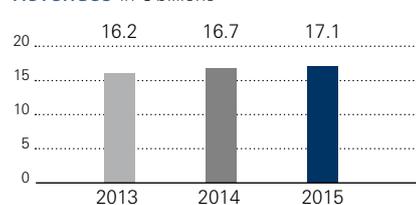


Combined Management Report

Financial Year 2015 in Review

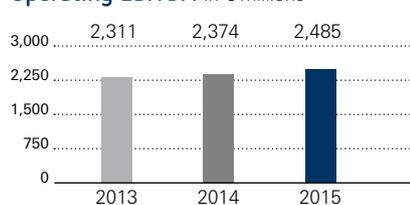
In the financial year 2015, Bertelsmann posted a strong operating performance with revenue and earnings growth as well as a significantly increased Group profit. Group revenues from continuing operations rose 2.8 percent to €17.1 billion (previous year: €16.7 billion), particularly as a result of positive 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 € billions¹⁾



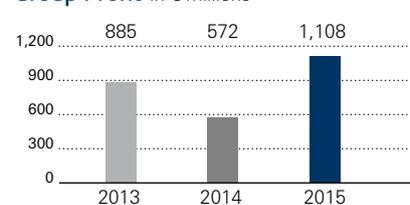
- Revenue increase of 2.8 percent thanks to positive exchange rate effects in particular
- Revenue increase at RTL Group, Penguin Random House and Arvato
- Increased share in revenues generated by growth businesses; lower revenue shares of structurally declining businesses

Operating EBITDA in € millions¹⁾



- 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 € millions¹⁾



- 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

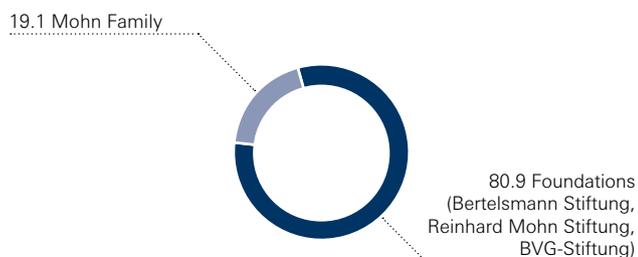
Bertelsmann has television and radio operations in several European countries that are subject to regulation. In Germany, for example, media are subject to oversight by the Commission on Concentration in the Media. Bertelsmann Group companies occupy leading market positions in many lines of business 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.

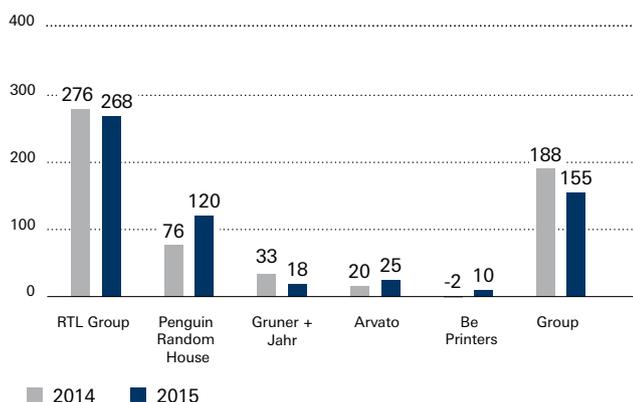
Strictly defined operational performance indicators, including revenues, operating EBITDA and Bertelsmann Value Added (BVA), are used to directly assess current business performance and are correspondingly used in the outlook. These are distinguished from performance indicators used in the broader sense, 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.

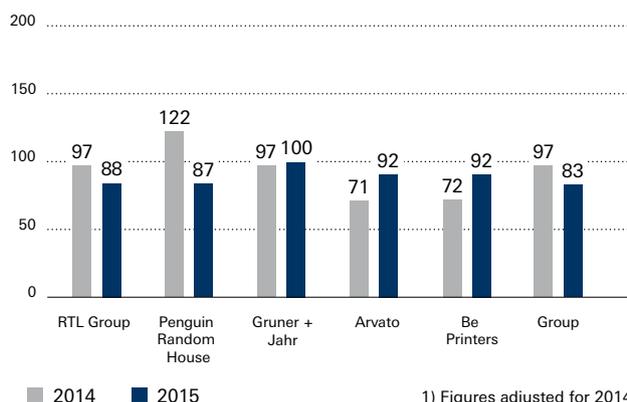
BVA in € millions

Strictly Defined Operational Performance Indicator



Cash Conversion Rate in percent¹⁾

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).

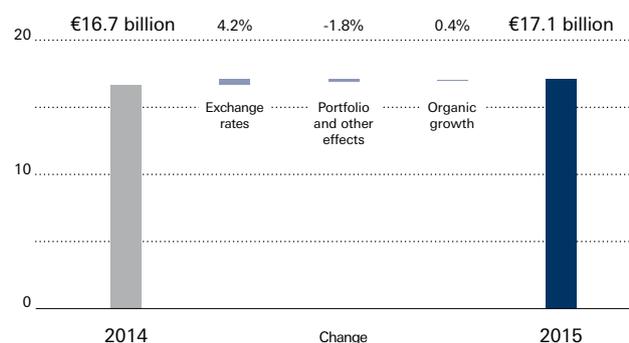
Results of Operations

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



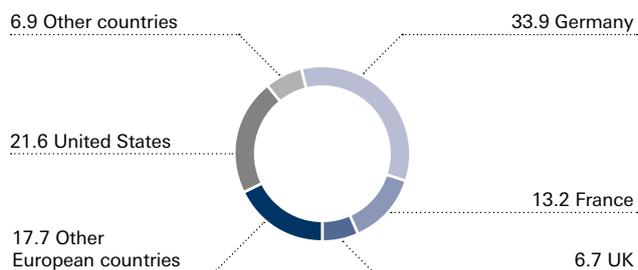
Revenues by Division

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

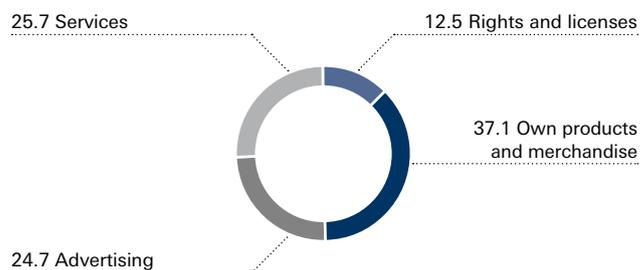
The geographical revenue distribution was more diversified compared to the previous year. Against the background of positive exchange rate effects for existing operations and the continued development of new businesses in the United States, particularly in education, the European revenue share declined 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 carry-forwards 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.

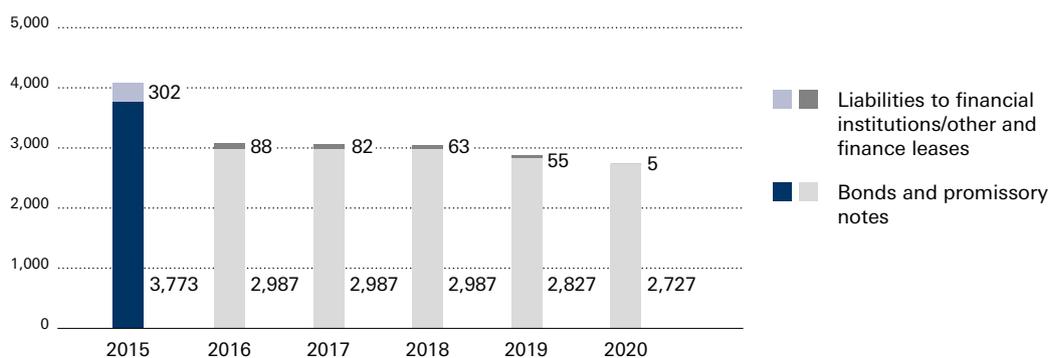
Bonds and Promissory Notes of Bertelsmann SE & Co. KGaA

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).

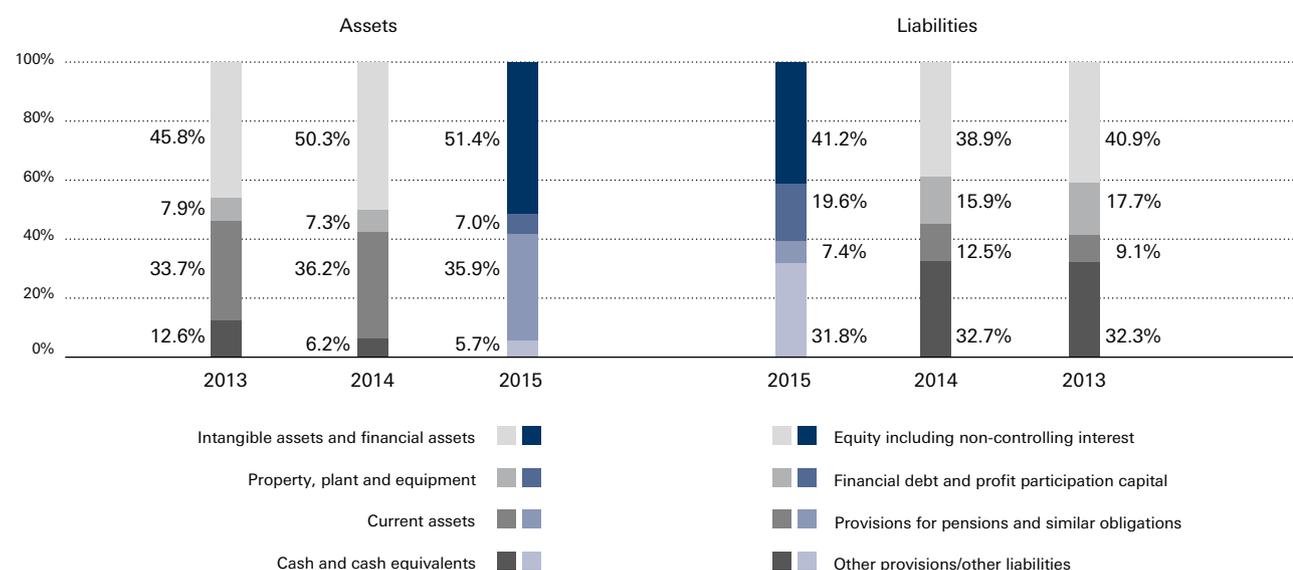
Investments by Division

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.

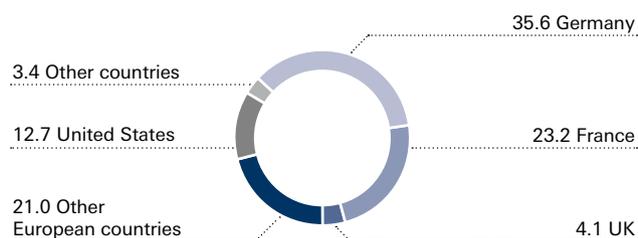
The production arm Fremantle Media increased its revenues primarily due to positive exchange rate effects. The operating result was down, partly due to a lower earnings contribution from the "American Idol" format and increased investment in new formats. The company achieved international successes with 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

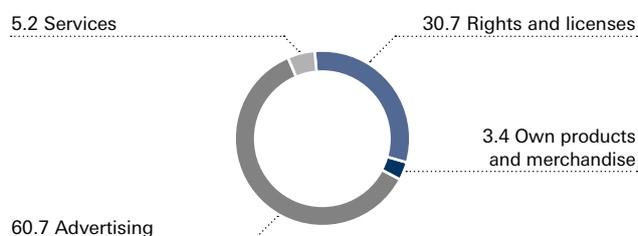
Naked Entertainment in Britain, Wildside in Italy, Fontaram and Kwai in France and No Pictures Please in the Netherlands, strengthening the company's creative diversity in the scripted, entertainment and factual genres.

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.

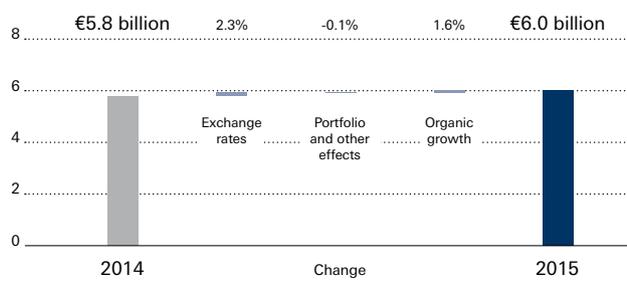
Revenues by Region in percent (without intercompany revenues)



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

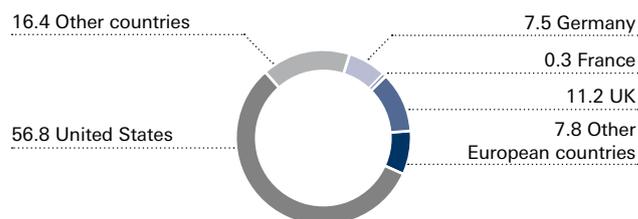
was made on integrating the Spanish- and Portuguese-language publishing activities of Santillana Ediciones Generales, which was acquired in 2014.

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

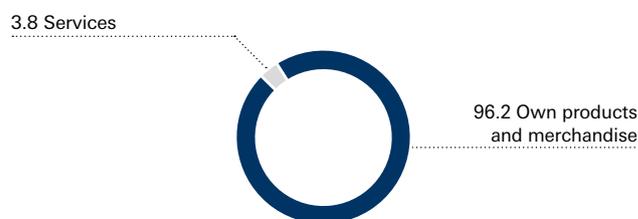
Penguin Random House further expanded its digital business across all markets. However, in the United States, e-book sales were affected by new retail sales terms. During the reporting year, the publishing group sold the self-publishing unit Author Solutions and the Australian online bookseller Bookworld.

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.

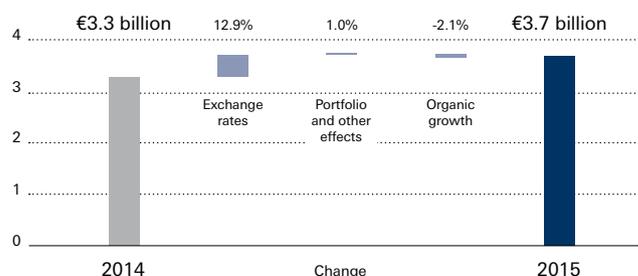
Revenues by Region in percent (without intercompany revenues)



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.

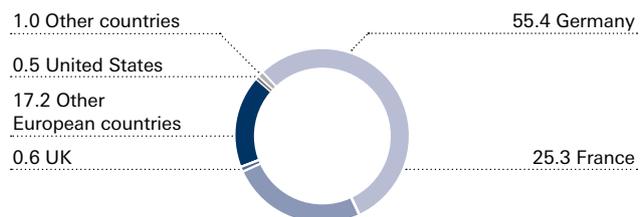
Revenues in the international business showed some organic growth in 2015, but declined overall. In France, the G+J subsidiary Prisma Media increased its revenues slightly, but its operating EBITDA fell slightly despite a fast-growing digital business. The video marketer Advideum recorded

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.

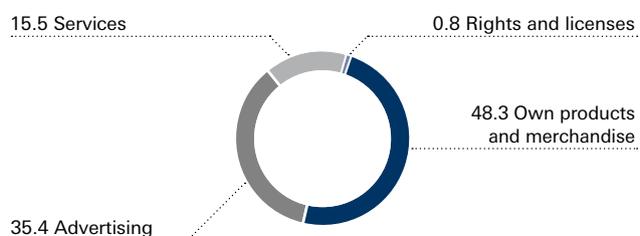
Business activities in Spain recorded a clear upward trend in earnings thanks to cost-cutting measures, and were profitable again for the first time since 2010. G+J Netherlands recorded largely stable revenues and earnings. On July 1, 2015, G+J withdrew from the Italian market due to a lack of strategic 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.

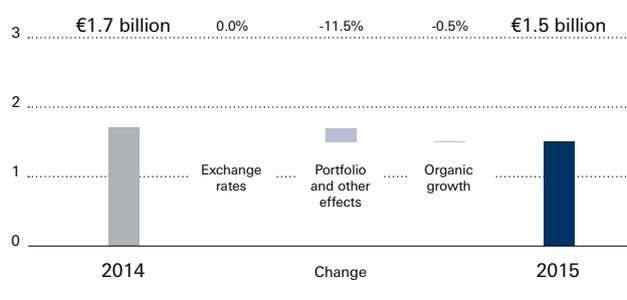
Revenues by Region in percent (without intercompany revenues)



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 macro-economic 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.

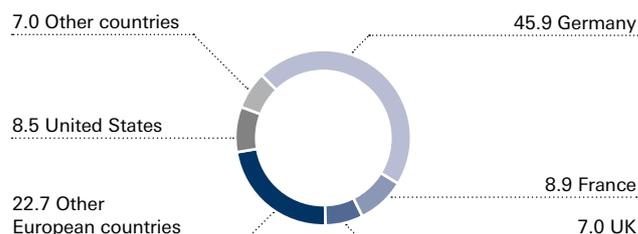
The Financial Solutions unit increased its revenues in the reporting period, while keeping its operating result stable at a high level. This was supported mainly by a positive business performance in Scandinavia and the German-speaking countries. The acquisition of a 40 percent stake in the Brazilian 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,

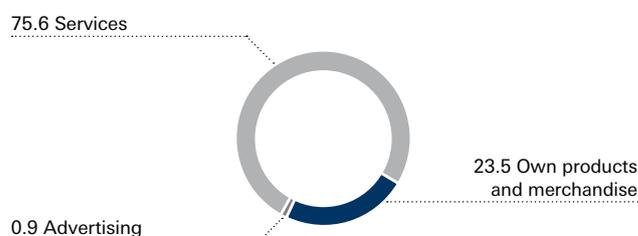
the transformation of existing business was further advanced in 2015.

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.

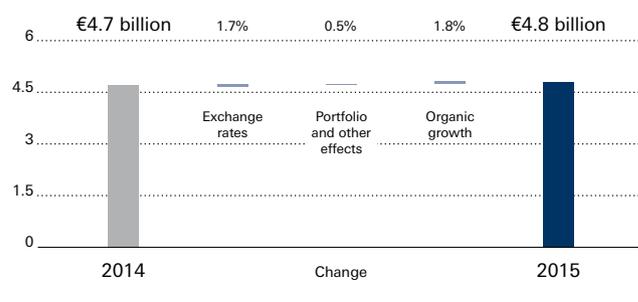
Revenues by Region in percent (without intercompany revenues)



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.

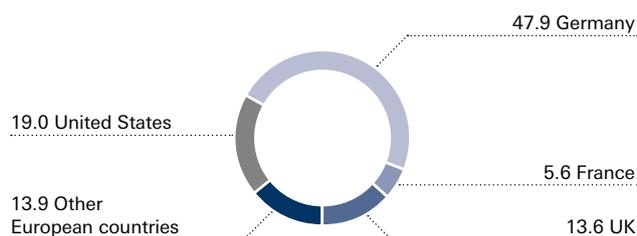
In December 2015, Be Printers acquired the remaining 25.1 percent of shares in the Printing Group Prinovis from its erstwhile partner Axel Springer. The parent company Bertelsmann subsequently merged its offset and gravure printing activities at Arvato and Be Printers under the umbrella of the Bertelsmann 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.

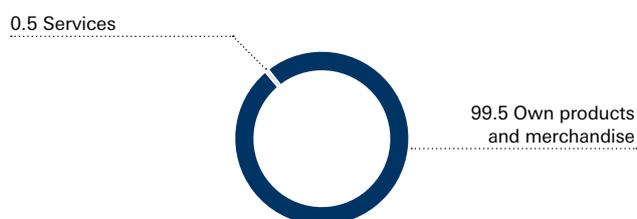
The European gravure printing company Prinovis expanded its range of services to accommodate lower print runs, additional formats and shorter lead times by putting two offset printing presses into operation in Dresden. However, due to lower order volumes overall, Prinovis recorded significant year-on-year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

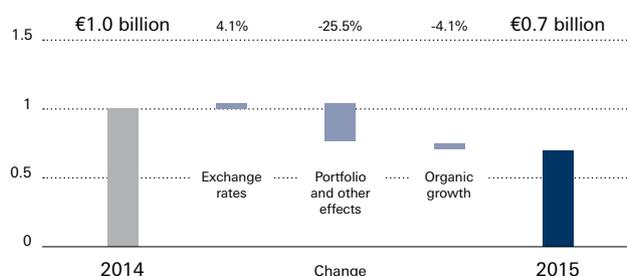
Revenues by Region in percent (without intercompany revenues)



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 sub-processes 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

Priority	Type of risk	Risk Classification				
		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.