

Consolidated Financial Statements

Consolidated Income Statement

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

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

Consolidated Statement of Comprehensive Income

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

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

Reconciliation to Operating EBITDA (Continuing Operations)

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

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

Consolidated Balance Sheet

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

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

Consolidated Cash Flow Statement

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

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

Change in Net Financial Debt

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

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

Consolidated Statement of Changes in Equity

	Sub- scribed capital	Capital reserve	Retained earnings				Bertels- mann share- holders' equity	Non-con- trolling interests	Total	
			Other retained earnings	Cumulated other comprehensive income ¹⁾						
				Currency transla- tion dif- ferences	Available- for-sale financial assets	Cash flow hedges	Share of other com- prehensive income of investments accounted for using the equity method			
in € millions										
Balance as of 1/1/2014	1,000	2,345	3,847	(301)	22	(7)	6	6,912	1,849	8,761
Group profit or loss	-	-	162	-	-	-	-	162	410	572
Other comprehen- sive income	-	-	(544)	179	(6)	28	6	(337)	52	(285)
Group total compre- hensive income	-	-	(382)	179	(6)	28	6	(175)	462	287
Dividend distributions	-	-	(180)	-	-	-	-	(180)	(440)	(620)
Changes in owner- ship interests in subsidiaries that do not result in a loss of control	-	-	2	-	-	-	-	2	9	11
Equity transactions with shareholders	-	-	(178)	-	-	-	-	(178)	(431)	(609)
Other changes	-	-	(31)	5	-	-	1	(25)	(34)	(59)
Balance as of 12/31/2014	1,000	2,345	3,256	(117)	16	21	13	6,534	1,846	8,380
Balance as of 1/1/2015	1,000	2,345	3,257	(117)	16	21	13	6,535	1,846	8,381
Adjustment	-	-	(1)	-	-	-	-	(1)	-	(1)
Balance as of 1/1/2015 ²⁾	1,000	2,345	3,256	(117)	16	21	13	6,534	1,846	8,380
Group profit or loss	-	-	677	-	-	-	-	677	431	1,108
Other comprehen- sive income	-	-	269	213	(3)	6	2	487	71	558
Group total compre- hensive income	-	-	946	213	(3)	6	2	1,164	502	1,666
Dividend distributions	-	-	(180)	-	-	-	-	(180)	(440)	(620)
Changes in owner- ship interests in subsidiaries that do not result in a loss of control	-	-	(26)	-	-	2	-	(24)	20	(4)
Equity transactions with shareholders	-	-	(206)	-	-	2	-	(204)	(420)	(624)
Other changes	-	-	(3)	-	-	-	-	(3)	15	12
Balance as of 12/31/2015	1,000	2,345	3,993	96	13	29	15	7,491	1,943	9,434

1) Thereof, as of December 31, 2015, no significant amounts relate to assets classified as held for sale in accordance with IFRS 5.

As of December 31, 2014, a total of €1 million relates to assets classified as held for sale in accordance with IFRS 5.

2) The balance on January 1, 2015, has been adjusted. Further details are presented in the "Prior Year Information" section.

Notes

Segment Information (Continuing Operations)

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

The figures from the previous year have been adjusted. Further details on the adjustment to previously published information are presented in the "Prior Year Information" section and in note 27 "Segment Reporting."

1) Operating EBITDA as a percentage of revenues.

2) Including reversals of impairment.

3) Including 66 percent of the net present value of the operating leases.

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

Information about Geographical Areas (Continuing Operations)

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

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

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

Information on Revenue Sources (Continuing Operations)

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

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

General Principles

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

Bertelsmann SE & Co. KGaA is a partnership limited by shares with its registered office in Gütersloh, Germany. The address of

the company's registered headquarters is: Carl-Bertelsmann-Strasse 270, 33311 Gütersloh.

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

Impact of New Financial Reporting Standards

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

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

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

Impact of Issued Financial Reporting Standards that Are Not Yet Effective

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

- Annual Improvements to IFRSs 2010–2012 Cycle (issued in December 2013)
- Annual Improvements to IFRSs 2012–2014 Cycle (issued in September 2014)
- IFRS 9 Financial Instruments (not yet adopted by the EU)
- IFRS 14 Regulatory Deferral Accounts (not yet adopted by the EU)
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15 (not yet adopted by the EU)
- IFRS 16 Leases (not yet adopted by the EU)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (not yet adopted by the EU)

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception (not yet adopted by the EU)
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 7: Disclosure Initiative (not yet adopted by the EU)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (not yet adopted by the EU)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 19: Defined Benefit Plans – Employee Contributions
- Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements

The Annual Improvements to IFRSs 2010–2012 Cycle (issued in December 2013) as well as the Annual Improvements to IFRSs 2012–2014 Cycle (issued in September 2014) include clarifications or corrections of existing IFRSs or changes as a result of amendments previously made to IFRSs. Application is mandatory for the first time in the financial year 2016 for the Bertelsmann Group. The Annual Improvements to IFRSs 2010–2012 Cycle relate to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38 as well as IAS 24. The Annual Improvements to IFRSs 2012–2014 Cycle relate to amendments to IFRS 5, two amendments to IFRS 7 and amendments to IAS 19 and IAS 34.

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

IFRS 15 includes new comprehensive regulations for the recognition of revenue that are independent of a specific industry or transaction and replaces the current regulations in IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenues – Barter Transactions Involving Advertising Services. The new standard replaces the current risk and reward approach with a contract-based five-step model. In addition to substantially more extensive guidance for the accounting treatment of revenue from contracts with customers, there are more detailed disclosure requirements. In an amendment to IFRS 15 issued in September 2015, the effective date of first-time application was deferred from January 1, 2017, to the financial years beginning on or after January 1, 2018. First-time application must be generally retrospective, but various simplification options are granted; earlier application is still permitted. The standard, including

its amendment, has not yet been adopted by the EU. The Bertelsmann Group launched a Group-wide project to analyze the impact of IFRS 15 as well as possible simplifications as part of the first-time application of IFRS 15. For this project, pilot companies were identified for each division, taking into account the core countries and business model specific information. The quantitative impact anticipated from implementing IFRS 15 is currently being determined. Depending on the individual business models, different impacts are expected, in particular related to identification of performance obligations.

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

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

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

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

Consolidation

Principles of Consolidation

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

Subsidiaries are companies controlled by Bertelsmann SE & Co. KGaA in accordance with IFRS 10. Control exists if Bertelsmann has the power over the investee as well as the exposure, or rights, to variable returns from its involvement with the investee and is able to exercise its power over the investee such that it can affect the amount of these returns. Consolidation begins on the date on which the possibility to exercise control exists and ends when Bertelsmann loses the possibility to exercise control. Profit or loss and each component of total comprehensive income are attributed to the shareholders of the parent company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In accordance with IFRS 3, business combinations are accounted for using the acquisition method. Accordingly, the acquisition date fair value of the consideration transferred is offset against the fair value of equity on the acquisition date. Acquisition-related costs are generally recognized in profit or loss. If applicable, contingent consideration is measured at the fair value that applies on the acquisition date. If the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of a previously held equity interest in the acquiree exceeds the fair value of the identifiable net assets, the excess is carried as goodwill. Negative differences are reflected in profit or loss in the period in which the acquisition is made. Deferred taxes from assets acquired and liabilities assumed in a business combination are carried and measured in accordance with IAS 12. Subsequent measurement of the acquired assets and the liabilities assumed or entered into is performed in line with the applicable IFRSs. Non-controlling interests are also measured at the proportionate fair value of the assets

and liabilities. If the consideration transferred for the business combination or the fair values attributable to the identifiable assets and liabilities of the company acquired can only be provisionally identified on the date of initial accounting, the business combination is carried using these provisional values. Initial accounting is completed in accordance with IFRS 3.45, taking into account the one-year measurement period. Comparative information for reporting periods prior to the completion of initial accounting is presented as if it had already been completed on the acquisition date.

Changes in the parent's ownership interest in a subsidiary that do not lead to a loss of control are accounted for as equity transactions. After the loss of control of a subsidiary, it is deconsolidated in accordance with the requirements of IFRS 10. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for in accordance with the applicable IFRSs from the date when control is lost.

In accordance with IFRS 11, joint ventures are joint arrangements in which the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint ventures are accounted for using the equity method in accordance with IAS 28. In addition, associates are included in the Consolidated Financial Statements using the equity method. Associates are companies over which Bertelsmann exercises a significant influence. This is generally the case for voting rights between 20 and 50 percent. Smaller shareholdings are accounted for using the equity method if there is a significant influence in accordance with IAS 28.6.

According to the equity method, interests in a joint venture or an associate are initially recognized at cost. These acquisition costs are then adjusted for changes to the Bertelsmann Group's interest in the net assets of the joint venture or the associate after the acquisition date. The same method used for fully consolidated subsidiaries is applied when accounting

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

Scope of Consolidation

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

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

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

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

Composition of Scope of Consolidation

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

1) Including Bertelsmann SE & Co. KGaA.

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

Change in Scope of Consolidation

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

The complete list of the Bertelsmann Group's shareholdings will be published in the "Bundesanzeiger" (Federal Gazette) as an annex to these Consolidated Financial Statements in accordance with section 313 (2) of the German Commercial Code and will be presented at the General Meeting. The interests held by associates are not included in the list of shareholdings. The subsidiaries listed in note 30 "Exemption

for Subsidiaries from Preparation, Audit and Publication of Financial Statements" have elected to be exempted from the preparation, audit and publication of financial statements in the financial year as set out in sections 264 (3) and 264b of the German Commercial Code and according to foreign regulations.

Acquisitions and Disposals

The Bertelsmann Group made several acquisitions in the financial year 2015, none of which was material on a stand-alone basis. In total, the impact on the Group's financial position and financial performance was also minor. The cash flow from acquisition activities totaled €166 million (previous year: €820 million), of which €151 million (previous year: €816 million) relates to new acquisitions during the reporting period less cash and cash equivalents acquired. The consideration transferred in accordance with IFRS 3 amounted to €172 million (previous year: €885 million)

taking account of contingent consideration of €8 million (previous year: €27 million). In addition, put options in the amount of €9 million (previous year: €55 million) related to the acquisitions were accounted for. The acquisitions resulted in goodwill totaling €124 million, which reflects synergy potential and which is tax-deductible in the amount of €43 million. The other intangible assets in the amount of €86 million are attributable to music catalogs in the amount of €34 million. The transaction-related costs amounted to €6 million and have been recognized in profit or loss.

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

consolidation based on the purchase price allocations, some of which are currently preliminary:

Effects of Acquisitions

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

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

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

After considering the cash and cash equivalents disposed of, the Bertelsmann Group generated cash flows in the amount of €2 million from disposals (previous year: €30 million). The disposals led to a loss from deconsolidation of €-10 million

(previous year: €-142 million) which is recognized in the item "Results from disposals of investments." The following table shows their impact on the Bertelsmann Group's assets and liabilities at the time of deconsolidation:

Effects of Disposals

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

Discontinued Operations

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

Assets Held for Sale and Related Liabilities

In the first half of 2015, the Spanish companies Rotocobrhi and Eurohueco, which belong to Be Printers, and Motor Presse France, which belongs to Gruner + Jahr, were sold. The assets

and related liabilities were classified as held for sale in the Consolidated Financial Statements as of December 31, 2014.

Currency Translation

The financial statements of subsidiaries, joint ventures and associates that were prepared in foreign currencies are translated into euros using the functional currency concept set out in IAS 21 before they are included in the Consolidated Financial Statements. Assets and liabilities are translated into the reporting currency at the closing rate at the end of the reporting period, while income statement items are translated at the average rate for the financial year. Currency translation differences are recognized in other comprehensive income. Such differences arise from translating items in the balance

sheet at a closing rate that differs from the previous closing rate and from using the average rate from the period and the closing rate at the end of the reporting period to translate the Group profit or loss. At the time of deconsolidation of Group companies, the respective accumulated currency translation differences recognized in other comprehensive income and accumulated in a separate component of equity are reclassified from equity to the income statement. The following euro exchange rates were used to translate the currencies that are most significant to the Bertelsmann Group.

Euro Exchange Rates for Major Foreign Currencies

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

Accounting and Measurement Policies

Recognition of Income and Expense

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

Revenues from the sale of goods are recognized when the Bertelsmann Group has transferred the significant risks and rewards associated with ownership of the goods to the purchaser and the amount of revenue can be reliably measured, except for revenues from transactions applying the percentage of completion method in accordance with IAS 11. The latter includes income from services measured by reference to the stage of completion to the extent the point of completion can be reliably estimated at the end of the reporting period. The stage of completion is determined using the input-oriented method. Under the input-oriented method, contract costs accruing up to the end of the reporting period are applied as a percentage of total estimated contract costs (cost-to-cost method).

Revenues from advertising are recognized when the corresponding advertisement or commercial appears in the respective medium. Income from royalties (licenses) is recognized on an accrual basis in line with the provisions of the underlying contract. Revenues from services rendered are recognized based on their percentage of completion. Interest income and expenses are recognized on an accrual basis using the effective interest method in accordance with IAS 39. Dividends are only recognized in profit or loss when the shareholder's legal entitlement to payment is established. Other income is recognized when the economic benefits are probable and the amount can be measured reliably. Expenses are deferred on the basis of underlying facts or the period of time to which they relate.

Goodwill

In accordance with IFRS 3, goodwill resulting from a business combination is initially recognized at acquisition cost, with subsequent recognition at acquisition cost less accumulated impairment losses. Goodwill is subject to impairment testing at least annually by comparing the carrying amount of the cash-generating unit to which goodwill has been allocated, with the recoverable amount of the cash-generating unit.

If the carrying amount of a cash-generating unit exceeds its recoverable amount, an impairment loss is immediately recognized in profit or loss. Impairment, including impairment losses recognized during the year, is not reversed. In the Bertelsmann Group, goodwill is tested for impairment each year as of December 31, as outlined in the "Impairment Losses" section, and if a triggering event arises.

Other Intangible Assets

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

Intangible assets with finite useful life are amortized on a straight-line basis over their estimated useful life. Impairment losses and reversal of impairment losses are determined by applying the requirements for impairment testing (IAS 36). As a rule, capitalized software has a useful life of between three and five years. Supply rights and subscriber portfolios

are amortized over a period of two to 15 years, while the amortization period for trademarks and music and publishing rights is three to 25 years. Licenses are amortized on a straight-line basis over the term of the license agreement or depending on performance (based on the ratios of income from use generated in the reporting period to the estimated total income from use over the whole useful life). The estimate of useful life and amortization methods are reviewed annually and prospectively adjusted to reflect changes in expectations. Intangible assets with indefinite useful life are not amortized. Instead, they are subject to at least annual impairment testing and written down to their recoverable amount if applicable.

Property, Plant and Equipment

Items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of items of property, plant and equipment produced internally within the Bertelsmann Group includes direct costs and a portion of overhead costs directly attributable to their production. The cost of property, plant and equipment produced over a longer period of time also includes borrowing costs accrued up to the completion date. The amounts involved are insignificant to the Bertelsmann Group. All other borrowing costs are expensed in the period in which they occurred. Maintenance costs are carried as expenses of the period, whereas expenses for activities that lead to a longer useful life or improved use are generally capitalized. Items of property, plant and equipment are depreciated on a

straight-line basis over their estimated useful life. Estimates of useful life and the depreciation method are reviewed annually in line with IAS 16 and are adjusted prospectively according to the changed expectations. In the financial year 2015, depreciation is generally based on the following useful lives:

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

Land is not subject to depreciation.

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

Impairment Losses

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

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

As long as an active market exists, the market price or the price in the most recent comparable transaction is used for measuring fair value. If there is no active market, fair value less costs of disposal is generally calculated using the discounted cash flow method. If it is not possible to allocate cash flows to assets, the relevant impairment losses are determined on the basis of cash flows attributable to the cash-generating unit

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

Leases

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

the term of the lease or the useful life, whichever is shorter. Contingent lease payments are recognized as an expense in the period in which they result.

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

Financial Assets

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

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

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

Held-to-maturity investments:

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

Available-for-sale financial assets:

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

Primary and derivative financial assets held for trading:

As a rule, this category includes derivatives that do not meet the formal requirements of IAS 39 for hedge accounting. They are measured at their fair value. Gains or losses from changes to the fair values are recognized in profit or loss.

All derivatives that fulfill the formal requirements of IAS 39 for hedge accounting are carried separately as derivative financial instruments used in hedging relationships and are measured at fair value. Further details are presented in the section "Derivative Financial Instruments."

Financial assets initially recognized at fair value through profit or loss:

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

Originated loans and trade receivables:

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

Cash and cash equivalents:

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

Measurement at fair value:

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

Impairment losses and reversals of financial assets:

The carrying amounts of financial assets not recognized at

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

Offsetting financial instruments:

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

Inventories

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

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

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

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

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

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

Customer-Specific Production Contracts

To the extent that they meet the requirements of IAS 11, customer-specific production contracts are recognized using the percentage of completion method. Revenues and gains on customer-specific production contracts are recognized by reference to the stage of completion of the respective projects. The stage of completion is calculated as the proportion of the contract costs incurred up to the end of the reporting period

to the total estimated project cost (cost-to-cost method). Irrespective of the extent to which a project has been completed, losses resulting from customer-specific production contracts shall be recognized as an expense immediately. In the financial year 2015, no material revenues were recognized from customer-specific production contracts.

Deferred Taxes

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

Deferred tax assets are recognized only to the extent it is probable that taxable income will be available against which the deductible temporary difference can be utilized. Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by valuation allowances. Deferred tax liabilities are generally recognized for all taxable

temporary differences. Deferred tax assets and liabilities resulting from business combinations are recognized with the exception of temporary differences on goodwill not recognizable for tax purposes. The tax rates applied for computation are those expected as of the date of reversal of temporary differences and use of tax loss carryforwards respectively. As a rule, deferred taxes are recognized in profit or loss unless they relate to items recognized in other comprehensive income. In this case, deferred taxes are recognized in other comprehensive income.

Cumulated Other Comprehensive Income

Cumulated other comprehensive income includes foreign exchange gains and losses as well as unrealized gains and losses from the fair value measurement of available-for-sale financial assets and derivatives used in cash flow hedges or hedges of net investments in foreign operations in accordance with IAS 39.

In addition, in accordance with IAS 28.10, changes in other comprehensive income for entities accounted for using the equity method are recognized. Remeasurement effects of

defined benefit pension plans (actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the return implied by the net interest cost on the plan assets, and effects of the asset ceiling) are recognized in the retained earnings in the year in which these gains and losses have been incurred as part of the reconciliation of total comprehensive income for the period in the statement of changes in equity. Deferred taxes on the aforementioned items are also recognized directly in equity.

Provisions

Provisions for pensions and similar obligations are calculated using the projected unit credit method in accordance with IAS 19. This method involves the use of biometric calculation tables, current long-term market interest rates and current estimates of future increases in salaries and pensions.

The net interest expense included in pension expense is recognized in the financial result. Remeasurement effects of defined benefit pension plans (actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the return implied by the net interest cost on the plan assets, and effects of the asset ceiling) are recognized immediately in equity under other comprehensive income and are not reclassified to profit or loss in a subsequent period (recycled).

With the exception of the other personnel-related provisions calculated in accordance with IAS 19, all of the other provisions are established on the basis of IAS 37 where there is a legal or constructive obligation to a third party, the outflow of resources is probable and it is possible to reliably determine the amount of the obligation. Provisions are measured in the amount of the most likely outcome. Long-term provisions are discounted. The discount rates take into account current market expectations and, if necessary, specific risks for the liability. As a rule, income from the reversal of provisions is generally included in the income statement line item to which the provision was previously charged.

Liabilities

Trade payables and other primary financial liabilities including profit participation certificates are initially measured at their fair value less transaction costs. Subsequent measurement is based on amortized cost using the effective interest method (financial liabilities at amortized cost), unless the financial liability is classified as initially recognized at fair value through profit or loss. In the case of financial liabilities measured at fair value, the valuation technique applied depends on the respective inputs present in each case. If listed prices can be identified for identical assets on active markets, they are used

for valuation (level 1). If this is not possible, the fair values of comparable market transactions are applied, and financial methods that are based on observable market data are used (level 2). If the fair values are not based on observable market data, they are identified using established financial methods (level 3). Foreign currency liabilities are translated at the exchange rate at the end of the reporting period. Finance lease liabilities, which are also recognized under financial liabilities, are carried at their net present value in accordance with IAS 17.

Derivative Financial Instruments

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

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

1. Fair value hedge: Changes in the fair value of these derivatives used to hedge assets or liabilities are recognized in profit or loss; the corresponding gain or loss on the change in fair value of the underlying balance sheet item is also directly included in the income statement.
2. Cash flow hedge: The effective portion of the changes in the fair value of derivatives used to hedge future cash flows is recognized in other comprehensive income. The amounts carried here are included in the initial measurement when an underlying non-financial asset or a non-financial liability is received (basis adjustment). In other cases, the

reclassification of the previously recognized gains and losses from equity to the income statement is performed when the hedged underlying transaction affects profit or loss. The ineffective portion of the changes in the fair value of the hedging instrument is recognized in profit or loss.

3. Hedge of a net investment in a foreign operation: For this type of hedge, the effective portion of the gains and losses on changes in the fair value of the hedging instrument is taken directly to other comprehensive income. The ineffective portion is recognized in profit or loss. On disposal of the investment, the changes in the fair value of the hedging instruments that are contained in equity are recognized in profit or loss.
4. Stand-alone derivatives (no hedge relationship): Changes in the fair value of derivatives that do not meet the criteria for recognition as hedges are recognized in profit or loss in accordance with the held-for-trading category and are therefore classified as at fair value through profit or loss.

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

Share-Based Payments

Share-based payments for employees of the Bertelsmann Group include equity-settled share-based payment transactions and cash-settled share-based payment transactions. Equity-settled share-based payment transactions are granted to certain directors and senior employees in the form of share options. The options are granted at the market price on the grant date and are exercisable at that price. For share options, the fair value of the options granted is recognized as personnel costs with a corresponding increase in equity. The fair value is measured at the grant date and allocated over the vesting period during which the employees become unconditionally entitled to the options. The fair value of the options granted is

measured using a binomial option pricing model, taking into account the terms and conditions at which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options vesting. Share options forfeited solely due to share prices not achieving the vesting threshold are excluded.

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

Non-Current Assets Held for Sale and Related Liabilities

Non-current assets or disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through a sale transaction and not from continued use. These non-current assets and the associated liabilities are presented in separate line items in the balance sheet in accordance with IFRS 5. They are measured at the lower of the carrying amount and fair value less costs to sell. Depreciation/amortization is not recognized if a non-current asset is classified as held for sale or forms part of a disposal group that is classified as held for sale.

Components of entities that fulfill the requirements of IFRS 5.32 are classified as discontinued operations and thus

are carried separately in the income statement and cash flow statement as well. All of the changes in amounts made during the reporting period that are directly connected with the sale of a discontinued operation in any preceding period are also stated in this separate category. If a component of an entity is no longer classified as held for sale, the results of this entity component that were previously carried under discontinued operations are reclassified to continuing operations for all of the reporting periods shown.

Government Grants

A government grant is not recognized until there is reasonable assurance that the entity will comply with the conditions attached to it and that the grant will be received. Grants for assets are deducted when the carrying amount is calculated and are recognized in profit or loss over the useful life of the

depreciable asset as a reduced depreciation expense. Grants related to income are recognized as income in the periods in which the expenses to be compensated by the grants were incurred.

Significant Accounting Judgments, Estimates and Assumptions

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

- Recognition of income and expense: In the event of return rights, mostly for print products, estimates must be made with regard to the anticipated return volume as revenues are recognized taking the anticipated returns into account. Return ratios determined using statistical methods are used to identify the anticipated returns.
- Control of entities in which the Bertelsmann Group holds less than half of the voting rights: Management considers that the Bertelsmann Group has de facto control of Groupe M6, which belongs to RTL Group, even though it holds less than 50 percent of the voting rights. RTL Group

is the majority shareholder of Groupe M6 while the balance of other holdings remains highly dispersed, and the other shareholders have not organized their interest in such a way that they intend to vote differently from the Bertelsmann Group.

- Trade receivables and other receivables: Valuation allowances are recognized for doubtful receivables based on risk factors such as a customer's financial difficulties and unfavorable changes in the economic situation, taking into account the maturity structure of the receivables. Sales estimates and assumptions on future sales success are also made in connection with advances paid to authors to secure exploitation rights in their publications. In addition, in the case of sports and film rights, estimates are made with regard to anticipated revenues.
- Impairment losses: Goodwill and intangible assets with indefinite useful life are tested for impairment at least annually. Intangible assets with finite useful life and property, plant and equipment are tested for impairment in accordance with IAS 36 if there are indications that an asset may be impaired. Impairment loss has occurred when the carrying

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

- Pension obligations: Pension obligations are measured using the projected unit credit method. Using this approach, biometric calculations, the prevailing long-term capital market interest rates and, in particular, assumptions about future salary and pension increases are taken into account. The discount rate determination for the eurozone was modified regarding the data selection in the financial year 2015. Further refinements were also implemented. If the discount rate at December 31, 2015, had been determined without these changes, the discount rate would have been around 10 basis points higher. The actuarial gains attributable thereto would have reduced the pension provisions by €53 million. Information on the assumptions

made in pension accounting is presented in note 19 "Provisions for Pensions and Similar Obligations."

- Provisions for onerous contracts and warranties are also based to a significant extent on management estimates with regard to their amount and probability of occurrence. Assessments of whether there is a present obligation, whether an outflow of resources is probable and whether it is possible to reliably determine the amount of the obligation are generally based on the expertise of in-house or third-party specialists. More recent information could change the estimates and thus impact the Group's financial position and performance. The legal and regulatory environment in which Bertelsmann operates does not bear significant litigation risks. With regard to risk provisioning, a provision for potential losses from litigation is recognized when the risks of a loss are considered to be probable and when a reliable estimate of the anticipated financial impact is possible. For significant contingent liabilities for which the possibility of a future loss is more than remote but less than probable, the Bertelsmann Group estimates the possible loss where the Group believes that an estimate can be made. At the end of the reporting period, there were no reportable contingent liabilities from litigation. Management regularly reviews the recognition, measurement and use of provisions as well as the disclosure requirements for contingent liabilities.

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

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

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

Assumptions are also made for measuring fair values of financial assets and financial liabilities. In this regard, Bertelsmann uses various financial methods that take into account the market conditions and risks in effect at the end of the respective reporting periods. The inputs to these models are taken from

observable markets where possible, but where this is not feasible, measuring fair values is based on assumptions by management. These assumptions relate to input factors such as liquidity risk and default risks.

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

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

Prior Year Information

The purchase price allocations of the business combinations SpotX (formerly SpotXchange) and StyleHaul in the financial year 2014 have been finalized in the financial year 2015.

The following table shows the slightly adjusted final fair values of the assets and liabilities and the final resulting goodwill on their dates of initial consolidation:

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

Notes to the Income Statement and Balance Sheet

1 Revenues

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

The item "Revenues from advertising" includes, among others, revenues from barter transactions in the amount of €66 million (previous year: €68 million), which were

primarily incurred by RTL Group and Gruner + Jahr. Changes in revenues by segment and geographical areas are presented on page 44.

2 Other Operating Income

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

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

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

3 Personnel Costs

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

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

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

5 Other Operating Expenses

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

The item “Administrative expenses” includes, among others, payments recognized as expenses from operating leases of €272 million (previous year: €247 million) and associated services and incidental costs of €23 million (previous year: €26 million), as well as contingent lease payments of €9 million

(previous year: €9 million). In addition, this item includes repair and maintenance costs of €187 million (previous year: €194 million) and costs for IT services of €161 million (previous year: €133 million).

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

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

7 Special Items

Special items are primarily business transactions that are not repeatable and therefore not operational in nature. They include income and expense items that do not objectively reflect the assessment of the results of operations of the

divisions and of the Group due to their size and low frequency of occurrence. The following table shows the special items recognized in the reporting period:

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

8 Interest Income and Interest Expenses

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

9 Other Financial Income and Expenses

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

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

gains from hedged foreign currency transactions amounting to €129 million (previous year: €61 million). Income from foreign currency transactions of €186 million (previous year: €131 million) was offset by losses from hedged foreign currency transactions amounting to €-225 million (previous year: €-139 million).

10 Income Taxes

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

Income Taxes

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

Tax loss carryforwards of €446 million (previous year: €352 million) were utilized in the financial year 2015, reducing current tax expenses by €104 million (previous year: €71 million). Of the tax loss carryforwards utilized, €172 million (previous year: €175 million) was due to German corporate income tax, €25 million (previous year: €29 million) was due to German trade tax and €249 million (previous year: €148 million) was due to foreign income taxes. These amounts include €88 million (previous year: €34 million)

for tax loss carryforwards for which no deferred tax assets were recognized in the past. These relate to German corporate tax in the amount of €1 million (previous year: €1 million), German trade tax in the amount of €5 million (previous year: €2 million) and foreign income taxes in the amount of €82 million (previous year: €31 million). This led to a reduction in current tax expense of €24 million (previous year: €8 million).

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

Deferred Taxes

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

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

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

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

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

Expiration

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

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

Reconciliation to Actual Tax Expense

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

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

Effective Income Tax Rate

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

11 Intangible Assets

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

Other rights and licenses include brands, supply rights, publishing rights and acquired software as well as other licenses. In the financial year, BMG acquired music catalogs in the amount of €134 million, €69 million of which relates to several music catalogs in the United Kingdom and €48 million to several music catalogs in the United States. Internally generated intangible assets mostly include own

film and TV productions and internally generated software. As in the previous year, no intangible assets have been provided as collateral for liabilities.

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

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

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

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

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

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

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

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

Overview of Growth and Discount Rates

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

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

For the cash-generating units of all other divisions, the recoverable amount equals the fair value, which is derived from discounted cash flows less costs of disposal, and which is

based on level 3 of the fair value hierarchy. Projected cash flows were based on internal estimates for three detailed planning periods and generally two further detailed planning periods were applied in addition. For periods after this detailed horizon, a perpetual annuity was applied, taking into account individual business-specific growth rates.

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

A new advertising tax was adopted by the Hungarian parliament on June 11, 2014. On July 4, 2014, the Hungarian parliament adopted several amendments which came into force on August 15, 2014. The tax is steeply progressive, with rates between zero and 40 percent, and is calculated, in general, on the net revenues derived from advertising plus the margins which the sales houses affiliated with the taxpayers charge to their customers. The tax base is calculated by aggregating the tax bases of the subsidiaries. As a result, entities belonging to a group of companies are taxed at higher tax rates than group-independent legal entities. On November 18, 2014, the Hungarian parliament adopted an amendment by which the highest applicable tax rate was increased from 40 to 50 percent. This amendment entered into force on January 1, 2015. As of June 30, 2014, RTL Group's management had recognized a full impairment of the goodwill for an amount of €77 million and additional impairment losses on non-current intangible assets of €11 million, of which €9 million is related to assets identified in connection with the initial purchase price allocations. Furthermore, as of December 31, 2014, a valuation allowance on current program rights has been recorded for an amount of €7 million. On May 27, 2015, the Hungarian parliament retrospectively amended the advertising tax. The tax rate was changed into a flat rate of 5.3 percent for a tax base above HUF100 million and zero percent under HUF100 million. The retrospective impact resulted in a one-off positive impact of €5 million recognized in the position "Other operating expenses" as of December 31, 2015. In addition, RTL Group's management reassessed the fair value of the non-current intangible assets identified in connection with the initial purchase price allocations and fully reversed the remaining impairment for an amount of €7 million. In addition, the reassessment of the net realizable value of the current program rights resulted in the recognition of a reversal of the valuation allowance of €5 million.

Due to continuing pressure on the production and distribution business as a result of lower volumes and pricing, the company's internal forecasts for the cash-generating unit Fremantle Media, which belongs to RTL Group, have been updated taking into account the latest available

information, primarily on the United States. The recoverable amount was determined using the value in use on the basis of the discounted cash flow method with a long-term growth rate of 2.5 percent (previous year: 2.5 percent) and a discount rate of 7.4 percent (previous year: 7.7 percent). As of December 31, 2015, the recoverable amount exceeds the carrying amount by €189 million (previous year: €124 million). In the event of an increase in the discount rate by 0.7 percentage points, a reduction in the annual revenue of 1.0 percent or a reduction in the EBITDA margin by 1.0 percentage point, the recoverable amount is lower than the carrying amount.

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

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

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

12 Property, Plant and Equipment

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

As of the end of the reporting period, property, plant and equipment in the amount of €9 million was pledged as collateral for liabilities. In the previous year, no property,

plant and equipment was pledged as collateral for liabilities. Impairment losses totaling €-3 million were recognized for property, plant and equipment (previous year: €-84 million).

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

In the Group's view, material non-controlling interests relate to RTL Group and the publishing group Penguin Random House. The proportion of ownership interests held by non-controlling interests in RTL Group based in Luxembourg, Luxembourg, is 24.3 percent after treasury shares (previous year: 24.3 percent). At RTL Group itself, material non-controlling interests relate to the subsidiary Groupe M6 based in Paris, France. Bertelsmann has a 48.4 percent interest (previous year: 48.4 percent) in Groupe M6. Of the non-controlling interests of RTL Group, €409 million (previous year: €405 million) is attributable to Groupe M6. The publishing group Penguin Random House, formed due to the merger of Random House and Penguin as of July 1, 2013, consists of the two legal groups Penguin Random House LLC, based in Wilmington,

Delaware, United States, which bundles all of the publishing units in the United States, and Penguin Random House Limited, based in London, UK, comprised of all other publishing units. To better reflect the substance of the Bertelsmann Group's investment in the two groups, both groups are considered as a single entity. The proportion of ownership interests held by non-controlling interests in Penguin Random House is 47.0 percent (previous year: 47.0 percent).

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

Financial Information for Subsidiaries with Material Non-Controlling Interests

in € millions	RTL Group		Penguin Random House	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Non-current assets	6,694	6,570	2,011	1,965
Current assets	3,611	3,288	1,757	1,692
Non-current liabilities	1,258	1,222	223	237
Current liabilities	3,525	3,250	1,319	1,368
Bertelsmann shareholders' equity	4,435	4,337	1,394	1,282
Non-controlling interests	1,087	1,049	832	770
in € millions	2015	2014	2015	2014
Revenues	6,029	5,808	3,394	3,007
Profit or loss	865	726	342	260
thereof non-controlling interests	266	238	162	122
Total comprehensive income	907	744	531	434
thereof non-controlling interests	277	241	232	205
Dividends to non-controlling interests	243	313	192	119
Cash flow from operating activities	990	934	350	419
Cash flow from investing activities	(264)	(454)	(33)	(135)
Cash flow from financing activities	(768)	(545)	(405)	(283)
Increase/(decrease) in cash and cash equivalents	(42)	(65)	(88)	1

Investments Accounted for Using the Equity Method

The investments accounted for using the equity method relate to joint ventures in the amount of €46 million

(previous year: €50 million) and to associates in the amount of €899 million (previous year: €542 million).

Investments in Joint Ventures

The Bertelsmann Group holds investments in 29 (previous year: 29) individually immaterial joint ventures as of the end of the reporting period. The following table shows summarized

financial information on these joint ventures. The information given represents in each case the Bertelsmann Group's interest.

Financial Information on Individually Immaterial Joint Ventures

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

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

Investments in Associates

The Bertelsmann Group holds investments in 42 (previous year: 30) associates as of the end of the reporting period. As in the previous year, the investment of RTL Group in Atresmedia, based in San Sebastián de los Reyes, Spain, is individually material for the Group. The investment in Atresmedia decreased from 19.2 percent as of December 31, 2014, to 18.6 percent as of June 30, 2015, and remained unchanged as of December 31, 2015. The transaction resulted in a dilution of interest generating a gain of €10 million. In the previous year, the ownership in Atresmedia decreased from 20.5 percent as of December 31, 2013, to 19.2 percent as of December 31, 2014, as a result of the partial novation on February 19, 2014, of the Integration Agreement executed with the shareholder La Sexta on December 14, 2011, and the reduction of the number of treasury shares. This transaction resulted in a dilution of interest generating a loss of €5 million in the financial year 2014. As of December 31, 2015, the ownership is 18.7 percent after treasury shares

(previous year: 19.3 percent). Although the Bertelsmann Group holds less than 20 percent of the interest in Atresmedia, management considers that the Bertelsmann Group still exercises a significant influence in Atresmedia due to the representation of RTL Group within decision-making bodies of Atresmedia. On December 31, 2015, the stock market value of Atresmedia, which is listed on the Madrid Stock Exchange, amounted to €2,221 million (previous year: €2,628 million). As of December 31, 2015, the fair value of the Bertelsmann Group's interest in Atresmedia amounted to €414 million (previous year: €504 million).

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

Financial Information on Individually Material Associates

in € millions	Atresmedia	
	12/31/2015	12/31/2014
Non-current assets	638	642
Current assets	615	565
Non-current liabilities	(203)	(204)
Current liabilities	(567)	(561)
Equity	483	442
in € millions	2015	2014
Revenues	970	883
Earnings after taxes from continuing operations	103	42
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	1	1
Total comprehensive income	104	43
Dividends received from the associate	12	9

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

Reconciliation to Carrying Amount

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

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

Summarized Financial Information on Individually Immaterial Associates

in € millions	12/31/2015	12/31/2014
Non-current assets	563	240
Current assets	214	128
Non-current liabilities	33	20
Current liabilities	134	67
in € millions	2015	2014
Earnings after taxes from continuing operations	(17)	14
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	(3)	2
Total comprehensive income	(20)	16

The total carrying amount of the investments in all individually immaterial associates amounts to €643 million (previous year: €286 million) as of December 31, 2015. Thereof, €179 million is

attributable to the investment in the online education platform HotChalk made in December 2015. The interest in HotChalk was acquired by purchase price payment of €134 million and

contribution of an existing interest in Synergis in the amount of €45 million. The carrying amount of the investment mainly reflects goodwill. As of December 31, 2015, the proportion of ownership interest is 40.8 percent. The online education platform provides services to universities that enable them to run online degree programs, collaborates with universities in designing courses and provides support in marketing and student recruitment.

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

carrying amount of the investment mainly reflects goodwill. Udacity offers special interactive online courses that include multimedia exercises, instructional videos, interviews with coaches and experts, and exams.

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

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

14 Other Financial Assets

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

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

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

15 Inventories

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

In the financial year 2015, write-downs on inventories were recognized in the amount of €-139 million (previous year: €-145 million). In addition, reversals of write-downs on inventories were recognized in the amount of €116 million

(previous year: €128 million). These are due to broadcasting factors for program rights and also increased prices on some markets. As in the previous year, no inventories have been pledged as collateral for liabilities.

16 Receivables and Other Non-Financial Assets

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

The non-current other non-financial assets in the amount of €600 million (previous year: €538 million) relate to advance payments for royalties and licenses. Advance payments for royalties and licenses are generally written off if no recoupment is expected. The amount of these write-downs is based on management estimates of future sales volumes and price changes using historical data.

The item "Other receivables" includes receivables in the amount of the continuing involvement in connection with

factoring agreements, receivables from reimbursement rights for defined benefit obligations as well as other refund entitlements, creditors with debit balances and accounts receivable from participations.

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

17 Cash and Cash Equivalents

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

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

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

18 Equity Subscribed Capital

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

Compared with the previous year, the subscribed capital of Bertelsmann SE & Co. KGaA remained unchanged at €1,000 million and comprises 83,760 registered shares (ordinary shares). As of December 31, 2015, foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) held 80.9 percent of Bertelsmann SE & Co. KGaA

shares, with the other 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft mbH (BVG) controls the voting rights at the General Meeting of Bertelsmann SE & Co. KGaA and Bertelsmann Management SE (personally liable partner).

Capital Reserve

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

Retained Earnings

Retained earnings include the undistributed prior year net profits of those companies included in the Consolidated Financial Statements, remeasurement effects of defined benefit pension plans (actuarial gains and losses on the defined

benefit obligation, differences between actual investment returns and the return implied by the net interest cost on the plan assets, and effects of the asset ceiling) and cumulated other comprehensive income.

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

Changes to Components of Other Comprehensive Income After Taxes

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

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

In the financial year 2015, changes in the fair value of previous year hedging relationships relating to cash flow hedges amounted to €34 million (previous year: €46 million) and new hedging relationships totaled €2 million (previous

year: €1 million). The amount of €-26 million relating to other comprehensive income (previous year: €3 million) was reclassified to the income statement. These are amounts before tax.

Share-Based Payments

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

Relias Learning LLC, a subsidiary of Bertelsmann Learning LLC, has granted Class C Units to be settled in cash to selected employees in the current financial year for the first time. The Class C Units are intended to constitute “profit interests” under US tax laws and will be settled in cash if the fair market value of Bertelsmann Learning LLC exceeds a pre-defined threshold. They vest over a period of four years after issuance, provided the employee continues to be employed by Bertelsmann Learning LLC or any of its subsidiaries. The employees are entitled to sell the Class C Units to Bertelsmann Learning LLC after the vesting period while Bertelsmann Learning LLC has the right to purchase the Class C Units after eight years. Class C Units may be issued up to a maximum nominal value of US\$10 million, in the aggregate. As of December 31, 2015, Class C Units with a nominal value

of US\$6.65 million have been issued. The cash settlement is limited at three times the nominal value. The fair value of the Class C Units granted is measured at the end of the reporting period using a binominal model, taking into account the terms and conditions under which the Class C Units were granted and the current likelihood of achieving the specified threshold. The fair value of the Class C Units is accrued as personnel expense over the vesting period. The carrying amount of the financial liability related to the Class C Units amounts to €1 million as of December 31, 2015.

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

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

Granting and Vesting Conditions (Groupe M6)

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

1) Contractual life of options corresponds to the vesting period (i.e., four years) plus three years (which represents the time frame during which the options can be exercised).

2) Maximum number of free shares granted if the performance conditions are significantly exceeded. Such number could be reduced to zero if objectives are not met.

The free share plans are subject to performance conditions. The plans granted in July 2013, October 2014 and July 2015 are subject to Groupe M6 achieving its target growth in net

consolidated result over the financial years 2013, 2014 and 2015 respectively. The plans granted in April 2014 and May 2015 are only subject to presence in Groupe M6.

The price to be paid when exercising the remaining options is the average value of the shares of Métropole Télévision on the Paris Stock Exchange, taken over 20 trading days prior to

the date of grant. The management free share allocation plan forms an exception to the above.

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

Options (Groupe M6)

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

An estimated 1,147,000 free shares are exercisable at the end of the year against 1,235,000 at the beginning of the year.

513,000 free shares were granted during the year, with 558,000 being exercised and 43,000 being forfeited.

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

Conditions for Stock Options (Groupe M6)

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

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

The fair value of services received in return for share options granted is measured by reference to the fair value of stock options granted. The estimate of fair value of the services received is measured based on a binomial model. Free shares

are valued at the share price at the date they are granted less discounted dividends, which employees are not entitled to receive during the vesting period.

Fair Values of Stock Options (Groupe M6)

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

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

19 Provisions for Pensions and Similar Obligations

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

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

In the case of defined contribution plans, the company makes payments into an external pension fund or another welfare fund through a statutory, contractual or voluntary model. The company has no obligation to provide further benefits once it has made these payments, so no provisions are recognized. Expenses for defined contribution plans in the amount of

€50 million were recognized in the financial year (previous year: €40 million). The contributions paid by employer to state pension plans amount to €338 million (previous year: €311 million) in the financial year 2015.

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

Net Defined Benefit Liability Recognized in the Balance Sheet

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

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

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

Defined Benefit Plans

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

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

Breakdown of Defined Benefit Obligation and Plan Assets by Geographical Areas

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

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

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

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

regulatory conditions over and above the minimum funding regulations in the United States and United Kingdom.

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

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

Further significant actuarial assumptions are assumed as follows:

Actuarial Assumptions

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

An increase or decrease of one percentage point in the assumptions set out above compared with the assumptions

actually applied would have had the following effects on the defined benefit obligation as of December 31, 2015:

Effect of Actuarial Assumptions

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

In order to determine the sensitivity of the longevity, the mortality rates for all beneficiaries were reduced or increased

evenly, so that the life expectancy of a person of a country-specific retirement age increases or decreases by one year.

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

Changes in Defined Benefit Obligations and Plan Assets

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

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

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

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

Expenses for Defined Benefit Plans

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

The portfolio structure of plan assets is composed as follows:

Portfolio Structure of Plan Assets

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

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

All plan assets in the Bertelsmann Group are used exclusively for the fulfillment of benefit obligations. In order to avoid a concentration of risk, plan assets are invested in various classes of investments. The majority of plan assets are managed by Bertelsmann Pension Trust e.V. under a contractual trust arrangement (CTA) for pension commitments of Bertelsmann SE & Co. KGaA and some of the German subsidiaries. There is no funding requirement for the CTA. A voluntary contribution in the amount of €650 million

was made to plan assets during the reporting period. The trust assets were invested in accordance with the investment guideline of the beneficiary, using a long-term total return approach. This approach is based on the aim of using strategic asset allocation to generate a suitable return in the long term regardless of short-term market fluctuations and/or crises. The management board of the pension trust is responsible for the investment and regularly informs the beneficiary of the status and performance of the pension assets.

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

Change in Net Defined Benefit Liability Recognized in the Balance Sheet

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

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

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

Maturity Profile of Pension Payments

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

Obligations similar to pensions relate to provisions for bonuses for employee service anniversaries, amounts due but not yet paid to defined contribution plans, and severance payments at retirement. Severance payments at retirement are made when employees leave the company and are based on statutory obligations, primarily in Italy and Austria. Provisions for employee service anniversary bonuses and severance payments at retirement are recognized in the same

way as defined benefit plans, but with actuarial gains and losses recognized in profit or loss. Employees in Germany who are at least 55 years old and have a permanent employment contract with the company qualify for the old-age part-time schemes. The partial retirement phase lasts two to five years.

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

Breakdown of Obligations Similar to Pensions

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

20 Other Provisions

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

In accordance with IAS 37, restructuring provisions include termination benefits and other costs relating to the discontinuation of business activities. Provisions in the amount of €86 million (previous year: €147 million) are recognized for various restructuring programs within the Bertelsmann Group, including for structurally declining businesses such as print, replication, clubs and direct marketing. Due to a lack of economic perspectives, a decision was made in June 2014 to gradually terminate the activities of the German-language club businesses, reported under Corporate Investments, by the end of 2015; the related provision recognized in 2014 amounted to €18 million (previous year: €22 million) as of December 31, 2015. Provisions of €24 million and €10 million were recognized in the financial year 2015 for additional restructuring programs within the Arvato and Gruner + Jahr divisions.

The provisions for onerous contracts concern RTL Group in the amount of €93 million (previous year: €111 million) and

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

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

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

21 Profit Participation Capital

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

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

On December 31, 2015, the nominal value of the profit participation capital totaled €301 million (previous year: €301 million). Of this amount, €284 million is due to 2001

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

22 Financial Debt

Financial debt includes all of the Bertelsmann Group's interest-bearing liabilities to banks and capital markets as

of the end of the reporting period. Carrying amounts are calculated as follows:

Current and Non-Current Financial Debt

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

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

In April 2015, Bertelsmann SE & Co. KGaA issued two subordinated hybrid bonds totaling a volume of €1,250 million.

The first bond, with a nominal volume of €650 million, has a term of 60 years and a 3.0 percent coupon for the first eight years. Afterwards, interest rates will be reset every five years based on the five-year swap rate. This bond can be called by Bertelsmann for the first time in 2023 and redeemed at its nominal value. The second bond with a nominal volume of €600 million also has a term of 60 years and a 3.5 percent coupon for the first twelve years. Afterwards, interest rates will be reset every five years based on the five-year swap rate. Bertelsmann can first call this bond in 2027 and redeem it at its nominal value. Interest for the two bonds may be

deferred depending on a dividend payment to the owners of Bertelsmann SE & Co. KGaA. In December 2015, Bertelsmann issued a promissory note in the amount of €100 million with a term of five years and a promissory note in the amount of €150 million with a term of ten years in private placements. The bond due in October 2015 in the amount of €500 million was repaid on time, of which €70 million had already been

repaid ahead of time in the financial year 2013. At the end of the reporting period, the Group had bonds, private placements and promissory notes outstanding with a nominal volume of €3,796 million (previous year: €2,726 million). The differences in carrying amount versus nominal value in the table below result from transaction costs, premiums and discounts.

Bonds and Promissory Notes

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

The documentation of the bonds from Bertelsmann SE & Co. KGaA in 2005, 2012 and 2014 is within the framework of a base documentation for debt issuance programs. The bonds issued by Bertelsmann SE & Co. KGaA in 2006 and the promissory notes were issued on the basis of separate documentation. The bonds have a rating of “Baa1” (Moody’s) and “BBB+” (Standard & Poor’s). The debt issuance program was updated in April 2015. The framework documentation allows Bertelsmann SE & Co. KGaA to place bonds with a total volume of up to €4 billion on the capital market. Transaction costs and agreed discounts or premiums are taken into account in interest result over the term, impacting the

carrying amount of the bonds and promissory notes. These led to a difference to the nominal volume of €-23 million (previous year: €-16 million) at the end of the year.

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

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

Quoted Prices

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

The fair values of private placements and promissory notes are determined using actuarial methods based on yield curves adjusted for the Group's credit margin. This credit margin results from the market price for credit default swaps at the end of the respective reporting periods. Fair value is measured

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

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

Interest on Bonds and Promissory Notes

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

Credit Facility

The Bertelsmann Group has access to a syndicated agreement entered into with major international banks in the amount of €1,200 million (previous year: €1,200 million), which in June 2015 was extended by one year to 2020.

Bertelsmann SE & Co. KGaA can draw down this credit facility using floating rate loans in euros, US dollars and pounds sterling based on EURIBOR or LIBOR on a revolving basis.

Leasing Liabilities

Finance leases exist for the following assets:

Leased Assets

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

The beneficial ownership of leased assets lies with the lessee, providing that the lessee also bears the significant risks and rewards of ownership. The Group's finance lease activities

primarily relate to long-term agreements for office space. The Group generally has the option to acquire such properties at the end of the lease term.

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

Minimum Lease Payments for Finance Leases

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

As of the end of the reporting period, no subleases were in place as part of finance lease agreements. In the previous year, future minimum lease payments with a nominal value

of less than €1 million were expected as a result of subleases arising from finance lease agreements.

23 Liabilities

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

Non-current other financial payables in the amount of €192 million (previous year: €192 million) include liabilities from put options relating to shareholders with non-controlling interests of €86 million (previous year: €99 million), minority interests in partnerships of €38 million (previous year: €49 million) and derivative financial instruments of €6 million

(previous year: €3 million). The item "Current other financial payables" includes liabilities in the amount of the continuing involvement in connection with factoring agreements, liabilities from refund entitlements, liabilities from the acquisition of assets, liabilities to participations, debtors with credit balances and derivative financial instruments.

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

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

Of other commitments, €2,797 million (previous year: €2,606 million) pertains to RTL Group. These relate to supply agreements for (co-)productions, contracts for TV licenses and broadcasting rights and other rights and services. A further €775 million (previous year: €785 million) of other commitments pertains to Penguin Random House which

represents the portion of obligations to authors for which no payments have yet been made, where future payments are contingent upon other events (such as delivery and acceptance of manuscripts). Other commitments of €49 million (previous year: €48 million) are for the acquisition of property, plant and equipment.

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

Minimum Lease Payments for Operating Leases

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

These commitments largely concern tenancy and technical broadcasting facilities. They are partially offset by expected minimum lease payments from subleases with a nominal value of €71 million (previous year: €66 million).

The net present values calculated considering country-specific interest rates show all of the net payments required to settle the obligation.

25 Additional Disclosures on Financial Instruments

Maturity Analysis of Selected Financial Assets

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

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

Reconciliation of Changes in Impairment in accordance with IFRS 7

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

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

of all receivables, loans and securities constitutes the Group's maximum default risk.

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

Contractual Maturity Analysis of Financial Liabilities

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

Current cash outflows from financial obligations are offset by planned cash inflows from receivables and other financial assets. To cover current cash flows, Bertelsmann SE & Co. KGaA

also has adequate financial reserves in the amount of the cash and cash equivalents and unutilized credit facilities in place at the end of the reporting period.

The following table presents the remaining terms of the contractual amounts to be exchanged in a derivative financial

instrument for which gross cash flows are exchanged:

Liabilities from Derivatives with Gross Settlement

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

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

Liabilities from Derivatives with Net Settlement

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

Based on the remaining contractual terms of its financial liabilities at the end of the reporting period, the Bertelsmann

Group will have to make the following future interest payments:

Future Undiscounted Interest Payments

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

Carrying Amounts and Measurement Methods by Measurement Category

Assets

in € millions

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

Investments in affiliates and other investments that are classified as available-for-sale within financial assets are measured at cost as they do not have a quoted price on an active market and a reliable estimate of the fair value is not possible.

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

Equity and Liabilities

in € millions

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

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

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

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

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

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

It is possible to allocate the financial instruments measured at fair value in the balance sheet to the three levels of the fair value

hierarchy by category based on the tables “Carrying Amounts and Measurement Methods by Measurement Category.”

Financial Assets Measured at Fair Value Based on Level 3

	Financial assets initially recognized at fair value through profit or loss	Available-for- sale financial assets	Primary and derivative financial assets held for trading	Derivatives with hedge relation	Total
in € millions					
Balance as of 1/1/2015	–	34	–	–	34
Total gain (+) or loss (-)	–	(5)	6	–	1
– in profit or loss	–	–	6	–	6
– in other comprehensive income	–	(5)	–	–	(5)
Transfers from “Investments accounted for using the equity method”	–	–	–	–	–
Purchases	–	1	–	–	1
Issues	–	–	–	–	–
Sales/settlements	–	–	–	–	–
Transfers out of/into level 3	–	–	–	–	–
Balance as of 12/31/2015	–	30	6	–	36
Gain (+) or loss (-) for assets still held at the end of the reporting period	–	–	6	–	6

in € millions	Financial assets initially recognized at fair value through profit or loss	Available-for-sale financial assets	Primary and derivative financial assets held for trading	Derivatives with hedge relation	Total
Balance as of 1/1/2014	-	35	-	-	35
Total gain (+) or loss (-)	-	(2)	-	-	(2)
- in profit or loss	-	-	-	-	-
- in other comprehensive income	-	(2)	-	-	(2)
Transfers from "Investments accounted for using the equity method"	-	-	-	-	-
Purchases	-	1	-	-	1
Issues	-	-	-	-	-
Sales/settlements	-	-	-	-	-
Transfers out of/into level 3	-	-	-	-	-
Balance as of 12/31/2014	-	34	-	-	34
Gain (+) or loss (-) for assets still held at the end of the reporting period	-	-	-	-	-

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

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

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

Financial Liabilities Measured at Fair Value Based on Level 3

in € millions	Financial liabilities initially recognized at fair value through profit or loss	Primary and derivative financial liabilities held for trading	Derivatives with hedge relation	Total
Balance as of 1/1/2015	43	–	–	43
Total gain (-) or loss (+)	(2)	–	–	(2)
– in profit or loss	(4)	–	–	(4)
– in other comprehensive income	2	–	–	2
Purchases	5	–	–	5
Issues	–	–	–	–
Settlements	(1)	–	–	(1)
Transfers out of/into level 3	–	–	–	–
Balance as of 12/31/2015	45	–	–	45
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	–	–	–	–

in € millions	Financial liabilities initially recognized at fair value through profit or loss	Primary and derivative financial liabilities held for trading	Derivatives with hedge relation	Total
Balance as of 1/1/2014	–	–	–	–
Total gain (-) or loss (+)	–	–	–	–
– in profit or loss	–	–	–	–
– in other comprehensive income	–	–	–	–
Purchases	43	–	–	43
Issues	–	–	–	–
Settlements	–	–	–	–
Transfers out of/into level 3	–	–	–	–
Balance as of 12/31/2014	43	–	–	43
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	–	–	–	–

Level 1:

The fair value of the existing financial instruments is determined on the basis of stock exchange listings at the end of the reporting period.

Level 2:

For measuring the fair value of unlisted derivatives, Bertelsmann uses various financial methods reflecting the prevailing market conditions and risks at the respective balance sheet dates. Irrespective of the type of financial instrument, future cash flows are discounted at the end of the reporting period based on the respective market interest rates and interest rate structure curves at the end of the reporting period. The fair value of forward exchange transactions is calculated using the average

spot prices at the end of the reporting period and taking into account forward markdowns and markups for the remaining term of the transactions. The fair value of interest rate derivatives is calculated on the basis of the respective market rates and interest rate structure curves at the end of the reporting period. The fair value of forward commodity transactions is derived from the stock exchange listings published at the end of the reporting period. Any incongruities to the standardized stock exchange contracts are reflected through interpolation or additions.

Level 3:

If no observable market data is available, measuring fair values is based primarily on cash flow-based valuation techniques.

The valuation of financial assets and financial liabilities according to level 2 and level 3 requires management to make certain assumptions about the model inputs including cash flows,

discount rate and credit risk. During the financial year 2015, no reclassifications were performed between levels 1, 2 and 3.

Net Result from Financial Instruments

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

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

In the case of the financial assets and liabilities which are shown in the following tables and which are offset on the balance sheet, master netting agreements or similar agreements allow the Bertelsmann Group and the counterparty to reach settlement on a net basis. Settlement on a net basis is

thus legally valid both as part of ordinary business activities and also in the event of payment default by one of the parties. In addition, Bertelsmann purchases financial derivatives that do not meet the criteria for offsetting on the balance sheet as future events determine the right to offset.

Offsetting Financial Assets

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

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

Offsetting Financial Liabilities

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

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

Accounting of Derivative Financial Instruments and Hedges

All derivatives are recognized at their fair value. When a contract involving a derivative is entered into, it is determined whether that contract is intended to serve as a fair value hedge or as a cash flow hedge. Some derivatives, however, do not meet the requirements for recognition as hedges, even though they function as such in financial terms.

Bertelsmann documents all relationships between hedging instruments and hedged items as well as its risk management objectives and strategies in connection with the various

hedges. This method includes linking all derivatives used for hedging purposes to the underlying assets, liabilities, firm commitments and forecasted transactions. Furthermore, the Bertelsmann Group assesses and documents the degree to which changes in the fair values or cash flows of hedged items are effectively offset by changes in the corresponding hedging instruments, both when the hedges are initiated and on an ongoing basis.

Financial Derivatives

Bertelsmann uses standard market financial derivatives, primarily unlisted (OTC) instruments. These include, in particular, forward agreements, currency swaps, currency options, interest rate swaps and individual commodities forwards. Transactions are entered into solely with banks with a high credit rating. As a rule, the Central Financial Department's transactions are only performed with a group of banks approved by the Executive Board. The nominal volume is the total of all underlying buying and selling amounts of the respective transactions. The majority of the financial derivatives at the end of the reporting period are used to hedge against exchange rate

risks from intercompany financing activities (55 percent). A total of €1,602 million (43 percent) is due to financial derivatives used to hedge currency risks from operating business as of the end of the reporting period. Financial derivatives are also used to hedge against interest rate risks from cash and cash equivalents and financing. No financial derivatives were purchased for speculative purposes.

The maturity bands correspond to the remaining maturities of the financial derivatives.

Nominal Amounts of Financial Derivatives

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

Fair Values of Financial Derivatives

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

The option offered in IFRS 13.48 (net risk position) is used for measuring fair value of financial derivatives. In order to identify the credit exposure from financial derivatives, the respective net position of the fair values with the contractual partners is used as a basis, as these are managed based on a net position in view of their market or credit default risks. Currency forwards are used to hedge the exchange rate risk relating to the purchase of program rights and output deals for the TV business. Bertelsmann hedges between 80 and 100 percent of the future cash flows from the purchase of program rights in foreign currency, which represent a fixed obligation (within one year) or a future transaction with a high probability of occurrence, and between 20 and 80 percent of

the longer-term (two to five years) transactions expected in the future under output deals. The derivatives used for this purpose are recognized as hedging instruments in connection with cash flow hedges. The effective portion of changes in the fair value of cash flow hedges is recognized in other comprehensive income until the effects of the hedged underlying transaction affect profit or loss. The portion remaining in other comprehensive income at December 31, 2015, will thus mainly impact the income statement in the financial years 2016 through 2019. The ineffective portion of the cash flow hedges in the amount of €3 million (previous year: €-7 million) is recognized under the items "Other financial expenses" and "Other financial income."

The following table provides an overview of the carrying amounts of the Group's derivative financial instruments, which correspond to their fair values. A distinction is

made between derivatives that are included in an effective hedging relationship in accordance with IAS 39 and those that are not.

Derivative Financial Instruments

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

Financial Instruments Financial Risk Management

The Bertelsmann Group is exposed to various forms of financial risk through its international business operations. Above all, this includes the effects of exchange and interest rate movements. Bertelsmann's risk management activities are designed to effectively mitigate these risks.

The Executive Board establishes basic risk management policy, outlining general procedures for hedging currency and interest rate risk and the utilization of derivative financial instruments. The Corporate Treasury and Finance Department

advises subsidiaries on operating risk and hedges risks using derivative financial instruments as necessary. However, subsidiaries are not obliged to use the services provided by this department for their operating risks. Some subsidiaries, such as RTL Group in particular, have their own finance departments. These report their hedge transactions to the Corporate Treasury and Finance Department each quarter. Further information on financial market risks and financial risk management is presented in the Combined Management Report.

Exchange Rate Risk

Bertelsmann is exposed to an exchange rate risk in various currencies. Its subsidiaries are advised, but not obliged, to hedge themselves against exchange rate risks in the local reporting currency by signing forward agreements with banks that have a high credit rating. Loans within the Bertelsmann Group that are subject to exchange rate risk are hedged using derivatives.

A number of subsidiaries are based outside the eurozone. The resulting translation risk is managed through the relationship of economic debt to operating EBITDA of key currency areas. Over the long term, the Group aims to achieve a reasonable relationship between financial debt and results of operations. Bertelsmann's focus is on the maximum leverage factor permitted for the Group.

Interest Rate Risk

There are interest rate risks for interest-bearing assets and financial debt. Interest rate risk in the Bertelsmann Group is analyzed centrally and managed on the basis of the Group's planned net financial debt. A key factor in this management is the Group's interest result over time and its sensitivity to interest rate

changes. The Group aims for a balanced relationship between floating rate and long-term fixed interest rates depending on the absolute amount, forecast performance of the interest-bearing liability and interest level. This is implemented using underlying and derivative instruments for control.

Liquidity Risk

Liquidity risks may arise through a lack of rollover financing (liquidity risk in a narrower sense), delayed receipt of payment and unforeseen expenditure (budgeting risk). Budgeting risk is determined by comparing deviations in actual spending with budget and reserve amounts. In a narrower sense, liquidity risk depends on the volume of debt due within a given period. Liquidity risk is monitored on an ongoing basis with reference to the budget for current and future years. New and

unplanned transactions (e.g., acquisitions) are continuously tracked. The maturity profile of financial assets and liabilities is also reconciled on a regular basis. Budget risks are managed through effective cash management and constant monitoring of projected versus actual cash flows. Debt maturities are also diversified to ensure that rising financing costs do not have a short-term impact. Credit facilities are also maintained for unplanned expenditure.

Counterparty Risk

The Bertelsmann Group is exposed to default risks in the amount of the invested cash and cash equivalents and the positive fair value of the derivatives in its portfolio. Transactions involving money market securities and other financial instruments are exclusively conducted with a defined group of banks with a high credit rating ("core banks"). The credit ratings of core banks are constantly monitored and classified on the basis of quantitative and qualitative criteria (rating, CDS spreads, stock price, etc.). Counterparty limits determined on the basis of credit ratings refer to cash holdings and positive fair values; the use of limits is monitored regularly. Funds are invested in very short-term portfolios in some cases to preserve flexibility in the event of credit rating changes. In addition,

some tri-party transactions with banks have been concluded to reduce default risks. These tri-party transactions are collateralized investments, and the banks provide pre-defined securities as collateral. As in the previous year, at the end of the reporting period, no tri-party transactions were outstanding and no collateral had been provided. Processing these transactions as well as managing and valuing the collateral are performed by a clearing agent. Default risks arising from trade receivables are partially mitigated through credit insurance coverage. The Bertelsmann Group has obtained credit collateralization in the amount of €541 million for these receivables. In the previous year, credit collateralization in the amount of €360 million was in place for receivables of more than €5 million.

Capital Management

The financing guidelines adopted by the Bertelsmann Group are designed to ensure a balance between financing security, return on equity and growth. The Group's net indebtedness is based specifically on the requirements for a credit rating of "Baa1/BBB+." Financial management at Bertelsmann is conducted using quantified financing objectives that are a central factor in ensuring the Group's independence and capacity to act. These objectives, as elements of the planning process and regular monitoring, are broadly defined performance indicators. The key performance indicator for limiting economic debt within the Bertelsmann Group is the leverage

factor of maximum 2.5. On December 31, 2015, the leverage factor was 2.4 (previous year: 2.7). The coverage ratio is to remain above 4. The coverage ratio amounted to 10.1 on December 31, 2015 (previous year: 7.5). The equity ratio is not to fall below 25 percent of total assets. Management of the equity ratio is based on the definition of equity in IFRS. Although minority interests in partnerships represent equity in financial terms, they are classified as debt for accounting purposes. In the financial year 2015, the equity ratio was 41.2 percent (previous year: 38.9 percent), meeting the internal financial target set by the Group.

Interest Rate and Exchange Rate Sensitivity

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

Upon initial recognition, originated financial debt is measured at fair value less transaction costs. Subsequent measurement is based on amortized cost. Changes in fair value are limited to opportunity effects, as changes in interest rates have no effect on the balance sheet or the income statement. The recognition of originated financial debt at fair value is only permitted for transactions for which a micro-hedge is documented in

accordance with IAS 39 in conjunction with the conclusion of an interest rate or exchange rate hedge transaction involving derivatives. In this case, changes in the fair value of the respective items are recognized in the income statement in order to substantially balance out the offsetting effects of the fair value measurement of the related derivatives.

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

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

Sensitivity Analysis of Cash Flow and Present Value Risks

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

The analysis of exchange rate sensitivity includes the Group's financial debt and operating transactions at the end of the reporting period as well as the hedging relationships entered into (forward agreements and options). The calculation is performed for the unsecured net exposure on the basis of an assumed 10 percent write-up of the euro versus all foreign currencies and is presented after tax. A uniform devaluation of foreign currencies would have resulted in a change in the carrying amount recognized in profit or loss of €-9 million (previous year: €-8 million). Thereof, €-3 million (previous year: €-3 million) relates to fluctuations in the US dollar exchange

rate with a net exposure of US\$53 million (previous year: US\$52 million). Shareholders' equity would have changed by €43 million (previous year: €-41 million) as a result of fluctuations in the fair values of documented cash flow hedges. Thereof, €43 million (previous year: €-43 million) relates to fluctuations in the US dollar exchange rate on the basis of a documented cash flow hedge volume of US\$680 million (previous year: US\$753 million). If there had been a uniform increase in the value of foreign currencies, this would have led to opposite changes in these amounts for the Bertelsmann Group.

Factoring

In individual cases, Bertelsmann sells receivables to financial intermediaries. The receivables sold relate primarily to short-term external receivables which Arvato Financial Solutions acquires from third parties as part of its services in receivables management. This business can be changed at any time during the year. The receivables are resold to financial intermediaries on an ongoing basis. The volume of receivables sold amounted to €331 million as of the end of the reporting period (previous year: €370 million). As part of the

contractual agreements on the sale of receivables, in the majority of cases neither all rewards nor all risks that are associated with the receivables were transferred or retained. In particular, parts of the default and late payment risks were retained by Bertelsmann, with the result that a receivable was accounted for in the amount of the continuing involvement of €45 million (previous year: €48 million). The carrying amount of the associated liability is €54 million (previous year: €59 million).

26 Cash Flow Statement

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

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

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

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

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

27 Segment Reporting

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

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

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

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

Intersegment eliminations are carried in the column "Consolidation."

As in the past, specific segment information is defined according to the definitions on which Group management is based. As a rule, accounting and measurement in the segment reporting uses the same IFRS principles as in the Consolidated

Financial Statements. Notwithstanding the IFRS principles, 66 percent of the net present value of the operating leases is considered in the calculation of invested capital. Inter-company revenues are recognized using the same arm's-length conditions applied to transactions with third parties.

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

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

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

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

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

Reconciliation of Segment Information to the Consolidated Financial Statements

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

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

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

1) Continuing operations, including 66 percent of the net present value of the operating leases.

2) Includes assets held for sale.

3) Includes liabilities related to assets held for sale.

28 Related Party Disclosures

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

Bertelsmann Verwaltungsgesellschaft mbH (BVG), Gütersloh, a holding company with no operating activities, has control of the Bertelsmann Group. Johannes Mohn GmbH, Bertelsmann Beteiligungs GmbH, Reinhard Mohn Verwaltungsgesellschaft mbH and Mohn Beteiligungs GmbH have informed

Bertelsmann SE & Co. KGaA that they each own more than one quarter of the shares. Shares held both directly and indirectly are included when identifying shareholdings.

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

Remuneration for key management personnel includes:

Remuneration for Key Management Personnel

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

The remuneration shown also includes remuneration for activities by the members of the Supervisory Board of Bertelsmann SE & Co. KGaA in the Supervisory Board of Bertelsmann Management SE. Transactions with subsidiaries

included in the scope of consolidation are eliminated and are not further disclosed. In addition to transactions with consolidated subsidiaries, the following transactions with related parties and entities were conducted in the reporting period:

Transactions with Related Parties

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

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

No guarantees were entered into for associates during the financial year and also not in the previous year. In line with the previous year, Bertelsmann has no share in the contingent liabilities at the associates. There are contribution obligations in the amount of €72 million to a Brazilian fund set up by Bertelsmann along with the investment company Bozano Investimentos and other partners, investing in educational

companies, with a particular focus on healthcare. Further contribution obligations exist to University Ventures Funds in the amount of €51 million (previous year: €45 million) and to HotChalk in the amount of €32 million.

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

29 Events After the Reporting Period

From the beginning of the financial year 2016, three additional independent divisions will be formed from the operating activities of Corporate Investments: BMG, Bertelsmann Education Group and Bertelsmann Investments. BMG is an international music company. The Bertelsmann Education Group division comprises the growth businesses and investments specializing in activities related to high-quality education services. Bertelsmann Investments comprises the funds Bertelsmann Digital Media Investments (BDMI), Bertelsmann Asia Investments (BAI), Bertelsmann Brazil Investments (BBI) and Bertelsmann India Investments (BII), investing in promising businesses and thus focused on establishing and expanding the growth businesses of the future. The activities of the new divisions were previously included in Corporate Investments. In addition, the division Bertelsmann Printing Group bundles

the Group’s offset and gravure printing activities as of January 1, 2016. It comprises the businesses Mohn Media, GGP Media and Vogel Druck previously considered part of the Arvato division, the gravure activities of Prinovis in Germany and the United Kingdom previously operating under Be Printers, and the offset and digital printers of Be Printers in the United States. The new division also includes several additional service and production businesses: the RTV Media Group, direct marketing specialist Arvato Campaign and the replication business (Arvato Entertainment). As of January 1, 2016, the Bertelsmann Executive Board manages and monitors the three new divisions separately, and they will therefore be reported as separate divisions in the internal reporting and external segment reporting from 2016 onwards.

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

The following subsidiaries took advantage of the exemption regulations set out in section 264 (3) of the German Commercial Code (HGB) relating to additional requirements for limited liability companies to prepare annual financial statements and a

management report, as well as the requirements for audit of and publication by limited liability companies for the financial year ended December 31, 2015:

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

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

In addition, the exemption regulations set out in section 264b of the German Commercial Code (HGB) were used

"Alwa" Gesellschaft für Vermögensverwaltung mbH & Co. Grundstücksvermietung KG	Schönefeld
11 Freunde Verlag GmbH & Co. KG	Berlin
AVE II Vermögensverwaltungsgesellschaft mbH & Co. KG	Cologne
AZ fundraising services GmbH & Co. KG	Gütersloh
Berliner Presse Vertrieb GmbH & Co. KG	Berlin
DDV Mediengruppe GmbH & Co. KG	Dresden
G+J / Klambt Style-Verlag GmbH & Co. KG	Hamburg

The consolidated subsidiary arvato SCM Ireland Limited in Dublin, Ireland, has used the option offered in section 17 of

by the following companies for the financial year ended December 31, 2015:

G+J Immobilien GmbH & Co. KG	Hamburg
G+J Wirtschaftsmedien GmbH & Co. KG	Hamburg
Gruner + Jahr GmbH & Co KG	Hamburg
infoscore Portfolio Management GmbH & Co. KG	Verl
infoscore Portfolio Management II GmbH & Co. KG	Baden-Baden
Motor Presse Stuttgart GmbH & Co. KG	Stuttgart
Prinovis GmbH & Co. KG	Hamburg
Sellwell GmbH & Co. KG	Hamburg

the Republic of Ireland Companies (Amendment) Act 1986 for publication requirements for its annual financial statements.

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

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

Bertelsmann Management SE amounts to €78,356,234. The members of the Executive Board and Supervisory Board are listed on pages 131ff.

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

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

Number of Employees

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

32 Proposal for the Appropriation of Net Retained Profits

The personally liable partner Bertelsmann Management SE and the Supervisory Board of Bertelsmann SE & Co. KGaA will propose to the General Meeting that the remaining net

retained profits of Bertelsmann SE & Co. KGaA of €582 million be appropriated as follows:

Net Retained Profits for Bertelsmann SE & Co. KGaA

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

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

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

Gütersloh, March 9, 2016

Bertelsmann SE & Co. KGaA

represented by:

Bertelsmann Management SE, the personally liable partner

The Executive Board

Dr. Thomas Rabe

Fernando Carro de Prada

Markus Dohle

Dr. Immanuel Hermreck

Anke Schäferkordt