
arvato direct services Cottbus GmbH	Cottbus
arvato direct services Dortmund GmbH	Dortmund
arvato direct services eiweiler GmbH	Heusweiler-Eiweiler
arvato direct services Frankfurt GmbH	Frankfurt am Main
arvato direct services GmbH	Gütersloh
arvato direct services Gütersloh GmbH	Gütersloh
arvato direct services Münster GmbH	Münster
arvato direct services Neckarsulm GmbH	Neckarsulm
arvato direct services Neubrandenburg GmbH	Neubrandenburg
arvato direct services Potsdam GmbH	Potsdam
arvato direct services Rostock GmbH	Rostock
arvato direct services Schwerin GmbH	Schwerin
arvato direct services Stralsund GmbH	Stralsund
arvato direct services Wilhelmshaven GmbH	Schortens
arvato distribution GmbH	Harsewinkel
arvato eCommerce Beteiligungsgesellschaft mbH	Gütersloh
arvato eCommerce Verwaltungsgesellschaft mbH	Gütersloh
arvato health analytics GmbH	Munich
arvato infoscore GmbH	Baden-Baden
arvato IT support GmbH	Gütersloh
arvato Logistics, Corporate Real Estate & Transport GmbH	Gütersloh
arvato media GmbH	Gütersloh
arvato p.s. GmbH	Verl
arvato services Chemnitz GmbH	Chemnitz
arvato services Cottbus GmbH	Cottbus
arvato services Dresden GmbH	Dresden
arvato services Duisburg GmbH	Duisburg
arvato services Erfurt GmbH	Erfurt
arvato services Essen GmbH	Essen
arvato services Gera GmbH	Gera
arvato services Halle GmbH	Halle (Saale)
arvato services Leipzig GmbH	Leipzig
arvato services Magdeburg GmbH	Magdeburg
arvato services Rostock GmbH	Rostock
arvato services Schwerin GmbH	Schwerin
arvato services solutions GmbH	Gütersloh
arvato services Stralsund GmbH	Stralsund
arvato services Suhl GmbH	Suhl
arvato services technical information GmbH	Harsewinkel
arvato Systems Business Services GmbH	Dortmund
arvato systems GmbH	Gütersloh
arvato Systems perdata GmbH	Leipzig
arvato Systems S4M GmbH	Cologne
arvato telco services Erfurt GmbH	Erfurt
AVE Gesellschaft für Hörfunkbeteiligungen mbH	Berlin
AZ Direct Beteiligungs GmbH	Gütersloh
AZ Direct GmbH	Gütersloh
BAG Business Information Beteiligungs GmbH	Gütersloh
BAI GmbH	Gütersloh
BDMI GmbH	Gütersloh
BePeople GmbH	Gütersloh
Bertelsmann Accounting Services GmbH	Gütersloh
Bertelsmann Accounting Services Schwerin GmbH	Schwerin
Bertelsmann Aviation GmbH	Gütersloh
Bertelsmann Capital Holding GmbH	Gütersloh
Bertelsmann China Holding GmbH	Gütersloh
Bertelsmann Music Group GmbH	Gütersloh
Bertelsmann Transfer GmbH	Gütersloh
Bertelsmann Treuhand- und Anlagegesellschaft mit beschränkter Haftung	Gütersloh
BFS finance GmbH	Verl
BFS finance Münster GmbH	Münster
BFS health finance GmbH	Dortmund
BMG RIGHTS MANAGEMENT (Europe) GmbH	Berlin
BMG RIGHTS MANAGEMENT GmbH	Berlin
CBC Cologne Broadcasting Center GmbH	Cologne
COUNTDOWN MEDIA GmbH	Hamburg
Delta Advertising GmbH	Munich
DeutschlandCard GmbH	Munich
DirectSourcing Germany GmbH	Munich
Erste TD Gütersloh GmbH	Gütersloh
Erste WV Gütersloh GmbH	Gütersloh
European SCM Services GmbH	Gütersloh
Fremantle Licensing Germany GmbH	Potsdam
Gerth Medien GmbH	Aßlar
GGP Media GmbH	Pößneck
Global Assekuranz Vermittlungsgesellschaft mit beschränkter Haftung	Gütersloh
Gruner + Jahr Communication GmbH	Hamburg
Gruner + Jahr Management GmbH	Hamburg

Gute Zeiten – Schlechte Zeiten Vermarktungsgesellschaft mbH	Cologne
infoNetwork GmbH	Cologne
informa HIS GmbH	Baden-Baden
informa Solutions GmbH	Baden-Baden
infoscore Business Support GmbH	Baden-Baden
infoscore Consumer Data GmbH	Baden-Baden
infoscore Finance GmbH	Baden-Baden
infoscore Forderungsmanagement GmbH	Verl
inmediaONE] GmbH	Gütersloh
IP Deutschland GmbH	Cologne
KWS Kontowechsel Service GmbH	Schortens
mbs Nürnberg GmbH	Nuremberg
MEDIASCORE Gesellschaft für Medien- und Kommunikationsforschung mbH	Cologne
Medienfabrik Gütersloh GmbH	Gütersloh
Mediengruppe RTL Deutschland GmbH	Cologne
Mohn Media Energy GmbH	Gütersloh
Mohn Media Mohndruck GmbH	Gütersloh
Netzathleten.net GmbH	Munich
NORDDEICH TV Produktionsgesellschaft mbH	Hürth
Prinovis Ahrensburg Weiterverarbeitung und Logistik GmbH	Hamburg
Prinovis GmbH	Gütersloh
Prinovis Klebebindung GmbH	Nuremberg
PRINOVIS Service GmbH	Hamburg
Print Service Gütersloh GmbH	Gütersloh
Probind Mohn media Binding GmbH	Gütersloh
PSC Print Service Center GmbH	Oppurg
Random House Audio GmbH	Cologne
Reinhard Mohn GmbH	Gütersloh
rewards arvato services GmbH	Munich
RM Buch und Medien Vertrieb GmbH	Gütersloh
RM Filial-Vertrieb GmbH	Rheda-Wiedenbrück
RM Kunden-Service GmbH	Gütersloh
RTL Creation GmbH	Cologne
RTL Group Cable & Satellite GmbH	Cologne
RTL Group Central & Eastern Europe GmbH	Cologne
RTL Group Deutschland GmbH	Cologne
RTL Group Deutschland Markenverwaltungs GmbH	Cologne
RTL Group Licensing Asia GmbH	Cologne
RTL Hessen GmbH	Frankfurt am Main
RTL interactive GmbH	Cologne
RTL Nord GmbH	Hamburg
RTL Radio Berlin GmbH	Berlin
RTL Radio Center Berlin GmbH	Berlin
RTL Radio Deutschland GmbH	Berlin
RTL Radio Luxemburg GmbH	Cologne
RTL Radiovermarktung GmbH	Berlin
RTL West GmbH	Cologne
rtv media group GmbH	Nuremberg
Smart Shopping and Saving GmbH	Berlin
Sonopress GmbH	Gütersloh
Sparwelt GmbH	Berlin
SSB Software Service und Beratung GmbH	Munich
UFA Cinema GmbH	Potsdam
UFA Distribution GmbH	Potsdam
UFA Fiction GmbH	Potsdam
UFA Film und Fernseh GmbH	Cologne
UFA GmbH	Potsdam
Ufa Radio-Programmgesellschaft in Bayern mbH	Ismaning
UFA Serial Drama GmbH	Potsdam
Universum Film GmbH	Munich
Verlag RM GmbH	Gütersloh
Verlagsgruppe Random House GmbH	Gütersloh
Verlegerdienst München GmbH	Gilching
Viasol Reisen GmbH	Berlin
VIVENO Group GmbH	Gütersloh
Vogel Druck und Medienservice GmbH	Höchberg
VOX Holding GmbH	Cologne
webmiles GmbH	Munich
Zweite BAG Beteiligungs GmbH	Gütersloh

In addition, the exemption regulations set out in section 264b of the German Commercial Code (HGB) were used by the following companies for the financial year ended December 31, 2015:

"Alwa" Gesellschaft für Vermögensverwaltung mbH & Co. Grundstücksvermietung KG	Schönefeld
11 Freunde Verlag GmbH & Co. KG	Berlin
AVE II Vermögensverwaltungsgesellschaft mbH & Co. KG	Cologne
AZ fundraising services GmbH & Co. KG	Gütersloh
Berliner Presse Vertrieb GmbH & Co. KG	Berlin
DDV Mediengruppe GmbH & Co. KG	Dresden
G+J / Klambt Style-Verlag GmbH & Co. KG	Hamburg
G+J Immobilien GmbH & Co. KG	Hamburg
G+J Wirtschaftsmedien GmbH & Co. KG	Hamburg
Gruner + Jahr GmbH & Co KG	Hamburg
infoscore Portfolio Management GmbH & Co. KG	Verl
infoscore Portfolio Management II GmbH & Co. KG	Baden-Baden
Motor Presse Stuttgart GmbH & Co. KG	Stuttgart
Prinovis GmbH & Co. KG	Hamburg
Sellwell GmbH & Co. KG	Hamburg

The consolidated subsidiary arvato SCM Ireland Limited in Dublin, Ireland, has used the option offered in section 17 of the Republic of Ireland Companies (Amendment) Act 1986 for publication requirements for its annual financial statements.

31 Additional Information in accordance with Section 315a of the German Commercial Code (HGB)

Compensation of the Supervisory Board of Bertelsmann SE & Co. KGaA for the financial year 2015 amounted to €2,007,000 plus statutory value-added tax. Members of the Executive Board received total remuneration in the reporting period of €22,903,864, including €12,291,687 from Bertelsmann Management SE. Former members of the Executive Board of Bertelsmann Management SE and Bertelsmann AG and their surviving dependents received compensation of €7,963,947, including €7,586,157 from Bertelsmann SE & Co. KGaA. The provision for pension obligations to former members of the Executive Board of Bertelsmann AG and Bertelsmann Management SE accrued at Bertelsmann SE & Co. KGaA and Bertelsmann Management SE amounts to €78,356,234. The members of the Executive Board and Supervisory Board are listed on pages 131ff.

The fees for the Group auditors PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft totaled €6 million during the financial year. Thereof, €4 million was due to fees for the audit of the financial statements and €1 million was due to other audit-related services. PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft was paid a total of less than €1 million for tax consulting services. Fees for further services totaled €1 million.

The following table shows the number of employees as of December 31, 2015, and on an annual average:

Number of Employees

	RTL Group	Penguin Random House	Gruner + Jahr	Arvato	Be Printers	Other operating activities (Corporate Investments)	Corporate Center	Total
Number of employees (closing date)	12,258	10,582	13,245	72,457	3,415	4,654	638	117,249
Number of employees (average)	12,546	11,911	13,509	72,100	3,629	4,697	654	119,046

32 Proposal for the Appropriation of Net Retained Profits

The personally liable partner Bertelsmann Management SE and the Supervisory Board of Bertelsmann SE & Co. KGaA will propose to the General Meeting that the remaining net retained profits of Bertelsmann SE & Co. KGaA of €582 million be appropriated as follows:

Net Retained Profits for Bertelsmann SE & Co. KGaA

in € millions	
Retained earnings	582
Dividends to shareholders	(180)
Carry forward to new financial year	402

The dividend per ordinary share thus totals €2,149.

The personally liable partner Bertelsmann Management SE approved the Consolidated Financial Statements for submission to the Supervisory Board of Bertelsmann SE & Co. KGaA on March 9, 2016. The Supervisory Board's task is to review the Consolidated Financial Statements and to declare whether it approves these.

Gütersloh, March 9, 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	Anke Schäferkordt	

Corporate Governance at Bertelsmann

The German Corporate Governance Code in the version dated May 5, 2015, sets out key statutory requirements concerning the management and monitoring of German listed companies and contains relevant standards for good and responsible corporate management and governance. Its recommendations and suggestions, in addition to the applicable provisions of law, form the basis for Corporate Governance at Bertelsmann. Bertelsmann SE & Co. KGaA is a capital market-oriented company but is unlisted. It is not, therefore, subject to the statutory requirement to issue a formal declaration of compliance as per section 161 of the German Stock Corporation Act.

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

Corporate Management: Transparent Structures and Clear Decision-Making Processes

The general partner, Bertelsmann Management SE, represented by its Executive Board, is responsible for independently managing the company. The duties consist of determining the corporate objectives, the strategic direction of the Group, Group management, management training, and corporate planning and financing. The Executive Board provides the respective Supervisory Boards with regular, prompt and comprehensive reports on all matters that are relevant to business development and strategy implementation, planning, and financial and earnings position, as well as on the risk situation and risk management. It ensures compliance with the provisions of law and corporate guidelines within the Group. The Executive Board Chairman coordinates the cooperation between the Executive Board and the Supervisory Boards and has regular consultation meetings with the chairs of the two Supervisory Boards. In addition, the Executive Board has established the Group Management Committee (GMC), which advises on important corporate strategy and development matters as well as other issues that affect the Group as a whole. This Committee, currently comprised of 18 members, is composed of all members of the Executive Board and executives representing key businesses, countries, regions and selected Group-wide functions.

The Supervisory Board of Bertelsmann SE & Co. KGaA supervises the management of the business by the general partner and uses its extensive information and control rights for this purpose. In addition, the Supervisory Boards advise the Executive Board on strategic matters and significant transactions. The Executive and Supervisory Boards work in close cooperation and are therefore able to reconcile the demands of effective corporate governance with the need for rapid decision-making. Fundamental matters of corporate strategy and their implementation are discussed openly and coordinated in joint sessions. Any significant measures to be taken by the Executive Board are subject to the approval of the Supervisory Board. The Bertelsmann SE & Co. KGaA and Bertelsmann Management SE shareholders exercise their rights and vote at the respective General Meetings. The General Meetings vote on matters such as amendments to the articles of association and the appropriation of net income and elect the members of the respective Supervisory Board. The members of the Executive and Supervisory Boards are obliged to serve the company's best interests in their work. For some time, the delegation of tasks to committees of experts has been an integral component of the Supervisory Boards' work at Bertelsmann. It serves to increase the monitoring efficiency and advisory expertise of the Supervisory Boards. The Supervisory Board of Bertelsmann Management SE has formed a Personnel Committee and a Program Committee, and the Supervisory Board of Bertelsmann SE & Co. KGaA has formed an Audit and Finance Committee and the Working Group of Employee and Management Representatives. The tasks of a Nomination Committee were also assigned to the Personnel Committee, in which capacity it recommends to the plenary session of the Supervisory Board suitable candidates at the General Meeting. The Program Committee, instead of the Supervisory Board, decides on the approval of the Supervisory Board to enter into program supply deals, for example for feature films, series or sports rights. The Audit and Finance Committee of the Supervisory Board of Bertelsmann SE & Co. KGaA is also regularly involved in the accounting process and monitors the effectiveness of the internal control system, risk management system and internal auditing system. It also monitors the compliance organization within the Group. These committees prepare the topics to be addressed during the plenary meetings of the Supervisory Boards. The committee chairs then report to the plenary meetings on the work performed. The Supervisory Boards' decision-making powers have been transferred to the committees to the extent permitted by law. The breadth and range of responsibilities and tasks delegated to these committees is continuously reviewed through various evaluation processes. The appropriate size of the Supervisory Boards and the experience and professional expertise of their members, who are drawn from a broad range of industries and areas of activity, are key factors in Bertelsmann's effectiveness and independence.

Diversity in Practice

At a global company like Bertelsmann, diversity within the workforce is a key element for the Group's long-term economic success in its various markets and countries. This diversity is therefore reflected in the Group's management levels, among other areas. For a number of years now, the Executive Board has always included at least one female member. The senior management of the GMC is very heterogeneous, with 18 members originating from six different nations. Five members of the GMC are women.

Both Supervisory Boards are largely composed of professionally qualified and capable members with management experience, representing various countries and a broad range of backgrounds and lifestyles. There is a significant proportion of female members on the Supervisory Board. Maintaining diversity among the staff is always a key consideration of the Supervisory Boards when nominating candidates for election as new members of the Supervisory Board by the General Meeting. For example, when nominating candidates for the Supervisory Boards, extensive consideration is always given to the aim of further increasing the proportion of female members or members with international experience.

Bertelsmann SE & Co. KGaA is an unlisted company and is not subject to parity codetermination. The "Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act" does not apply to the two Supervisory Board bodies. Nonetheless, Bertelsmann supports the aim of the Act and has introduced a series of management development measures designed to increase diversity particularly within senior management. A cross-divisional, international working group specifically drives forward diversity at all levels of the company.

Closed Group of Shareholders

Three foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) indirectly hold 80.9 percent of Bertelsmann SE & Co. KGaA shares, with the remaining 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the Bertelsmann SE & Co. KGaA and Bertelsmann Management SE General Meetings. BVG is responsible for upholding the interests of the Bertelsmann Stiftung and of the Mohn family as indirect Bertelsmann SE & Co. KGaA shareholders, as well as ensuring the continuity of the company's management and Bertelsmann's distinctive corporate culture. BVG is controlled by a steering committee composed of three representatives of the Mohn family and three additional non-family members.

The German Corporate Governance Code in the version dated May 5, 2015, is directly applicable to listed companies and those with access to capital markets within the meaning of section 161, paragraph 1, clause 2 of the German Stock Corporation Act (Aktiengesetz). Bertelsmann SE & Co. KGaA is a capital market-oriented company but is unlisted. Nevertheless, its corporate governance activities closely follow the guiding principles and in that respect correspond to the recommendations of the German Corporate Governance Code. Consequently, in the opinion of Bertelsmann SE & Co. KGaA and taking into account its specific shareholder structure, exceptions relate primarily to those recommendations and suggestions that apply to publicly held enterprises with large numbers of shareholders or anonymous shareholders, above all to those guidelines concerning the invitation to and conduct of the Annual General Meeting and the composition and remuneration of the Executive Board and Supervisory Boards.

Compliance

Corporate responsibility as well as lawful and ethical behavior toward employees, customers, business partners and government agencies are an integral part of our value system at Bertelsmann. Accordingly, Bertelsmann has always been committed to the principle of adhering to laws and internal policies on the prevention of risks and their consequences.

In order to ensure compliance, the Executive Board has established a compliance organization and the Ethics & Compliance program. It oversees this program and ensures that it is continuously improved. The Supervisory Board Audit and Finance Committee monitors the effectiveness of the compliance organization and adherence to legal provisions as well as internal guidelines. Each year, the Corporate Compliance Committee (CCC) submits a report about compliance within the Group to the Executive and Supervisory Boards. It also provides ad hoc reports to the Executive and Supervisory Boards in the event of any significant compliance violations. The CCC is responsible for the effectiveness of measures designed to ensure compliance as well as for promoting a culture of ethical and compliant conduct within the Bertelsmann Group. In particular, the CCC monitors investigations into compliance violations and the measures taken to prevent violations. The Ethics & Compliance Department is responsible for the day-to-day work to ensure compliance, implementing Board-mandated compliance initiatives and managing the whistleblowing system.

The Bertelsmann Ethics & Compliance program is based on the relevant standards for compliance management systems and contributes toward mitigating risks in various ways. Its basic elements include, in particular, the Bertelsmann Code of Conduct, risk analysis, advice, communication and training measures, whistleblowing systems and case management. It also includes additional measures in specific subject areas, such as anticorruption, antitrust law, foreign trade law and antidiscrimination.

The Executive Board has continuously developed and expanded Bertelsmann's compliance structure and organization over time, including during the financial year 2015. In 2015, Code of Conduct training for employees continued. Additional training was offered on topics such as anticorruption, antitrust law, foreign trade law, business partner compliance and antidiscrimination. The interlinks between the compliance organization and the risk management system were strengthened, and new guidelines were approved concerning the deployment of external staff as well as the commissioning of consultants and agents. Guidelines on the compliance organization and the future role of Ethics & Compliance Officers and a Supplier Code of Conduct will soon be completed.

The Executive Board and CCC submitted the annual Compliance Report to the Supervisory Board. All reports of compliance violations received were investigated and appropriate actions were taken. The report also included suggestions for increasing the effectiveness of measures designed to ensure compliance.

Executive Board   Supervisory Board

Report of the Supervisory Board

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

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

Advising and Monitoring the Executive Board of Bertelsmann Management SE

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

The personally liable partner, represented by the Executive Board of Bertelsmann Management SE, provided the Supervisory Board with regular, prompt and comprehensive written and verbal reports on all significant issues of strategy, planning, business performance, intended business policies and other fundamental management issues. A wide range of topics and projects were presented for discussion at the meetings of the Supervisory Board. Reporting of the Executive Board concerned, but was not limited to, the position and development of the company, especially the current business and financial position, and material business transactions, particularly major planned investments and divestments. Instances where business performance deviated from official projections and targets were discussed in detail with the Supervisory Board, which reviewed these matters on the basis of the documentation submitted. The Supervisory Board obtained regular information concerning financial debt levels. The risk situation and risk management were also the focus of the Supervisory Board. The internal control system, risk management system and internal auditing system were the subjects of regular reports and discussions. The Supervisory Board also monitored and carefully followed corporate governance and compliance developments at Bertelsmann on an ongoing basis. The Executive Board and the Supervisory Board report jointly on corporate governance and compliance at Bertelsmann on pages 124–126.

Supervisory Board Plenary Meeting

In the plenary meetings, the Supervisory Board of Bertelsmann SE & Co. KGaA regularly heard reports from the Executive Board on the current business and financial position of the Group and of the individual divisions as well as reports on Group planning and material business transactions, particularly major planned investments and divestments. The Supervisory Board was kept regularly informed of the status of the implementation of the Group's strategy. During a full-day meeting with the Bertelsmann Management SE Executive Board, the Bertelsmann SE & Co. KGaA Supervisory Board discussed fundamental issues of strategic Group development. To the extent stipulated by law and the articles of association or bylaws, the plenary meeting made the necessary decisions. Thus, the Annual and Consolidated Financial Statements of Bertelsmann SE & Co. KGaA, as well as the proposal of the personally liable partner for appropriation of net income, were thoroughly reviewed and approved in the Supervisory Board's financial review meeting in March 2016. In the financial year 2015, the Supervisory Board met for four meetings and one strategy retreat together with the Executive Board.

The first meeting of the Supervisory Board in January 2015 focused on discussing and passing resolutions concerning the Group budget for 2015. In addition, the Supervisory Board thoroughly addressed the strategy and business development of BMG.

At the next meeting in March, the Executive Board reported, among other things, on the progress that had been made in implementing the Group strategy. Other agenda items included the Annual Financial Statements for 2014 and the associated discussions and resolutions. In addition, the Supervisory Board thoroughly addressed two investment proposals relating to the education segment and RTL Group. Mediengruppe RTL Deutschland was then the focus of the Supervisory Board's discussions as part of the routine reporting on key issues. In particular, the Supervisory Board addressed the general development of the video market and the TV advertising market as well as the digital strategy of Mediengruppe RTL.

As usual, the summer meeting of the Supervisory Board in July 2015 centered on the annual Strategic Planning Dialogue between the Executive Board and the Supervisory Board. The Executive Board presented the Supervisory Board with a strict strategy for the transformation of the Group, setting out clear strategic priorities. This enabled the Supervisory Board to form an opinion on the status of the transformation of the Group portfolio into a more rapidly growing and more digital and international portfolio and, in this connection, to establish that the company has made significant progress in implementing Group strategy. At the July meeting of the Bertelsmann Supervisory Board, the acquisition of the remaining shares and thus the full acquisition of Prinovis was approved, meaning that a full restructuring of the Bertelsmann print businesses, which are now bundled in the Bertelsmann Printing Group, could go ahead.

The topics discussed at the last Supervisory Board meeting in the financial year, held at the end of October 2015, included the following: the progress made with strategy implementation; the restructuring of the Bertelsmann print business, as mentioned above, which was welcomed by the Supervisory Board with the establishment of the Bertelsmann Printing Group; and the discussion of RTL Group's sports rights strategy. Another report concerned the service business of Arvato CRM (Customer Relationship Management). The new growth strategy of the business was presented and discussed.

The Supervisory Board Chairman maintained ongoing contact with the Executive Board outside the framework of Supervisory Board meetings, in particular with the Executive Board Chairman, in order to stay abreast of the current business situation and significant transactions. All Supervisory Board members attended at least half of the Supervisory Board meetings convened. No potential conflicts of interest arose on the Supervisory Board. The Supervisory Board addressed the German Corporate Governance Code and Bertelsmann's compliance therewith. A joint report by the Supervisory and Executive Boards of Bertelsmann Management SE on corporate governance within the company is provided on page 124f. of this Annual Report. As a non-listed company, Bertelsmann does not issue a formal declaration of compliance as per section 161 of the German Stock Corporation Act.

Supervisory Board Audit and Finance Committee

Within its sphere of responsibility, the Supervisory Board of Bertelsmann SE & Co. KGaA established the Audit and Finance Committee to perform its tasks efficiently. The Audit and Finance Committee has six members, while the Chair of the Supervisory Board does not lead this Committee. The German Corporate Governance Code stipulates that the Chair of the Audit and Finance Committee, Dr. Karl-Ludwig Kley, is independent for the purposes of the Code requirements and has special knowledge and experience in the application of accounting standards and internal control procedures. In particular, and in accordance with its mandate, the Audit and Finance Committee discussed issues of corporate financing, financial planning and development, fiscal policy, improvement of the internal control system, and compliance within the Group, in particular the compliance structure, as well as any negative deviations of business performance from budgeted performance. Moreover, the Audit and Finance Committee discussed how to manage risks to the Group's reputation and the issue of integrity within the company.

In addition, the Committee focused on the further development of IT governance within the Group. A further focus was the auditing of the Annual Financial Statements and the Consolidated Financial Statements of the reporting period at the start of 2016. In this role, the Committee also addressed the independence of the auditor and the additional services performed by the latter. The Audit and Finance Committee discussed the provisional findings from the audit of the Annual and Consolidated Financial Statements in depth in a conference call with the auditor before the actual financial review meeting. Also in a conference call, the 2015 Interim Report was extensively discussed with the Committee prior to publishing in August 2015. In the reporting period, the Committee also thoroughly examined the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system; it also requested regular reports from the Head of Corporate Audit and Consulting. The Audit and Finance Committee of Bertelsmann SE & Co. KGaA met four times and held two conference calls during the reporting period 2015.

Working Group of Employee Representatives on the Supervisory Board

In addition to the Audit and Finance Committee, the Supervisory Board also established the Working Group of Employee Representatives on the Supervisory Board. This Committee facilitates the Executive Board's dialogue with employee representatives on the Supervisory Board about issues of corporate culture and current topics of general significance for employees as well as the preparation and discussion of matters that are relevant to the Supervisory Board. The creation of this Working Group is indicative of the special corporate culture at Bertelsmann, which promotes active partnership, and this idea has proven highly productive in practice. The meetings of this Working Group were chaired by Ms. Liz Mohn. The Working Group of Employee Representatives on the Supervisory Board met four times in the financial year 2015.

Audit of the Annual and Consolidated Financial Statements

PricewaterhouseCoopers AG, Frankfurt, audited the Annual and Consolidated Financial Statements produced by the Bertelsmann Management SE Executive Board as well as the Bertelsmann SE & Co. KGaA Group management report, which is combined with the company's management report, for the financial year January 1 through December 31, 2015, each of which received an unqualified auditor's opinion. The Annual Financial Statements were produced in accordance with the HGB (German Commercial Code) and the Consolidated Financial Statements of Bertelsmann SE & Co. KGaA were produced in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union in line with section 315a HGB. The Supervisory Board's Audit and Finance Committee mandated the auditor of the Annual Financial Statements and Consolidated Financial Statements in accordance with the Annual General Meeting resolution. The auditor performed the audit in observance of German accepted auditing principles established by the German Institute of Independent Auditors (IDW). The auditor was additionally instructed to audit the risk early-warning system at Bertelsmann SE & Co. KGaA, which it found to be satisfactory in terms of section 91 (2) AktG (German Stock Corporation Act). The auditor of the Annual Financial Statements promptly submitted the audit reports and the other financial statement documents to all members of the Supervisory Board by the specified deadline in advance of the financial review meeting. On March 18, 2016, the auditor attended the financial review meetings of both the Audit and Finance Committees and the plenary session of the Supervisory Board, where he gave an extensive report and answered questions. He was able to confirm that, in the course of the audit, no significant weaknesses had been identified in the accounting-related internal control system. The Audit and Finance Committee discussed the Annual Financial Statement documents and audit reports in detail. The findings of the auditor of the Annual Financial Statements were carefully reviewed in an internal audit of the Annual and Consolidated Financial Statements. The Audit and Finance Committee reported comprehensively to the plenary session of the Supervisory Board concerning the audit of the Annual and Consolidated Financial Statements and the audit reports.

The plenary session of the Supervisory Board reviewed and discussed the Annual Financial Statements, Consolidated Financial Statements and Combined Management Report in detail, taking into account the recommendations of the Audit and Finance Committee and those contained in the audit reports and following further discussion with the auditor. The Supervisory Board concurred with the audit findings. After its own final scrutiny of the Annual and Consolidated Financial Statements and the Combined Management Report, the Supervisory Board – acting in accordance with the Audit and Finance Committee's recommendation – has raised no objections. The financial statements produced by the Bertelsmann Management SE Executive Board are thus approved. Moreover, the Supervisory Board approved the report of the Supervisory Board at the Annual General Meeting as well as the Corporate Governance Report and its resolution proposals concerning the agenda items for the ordinary Annual General Meeting in May 2016. The Supervisory Board has furthermore reviewed the Bertelsmann Management SE Executive Board proposal as to the amount of net retained profits for appropriation to shareholders and concurs with said proposal. The amount of the dividend proposed by the Executive Board of Bertelsmann Management SE is appropriate, in the view of the Supervisory Board, in consideration of the level of Group profit and the economic environment, the company's economic situation and the interests of the shareholders.

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

The business of Bertelsmann SE & Co. KGaA has been managed by its personally liable partner, Bertelsmann Management SE, represented by its Executive Board. The past financial year saw the following changes to the Executive Board of Bertelsmann Management SE: On November 28, 2014, Dr. Immanuel Hermreck was appointed as a member of the Executive Board of Bertelsmann Management SE and took up his position on January 1, 2015. Mr. Achim Berg left the Executive Board by mutual agreement on July 12, 2015. His successor on the Executive Board was Mr. Fernando Carro de Prada, the new Arvato CEO. On July 9, 2015, Mr. Carro de Prada was appointed as a member of the Executive Board with effect from July 13, 2015. On January 26, 2016, Mr. Bernd Hirsch was appointed as a member of the Executive Board to take over the position of Chief Financial Officer effective April 1, 2016.

The reporting period saw the following changes to the Supervisory Board: With the end of the ordinary Annual General Meeting of Bertelsmann SE & Co. KGaA, the terms of office of Messrs. Professor Werner Bauer, Dr. Wulf Bernotat, Christoph Mohn, Hartmut Ostrowski, Lars Rebien Sørensen and Ms. Elisabeth Mohn came to an end. The Annual General Meeting in May 2015 saw the re-election of Professor Bauer, Dr. Bernotat, Mr. Mohn and Ms. Mohn as members of the Supervisory Board. Mr. Gigi Levy-Weiss was also elected to the Supervisory Board. The Supervisory Board would like to thank Mr. Ostrowski and Mr. Sørensen for many years of excellent and trusting cooperation. At present, all eleven members of the Supervisory Board of Bertelsmann Management SE are also members of the currently 16-strong Supervisory Board of Bertelsmann SE & Co. KGaA.

The global economy posted moderate growth in 2015. The TV markets in the core European countries also grew. While the development of English-, German- and Spanish-language markets for printed books was stable or increasing, e-book publishing revenues in the United States declined. The magazine markets in Germany and France were characterized by declining advertising and circulation business. The music markets for publishing rights grew slightly. The service markets showed an ongoing positive trend. The decline in the European print markets continued in the gravure printing segment in particular. Overall, the relevant education markets in the e-learning, online services and university education segments posted strong growth. The Bertelsmann Group achieved a good operating result and an adequate return on sales with moderate revenue growth. Furthermore, the share represented by growth businesses was increased in the financial year 2015.

The Supervisory Board expresses its deep gratitude and appreciation for the good work of the Executive Board in the financial year 2015 and would like to thank all executives and employees for their commitment and achievements.

Gütersloh, March 18, 2016

Christoph Mohn
Chairman of the Supervisory Board

Supervisory Board

Christoph Mohn
Chairman
Chairman of the Reinhard Mohn Stiftung
Managing Director, Christoph Mohn Internet Holding GmbH
- Bertelsmann Management SE (Chairman)

Liz Mohn
Chairwoman of the Board of
Bertelsmann Verwaltungsgesellschaft mbH (BVG)
Vice Chairwoman of the Executive Board,
Bertelsmann Stiftung
- Bertelsmann Management SE

Prof. Dr.-Ing. Joachim Milberg
Vice Chairman
Chairman of the Supervisory Board, BMW AG
(until May 13, 2015)
- Bertelsmann Management SE (Vice Chairman)
- Deere & Company

Prof. Dr.-Ing. Werner J. Bauer
Former Executive Vice President of Nestlé AG,
Chief Technology Officer, Head of Innovation,
Technology, Research and Development
- Bertelsmann Management SE
- GEA-Group AG
- Nestlé Deutschland AG (Chairman)
- Givaudan S.A.
- LONZA S.A.

Dr. Wulf H. Bernotat
Former Chairman of the Executive Board, E.ON AG
- Allianz SE
- Bertelsmann Management SE
- Deutsche Telekom AG
- Metro AG (until September 4, 2015)
- Vonovia SE (Chairman)

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

Murat Cetin
Chairman of the Works Council, Arvato Direct Services Dortmund GmbH
Chairman of the General Works Council, Arvato Services CRM2
Member of the Works Council, Bertelsmann SE & Co. KGaA

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

Ian Hudson
Chairman of the Bertelsmann Management Representative Committee of Bertelsmann SE & Co. KGaA (BMRC)
- Which? Limited (since November 1, 2015)

Dr. Karl-Ludwig Kley
Chairman of the Executive Board, Merck KGaA
- Bertelsmann Management SE
- BMW AG (Vice Chairman)
- Deutsche Lufthansa AG
- Verizon Communication Inc. (since November 5, 2015)

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

Gigi Levy-Weiss (since May 5, 2015)
Angel Investor
- • Bertelsmann Management SE
- • Beach Bum Ltd.
- • Berimbi Ltd.
- • BrandShield Ltd.
- • Caja Elastic Dynamic Solutions Ltd.
- • Data Layers Ltd.
- • Driveway Software Corporation
- • Fusic Ltd.
- • Global-e Online Ltd.
- • MA Ventures Ltd.
- • Jeeng Application Ltd.
- • Koranga Ltd.
- • Kesem Holdings Ltd.
- • Map Labs Ltd. (Mapme)
- • MarketsBook Ltd.
- • MyHeritage Ltd.
- • NanoRep Technologies Ltd.
- • Neta Eisenstein Management (2000) Ltd.
- • On Line Classified Ltd.
- • Premium Domains Ltd.
- • Plarium Global Ltd.
- • Seven Elements Studios Inc.
- • SpeakEZ Ltd.
- • Touristic Services Ltd.
- • TrustMed Ltd.
- • Twiggle Ltd.
- • Volunteer Directly Ltd.
- • Virtual Twins Ltd.

Dr. Brigitte Mohn
Member of the Executive Board, Bertelsmann Stiftung
- • Bertelsmann Management SE
- • Phineo gAG
- • Rhön-Klinikum AG
- • Clue by Biowink GmbH (since September 29, 2015)
- • Flytxt B.V. (since April 30, 2015)

Hartmut Ostrowski (until May 5, 2015)
Former Chairman of the Executive Board of Bertelsmann AG
- • Bertelsmann Management SE (until May 5, 2015)
- • DSC Arminia Bielefeld GmbH & Co. KGaA (Chairman)

Hans Dieter Pötsch
Chairman of the Supervisory Board, Volkswagen AG (since October 7, 2015)
Chairman of the Executive Board (since November 1, 2015) / Chief Financial Officer, Porsche Automobil Holding SE
- • AUDI AG, Ingolstadt
- • Autostadt GmbH, Wolfsburg (Chairman)
- • Bertelsmann Management SE
- • Dr. Ing. h.c. F. Porsche AG
- • VOLKSWAGEN FINANCIAL SERVICES AG, Braunschweig (Chairman) (until October 6, 2015)
- • Volkswagen Truck & Bus GmbH, Braunschweig (since July 7, 2015)
- • Bentley Motors Ltd., Crewe (until October 5, 2015)
- • MAN SE (until September 9, 2015)
- • Porsche Austria Gesellschaft m.b.H., Salzburg (Chairman since December 11, 2015)
- • Porsche Holding Gesellschaft m.b.H., Salzburg (Chairman since December 11, 2015)
- • Porsche Holding Stuttgart GmbH, Stuttgart
- • Porsche Retail GmbH, Salzburg (Chairman since December 11, 2015)
- • Scania AB, Södertälje (until June 26, 2015)
- • Scania C.V. AB, Södertälje (until June 26, 2015)
- • Volkswagen (China) Investment Company Ltd., Beijing (until December 1, 2015)
- • Volkswagen Group of America, Inc., Herndon, Virginia (until October 5, 2015)

Kasper Rorsted
Chairman of the Executive Board, Henkel AG & Co. KGaA
- • Bertelsmann Management SE
- • Anheuser-Busch InBev SA (since April 29, 2015)
- • Danfoss A/S

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

Lars Rebien Sørensen (until May 5, 2015)
President and CEO, Novo Nordisk A/S
- Bertelsmann Management SE (until May 5, 2015)
- Carlsberg A/S (Vice Chairman) (since April 1, 2015)
- Thermo Fisher Scientific (until May 20, 2015)

Christiane Sussieck
Chairwoman of the Corporate General Works Council, Bertelsmann SE & Co. KGaA
Vice Chairwoman of the Corporate Works Council, Bertelsmann SE & Co. KGaA

Bodo Uebber
Member of the Executive Board, Daimler AG
Finance & Controlling / Daimler Financial Services
- Bertelsmann Management SE
- Daimler Financial Services AG (Chairman)
- Mercedes-Benz Bank AG (until October 31, 2015)
- BAIC Motor Corporation Ltd.
- Delta Topco Ltd.

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

Committees of the Supervisory Board 2015 Bertelsmann SE & Co. KGaA

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

Working Group of Employee Representatives
Liz Mohn (Chairwoman)
Kai Brettmann
Murat Cetin
Helmut Gettkant
Ian Hudson
Christiane Sussieck

Committees of the Supervisory Board 2015 Bertelsmann Management SE

Personnel Committee
Christoph Mohn (Chairman)
Dr. Karl-Ludwig Kley
Prof. Dr.-Ing. Joachim Milberg
Liz Mohn
Hans Dieter Pötsch

Program Committee
Christoph Mohn (Chairman)
Dr. Karl-Ludwig Kley
Prof. Dr.-Ing. Joachim Milberg
Hans Dieter Pötsch

Executive Board

Dr. Thomas Rabe

Chairman

- Arvato AG (Chairman)
- Symrise AG[1] (Chairman)
- Arist Education System LLC
- Bertelsmann Digital Media Investments S.A.
- Bertelsmann Inc. (Chairman)
- Bertelsmann Learning LLC
- Penguin Random House LLC
- Relias Learning LLC (since January 22, 2015)
- RTL Group S.A. (Chairman)

Achim Berg (until July 12, 2015)

Chairman of the Executive Board, Arvato AG

- RTL Group S.A. (until July 12, 2015)

Fernando Carro de Prada (since July 13, 2015)

Chief Executive Officer, Arvato

- Bertelsmann Espana, S.L.
- Bertfin Iberica, S.A.
- Printer Industria Grafica Newco, S.L.U. (since May 4, 2015)

Markus Dohle

Chief Executive Officer, Penguin Random House

- Direct Group Grandes Obras S.L.
- Editora Schwarcz S.A.
- Penguin Random House Foundation, Inc.
- Penguin Random House Grupo Editorial S.A.U.
- Penguin Random House Grupo Editorial (USA) LLC
- Penguin Random House LLC
- Random House Children's Entertainment LLC
- Random House Studio LLC

Dr. Immanuel Hermreck (since January 1, 2015)

Chief Human Resources Officer

- Arvato AG (since January 1, 2015) (Vice Chairman since January 23, 2015)

Anke Schäferkordt

Co-Chief Executive Officer of RTL Group S.A.
Managing Director Mediengruppe RTL Deutschland GmbH
Managing Director RTL Television GmbH

- BASF S.E.[1]
- Software AG[1] (until May 13, 2015)
- Groupe M6 (since April 28, 2015)

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

1) External mandates.

Auditor's Report

We have audited the consolidated financial statements prepared by Bertelsmann SE & Co. KGaA, comprising the income statement and the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report of Bertelsmann SE & Co. KGaA, which is combined with the management report of the company, for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the Executive Board of the personally liable partner Bertelsmann Management SE. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

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

Our audit has not led to any reservations.

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

Bielefeld, March 10, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Bertelsmann Group and Bertelsmann SE & Co. KGaA, together with a description of the principal opportunities and risks associated with the expected development of the Bertelsmann Group and Bertelsmann SE & Co. KGaA.

Gütersloh, March 9, 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   Anke Schäferkordt

Selected Terms at a Glance

Bertelsmann Value Added (BVA)

A performance indicator for assessing the profitability of operations and return on invested capital. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated on the basis of operating EBITDA. By deducting depreciation, amortization and impairment losses and adjusting for special items, and after modifications and less a flat 33 percent tax, NOPAT, which is used as the basis for calculating BVA, is determined. Cost of capital is the product of the weighted average cost of capital (WACC, where uniform WACC after taxes is 8 percent) and the level of capital invested (Group's operating assets less non-interest-bearing operating liabilities).

Cash Flow

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

Contractual Trust Arrangement (CTA)

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

Corporate Governance

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

Coverage Ratio

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

Customer Relationship Management (CRM)

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

Equity Method

The equity method is a method of accounting to recognize associates and joint ventures whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

Goodwill

Goodwill represents the future economic benefits arising from those assets acquired in a business combination that are not individually identified and separately recognized.

IFRS

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

Impairment

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

Leverage Factor

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

Operating EBITDA

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

Rating

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

SE & Co. KGaA

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

Special Items

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

Supply Chain Management (SCM)

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

Syndicated Credit Facility

A credit facility involving a consortium of banks.

Financial Calendar

May 10, 2016
Payout of dividends on profit participation certificates for the 2015 financial year

May 11, 2016
Announcement of figures for the first three months of 2016

August 31, 2016
Announcement of figures for the first half of 2016

November 10, 2016
Announcement of figures for the first nine months of 2016

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www.bertelsmann.com

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