

# B

The New

Bertelsmann

BERTELSMANN

# BERTELSMANN

At a Glance  
2015

## Key Figures (IFRS)

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

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

1) Operating EBITDA as a percentage of revenues.

2) Bertelsmann uses BVA as a strictly defined key performance indicator to evaluate the profitability of the operating business and the return on investment.

3) Taking into account the financial debt assumed, investments amounted to €1,281 million (2014: €1,601 million).

4) Net financial debt less 50 percent of the par value of the hybrid bonds plus pension provisions, profit participation capital and present value of operating leases.

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Bertelsmann is a media, services and education company that operates in about 50 countries around the world. It includes the broadcaster RTL Group, the trade book publisher Penguin Random House, the magazine publisher Gruner+Jahr, the music company BMG, the service provider Arvato, the Bertelsmann Printing Group, the Bertelsmann Education Group, and Bertelsmann Investments, an international network of funds. The company has 117,000 employees and generated revenues of €17.1 billion in the 2015 financial year. Bertelsmann stands for creativity and entrepreneurship. This combination promotes first-class media content and innovative service solutions that inspire customers around the world.

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[www.bertelsmann.com](http://www.bertelsmann.com)

## Interactive Online Report

The report "The New Bertelsmann" and the Annual Report 2015 can also be accessed online at:  
**[ar2015.bertelsmann.com](http://ar2015.bertelsmann.com)**

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

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

# Contents

- 4 Letter from the CEO
- 6 Executive Board
- 8 Group Management Committee

## **10 The New Bertelsmann**

- 12 Interview with Thomas Rabe
- 18 RTL Group
- 20 Penguin Random House
- 22 Gruner + Jahr
- 24 BMG
- 26 Arvato
- 28 Bertelsmann Printing Group
- 30 Bertelsmann Education Group
- 32 Bertelsmann Investments

## **34 Bertelsmann Strategy**

- 38 Strengthening the Core Highlights
- 40 Digital Transformation Highlights
- 42 Growth Platforms Highlights
- 44 Growth Regions Highlights

- 46 Corporate Responsibility
- 50 Bertelsmann Essentials

- 52 Financial Calendar/Contact
- 52 Production Credits



**Thomas Rabe**  
Chairman and CEO of Bertelsmann

# Dear Readers, Dear Friends of Bertelsmann,

Bertelsmann looks back on a successful year. Our business performance in 2015 was strong, marked by an increase in revenues, operating result and Group profit.

Revenues grew by 2.8 percent to €17.1 billion. Our content, services and education businesses all contributed to this. Operating EBITDA rose significantly, by more than €100 million to nearly €2.5 billion. Group profit surged by more than 90 percent year on year to €1.1 billion – the highest value since 2006. Alongside the improved operating performance, this was also attributable to a lower debit from special items.

In addition to this very gratifying business performance, we made great progress in implementing our strategy of making Bertelsmann a more digital, more international and faster-growing company.

The **strengthening of our core** is documented, for example, by the further expansion of RTL Group's families of channels; the near-completed integration of Penguin and Random House; the successful launch of new magazine titles by Gruner + Jahr; and the reorganization of Arvato to give the individual Solution Groups greater entrepreneurial freedom. In 2015, we also completed the formation of the Bertelsmann Printing Group, which as of January 1, 2016, has all of Bertelsmann's offset and gravure printing activities combined into one unit for the first time.

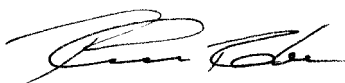
At the same time, we continued to invest in the **transformation to digital**. RTL Group's online video sites collectively generated 105 billion views, an increase of 188 percent year on year. Penguin Random House advanced its e-book catalog to over 110,000 titles. Gruner + Jahr expanded its digital business both organically and through acquisitions. And Arvato is increasingly becoming a service provider for digital transactions – as one example, for all major US technology companies.

We achieved significant progress in the development of our **growth platforms** with our education businesses, which have been pooled since September 2015 into the Bertelsmann Education Group. The most important milestones were the acquisition of a stake in the online education platform HotChalk; the increase of our holdings in Udacity, an online learning provider for technology; and the organic and acquisitive expansion of Relias Learning, an online education provider in the healthcare sector.

We also strengthened our footprint in the **growth regions**. In Brazil, Bertelsmann invested in Affero Lab, the market leader in continuing education, and Arvato acquired a stake in the financial services provider Intervalor. In India, Bertelsmann expanded its holdings in Pepperfry, a leading online marketplace for furniture, and the music streaming service Saavn. And in China, our Bertelsmann Asia Investments (BAI) fund invested in more new companies than in any previous year; the BAI portfolio's market value indicators increased significantly year on year.

These and other measures helped us increase the revenue share of growth businesses from 25 to 28 percent compared to last year, and reduce the share from structurally declining businesses from 8 to 5 percent. We plan to build on these results in the next few years – as a diversified company that stands on three pillars: media, services and education. I would like to thank all our colleagues who are working to build the new Bertelsmann with commitment, creativity and entrepreneurial spirit. I am pleased that you are accompanying us on this journey!

Yours sincerely,



Thomas Rabe

# The Bertelsmann Executive Board



## **Immanuel Hermreck**

Member of Bertelsmann's Executive Board since January 1, 2015. Chief Human Resources Officer of Bertelsmann, Gütersloh. Born on March 22, 1969, in Rheda-Wiedenbrück (Germany).

## **Bernd Hirsch**

Member of Bertelsmann's Executive Board since April 1, 2016. Chief Financial Officer of Bertelsmann, Gütersloh. Born on July 24, 1970, in Ellwangen (Germany).

## **Thomas Rabe**

Member of Bertelsmann's Executive Board since January 1, 2006. Chairman and Chief Executive Officer of Bertelsmann, Gütersloh, since January 1, 2012. Born on August 6, 1965, in Luxembourg.





### **Anke Schäferkordt**

Member of Bertelsmann's Executive Board since April 19, 2012. Co-Chief Executive Officer of RTL Group, Luxembourg. Born on December 12, 1962, in Lemgo (Germany).

### **Markus Dohle**

Member of Bertelsmann's Executive Board since June 1, 2008. Chief Executive Officer of Penguin Random House, New York. Born on June 28, 1968, in Arnsberg (Germany).

### **Fernando Carro**

Member of Bertelsmann's Executive Board since July 1, 2015. Chief Executive Officer of Arvato, Gütersloh. Born on July 27, 1964, in Barcelona (Spain).

# The Bertelsmann Group Management Committee

The Group Management Committee (GMC) advises and supports the Executive Board on important issues of corporate strategy and development and other enterprise-wide topics. It is composed of the members of the Bertelsmann Executive Board and selected executives from the Bertelsmann Group. The GMC reflects Bertelsmann's diversity and internationality, as well as its most important markets. It is led by Thomas Rabe.



**Thomas Rabe**  
Chairman and Chief Executive Officer of Bertelsmann



**Fernando Carro**  
Chief Executive Officer of Arvato



**Markus Dohle**  
Chief Executive Officer of Penguin Random House



**Immanuel Hermreck**  
Chief Human Resources Officer of Bertelsmann



**Bernd Hirsch**  
Chief Financial Officer of Bertelsmann



**Julia Jäkel**  
Chief Executive Officer of Gruner + Jahr



**Kay Krafft**  
Chief Executive Officer of Bertelsmann Education Group



**Andreas Krohn**  
Chief Executive Officer of  
Arvato CRM Solutions



**Annabelle Yu Long**  
Chief Executive Officer  
of Bertelsmann China  
Corporate Center and  
Managing Partner of  
Bertelsmann Asia  
Investments



**Guillaume de Posch**  
Co-Chief Executive Officer  
of RTL Group



**Hartwig Masuch**  
Chief Executive Officer  
of BMG



**Gail Rebeck**  
Chair of the Penguin  
Random House UK Board



**Frank Schirrmeister**  
Chief Executive Officer of  
Arvato SCM Solutions



**Anke Schäferkordt**  
Co-Chief Executive Officer  
of RTL Group and CEO of  
Mediengruppe RTL Deutschland



**Karin Schlautmann**  
Executive Vice  
President Corporate  
Communications  
of Bertelsmann



**Nicolas de Tavernost**  
Chairman of the Executive  
Board of Groupe M6



**Bertram Stausberg**  
Co-Chief Executive Officer of  
Bertelsmann Printing Group



**Michael Weinreich**  
Chief Executive Officer of  
Arvato Financial Solutions

B

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digital

international

fast-growing

# Interview with Thomas Rabe

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## “We’re Moving Faster Than I Would Have Thought”

In our interview, Bertelsmann Chairman and CEO Thomas Rabe talks about the genesis of the new Bertelsmann, the Group’s investments in growth and its restructuring as a marathon.

### **Mr. Rabe, what was the starting point for the new Bertelsmann?**

In the first half of 2012 we systematically reviewed Bertelsmann’s strategic direction. Our taking stock led to an intensive strategy process, the results of which we presented at the Management Meeting in September 2012. In essence, we agreed to transform Bertelsmann and restructure the Group along four strategic priorities. Now, less than four years later, the foundations of the new Bertelsmann have been created on this basis – as a company on three pillars, with eight divisions.

### **Bertelsmann was already very profitable, so you launched this strategy process from a position of strength. That doesn’t sound like a natural or typical motivation to reinvent a group.**

Nor did we have to do so. Bertelsmann is one of the oldest media companies in the world. It has a well-established corporate culture that has grown over time, and a reliable ownership structure. All this is also part of the new Bertelsmann. But there were things we wanted to improve.

### **For example?**

First, we wanted to increase the proportion of high-growth businesses. Second, we wanted to accelerate the digital transformation of Bertelsmann – digitization is the most important megatrend. Third, we wanted to strengthen our footprint in the world’s growth regions – our portfolio was too heavily focused on Europe.

**Faster growth, more digital, more international:  
What have you done to achieve these goals?**

Our four strategic priorities were decisive for the transformation of Bertelsmann: strengthening our core businesses; transforming them to digital; establishing and developing growth platforms; and promoting the regional expansion of our businesses. We have developed our businesses accordingly, withdrawing from structurally declining ones and building new ones.

**What effect has this had?**

For one thing, it is reflected in our breakdown of revenues: In the past four years, we have increased the share of our growth businesses in Group revenues from 20 to 28 percent. Conversely, in 2015, structurally declining businesses contributed only 5 percent to revenues – compared to 16 percent in 2011.

**And for another?**

We have continued to evolve our businesses and portfolio – and Bertelsmann has changed visibly in the course of this. Now, we are reflecting this evolution in our structure. Looking forward, Bertelsmann will be comprised of eight divisions around the three pillars of media, services and education. In addition to RTL Group, Penguin Random House, Gruner+Jahr, Arvato and Bertelsmann Printing Group, there are now BMG, the Bertelsmann Education Group and Bertelsmann Investments.

**Can you go into greater detail about what specific changes you have made the past few years?**

Let me start with our media businesses: RTL Group is Europe's leading entertainment network – and within less than three years has become one of the four leading international providers of online video. By combining Penguin and Random House, we created the world's largest trade book publisher. We have completely taken over ownership and strategically realigned Gruner+Jahr. And as for our new music business BMG: while in 2012, BMG was still a relatively small company, today it is number four in the music rights market, and is 100 percent owned by Bertelsmann.

**What pillars are there besides media content?**

Bertelsmann's second pillar is services. This includes Arvato, where we have further strengthened the entrepreneurial autonomy of the Solution Groups and accelerated the decision-making processes with a new organizational structure. Also, the Bertelsmann Printing Group began operation on January 1, 2016. It pools all our offset and gravure printing operations into a single unit for the first time, to form Europe's largest printing group.

**That leaves the third pillar ...**

... which is education. We have significantly expanded this area in the past few years – in particular, through acquisitions and investments in the United States. Demand for qualified educational offerings is on the rise worldwide. The global education market already has a volume of more than five trillion US dollars – and the number is rising. One key driver is digitization. Learning content taught digitally is not only much cheaper but also more effective in terms of learning success. We want to take advantage of this trend.

**What segments are especially interesting for Bertelsmann?**

We've built up a strong presence in the field of e-learning. Here, we are active first in healthcare training, through our subsidiary Relias Learning, and second in the technology sector, through our stake in Udacity. In the years ahead, we are especially looking to support both companies in their global expansion. Beyond this, we are developing the market of services for universities. Our shareholding in HotChalk gives us a good starting position here as well. These and several other activities have been combined in the Bertelsmann Education Group since September.

**So that makes seven divisions in three pillars. What sets your eighth division, Bertelsmann Investments, apart?**

In recent years, Bertelsmann has built a global network of investments in digital businesses. We are involved in some of the most innovative start-ups, particularly in Asia, but also in the Americas. We currently own stakes in more than 100 young companies. This provides us with valuable knowledge transfer and innovation scouting. The fact that our Bertelsmann Asia Investments fund bought more new shareholdings in 2015 than in any previous year demonstrates that our investment activities are a significant pillar of our corporate strategy.

**The new structure now contains some divisions that were not called divisions a year ago. Does this not create extra complexity?**

It increases not so much complexity but transparency, because Bertelsmann's various businesses also will now be reflected in our reporting – incidentally, for the first time, in the presentation of our half-year results on August 31, 2016. Apart from that, our divisions continue to work in clear structures, with a high degree of entrepreneurial autonomy and responsibility, and of course with the valuable support of our Corporate Centers in Gütersloh, New York, Beijing, New Delhi and São Paulo.

**What significance do you attach to the new structure as part of the Group's ongoing restructuring?**

It's fair to say that the organizational part of the Group restructuring into eight divisions has been completed. We now go forward to the years ahead with this structure, and will significantly expand our businesses.





Thomas Rabe presented the company's new strategy at the 2012 management meeting

**How far do you feel you've already come with this?**

I've always emphasized that this task is similar to running a marathon. I now see us as more than halfway, which means we are moving faster than I would have thought in the beginning.

**If you look back at the journey so far, what do you feel was most remarkable?**

Quite aside from the Group's restructuring, Bertelsmann's creative achievements always fascinate me. I believe that there is no other company in the world that produces such a variety of creative content and offerings. With regard to our strategy, I'm particularly pleased that we have not only built a new Bertelsmann, but have also had some of the most successful years in our history on the way there. The fact that we managed this while the Group was restructuring is a great achievement, for which I would like to sincerely thank our employees. But we know very well that in a marathon, the second half is crucial.

**What should or will happen in the future?**

We will continue to systematically implement our four strategic priorities to make Bertelsmann an even faster-growing, more digital and more international company. Our growth businesses currently contribute 28 percent of Bertelsmann's revenues; four years ago, this was 20 percent. Going forward, we plan to increase this proportion to over 40 percent. So we've already done a lot – but we still have much ahead of us!

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Structure

**RTL**”  
GROUP

| Penguin  
Random  
House |

**arvato**  
BERTELSMANN

—  
**Bertelsmann**  
**Printing Group**  
—



Eight

Divisions



**BMG**

**Bertelsmann  
Education Group**

**BI Bertelsmann  
Investments**

# VANITY



## TV Redefined

Trailblazer: Bertelsmann's highest-revenue division RTL Group shapes the world of digital TV

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"For us, TV does not stand for 'television' anymore, but for 'Total Video.'" This statement by RTL Group's Co-CEOs Anke Schäferkordt and Guillaume de Posch sums up the Bertelsmann division's development in recent years. The Group is no longer a pure-play TV corporation, but a leading global player in the production, aggregation and monetization of video content. What's particularly impressive

is that RTL Group is accomplishing its transformation to digital while also further expanding its strong mainstays of broadcasting and content production.

Accordingly, a lot has happened at RTL Group in the past few years. New members were added to its families of channels in many countries, for example RTL Nitro in Germany and 6ter in France. Overall, since 2012, the Group



**RTL Group** is the leading European entertainment network, with interests in 57 television channels and 31 radio stations and content production throughout the world. The television portfolio includes RTL Television in Germany, M6 in France, the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia and Hungary and Antena 3 in Spain. The Group also operates the channels RTL CBS Entertainment HD and RTL CBS Extreme HD in Southeast Asia. The Group's flagship radio station is RTL in France, and it also owns or has interests in other stations in France, Germany, Belgium, the Netherlands, Spain and Luxembourg. RTL Group's content production arm, Fremantle Media, is one of the largest international creators, producers and distributors of multigenre content outside the United States. Combining the catch-up TV services of its broadcasters and the multi-channel networks BroadbandTV, StyleHaul and Divimove, as well as Fremantle Media's more than 230 YouTube channels, RTL Group has become the leading European media company in online video. RTL Group also owns a majority stake in the programmatic video-advertising platform SpotX. With more than a 75 percent shareholding, Bertelsmann is the majority shareholder of RTL Group.

[www.RTLGroup.com](http://www.RTLGroup.com)



has launched more new channels than ever before. On top of this, distribution revenues from platform operators today constitute a growing second revenue stream alongside advertising.

Meanwhile, RTL Group's production arm Fremantle Media is strengthening its creative diversity. In 2015, it acquired numerous holdings in the scripted entertainment sector, including Kwai, Wildside and Corona. Internationally successful series such as "Deutschland 83" testify to the creativity of Fremantle Media.

RTL Group's transformation is most clearly visible on the Web: Launched in 2015, the "RTL Digital Hub" bundles several rapidly growing digital businesses, including the multichannel networks StyleHaul and BroadbandTV,

and the SpotX monetization platform for online video advertising. RTL Group is already among the world's top four providers in online video; some eleven billion video views per month demonstrate the Group's impressive role in the digital world.

So RTL Group has seen a remarkable development in all three of its strategic pillars – broadcast, content and digital. The Group will continue to build on this going forward, because regardless of how you define "TV," RTL Group continues to perform its core task as successfully as ever: providing the respective target groups with the best content on whatever channel they prefer.

# Champion of Books and Authors

Bertelsmann subsidiary Penguin Random House, the world's leading trade book publisher, is in excellent shape for the future

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A look at the overall performance indicators for Bertelsmann's book publishing business in 2015 – 584 titles on the US "New York Times" bestseller list, an e-book catalog of more than 110,000 titles, and nearly 800 million books, e-books and audiobooks sold worldwide – underscores that the Group's oldest core business is flourishing like never before.

This exceptional performance is owed to Bertelsmann's biggest transaction of the past decade. On July 1, 2013,

Bertelsmann and Pearson combined their trade book publishing businesses, creating the world's largest trade book publisher: Penguin Random House. Bertelsmann holds 53 percent of the company, Pearson 47 percent.

"The idea behind Penguin Random House is to create a synthesis of our 250 editorially and entrepreneurially autonomous publishing houses around the world, and the economies of scale, innovation and investment opportunities of a global market leader,"





## Penguin Random House

With nearly 250 independent imprints and brands on five continents, more than 15,000 new titles and close to 800 million print, audio and e-books sold annually, **Penguin Random House** is the world's leading trade book publisher. Penguin Random House is committed to publishing adult and children's fiction and nonfiction print editions and is a pioneer in digital publishing. Its book brands include storied imprints such as Doubleday, Viking and Alfred A. Knopf (United States); Ebury, Hamish Hamilton and Jonathan Cape (UK); Plaza & Janés and Alfaguara (Spain); Sudamericana (Argentina); and the international imprint DK. Its publishing lists include more than 60 Nobel Prize laureates and hundreds of the world's most widely read authors. Penguin Random House champions the creative and entrepreneurial independence of its publishers, who work tirelessly to maximize readership for its authors and to protect their intellectual property. The company was formed on July 1, 2013, by Bertelsmann and Pearson, who own 53 percent and 47 percent, respectively.

[www.penguinrandomhouse.com](http://www.penguinrandomhouse.com)

The German-language **Verlagsgruppe Random House** in Munich, with renowned publishers such as Goldmann and Heyne, is managed by Bertelsmann outside Penguin Random House.

[www.randomhouse.de](http://www.randomhouse.de)

says CEO Markus Dohle. The merged company offers its authors – including such prominent names as Dan Brown, John Grisham, Toni Morrison, Dr. Seuss and Ken Follett – support in their individual creative process that is unparalleled in the industry. More than 10,000 employees worldwide ensure maximum connection with readers and exposure for the publisher's creative content.

The integration of the two companies has been exemplary. Optimized systems, standardized processes and shared best practices have resulted in state-of-the-art supply chains bringing improved services to customers. What has helped greatly with the merger is that all Penguin Random House employees strive toward a shared mission: "To nourish a universal passion for reading and to empower people around the world to express their ideas and stories and share them with others," as Markus Dohle says.

As its integration progresses, the company is also advancing its strategy in other areas: With the takeover of Random House Mondadori (now Penguin Random House Grupo Editorial) and the acquisition of the Spanish- and Portuguese-language publishing activities of Santillana Ediciones Generales, the group has become number one in the Latin American trade book marketplace, a key emerging market. Additionally, the company is investing in its digital infrastructure. New apps, increased use of social media and analytics tools in its book marketing, and its ever-growing, widely accessible e-book catalog further position Penguin Random House as a leader in embracing digital formats.

Markus Dohle reaffirms the goal for the years ahead: to continue to translate the benefits of the combined company's market leadership into growth while bringing the gift of well-told stories from diverse voices to readers around the world.



## Hotbed of Creativity

As a wholly owned subsidiary of Bertelsmann, Gruner + Jahr boldly and creatively redefines itself as a “house of content”

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G+J had every reason to celebrate in 2015. The Bertelsmann subsidiary celebrated its 50th anniversary in the summer, first with a staff party in June, then with an official reception at Hamburg City Hall in August. The atmosphere at both events was upbeat – and rightly so, as possibly the nicest gift of the anniversary year was one the employees had accomplished themselves: the company’s transformation from traditional publisher to content powerhouse, ongoing over several years now, is gradually bearing fruit.

This is true in both the analog and the digital realm. In a creativity and product

campaign unparalleled throughout the industry, last year alone G+J brought eight new print titles to the market – even managing one of the most successful magazine launches in its history with the debut of the women’s magazine “Barbara” in Germany. Beyond this, five special issues of G+J magazines were published, and seven titles were given an extensive relaunch.

Meanwhile, the expansion of digital activities was further advanced. All titles are now available electronically as well. G+J is also opening up additional lines of business in e-commerce in several of





**Gruner + Jahr** reaches readers and users in more than 20 countries with over 500 media activities, magazines and digital offers. G+J publishes a wide variety of titles, including “Stern,” “Brigitte,” “Geo,” “Capital,” “Gala,” “Eltern,” P.M. group’s titles, “Essen & Trinken” and “National Geographic.” G+J holds a 59.9 percent stake in Motor Presse Stuttgart, one of the biggest special-interest magazine publishers in Europe. With nondomestic sales accounting for 45 percent of the group’s overall sales, G+J is one of the most international publishers in the world. Gruner + Jahr is wholly owned by Bertelsmann.

[www.guj.com](http://www.guj.com)

its defined “Communities of Interest” – in some cases through acquisitions, launching a €50 million media fund for investments in innovative startups in Germany and expanding its position in digital marketing. The pay-off: G+J’s digital activities in Germany recorded clear double-digit growth in 2015, and the digital business of Prisma Media in France also showed strong organic growth. This expansion of its digital business is to continue in the years ahead. The Bertelsmann subsidiary’s strategic realignment also includes its concentration on core markets and competencies, which is why G+J has divested itself of activities in countries

like Italy, and the Brown Printing Company in the United States.

Another change involved the ownership structure. In November 2014, Bertelsmann took over full ownership of the business. “A milestone in strengthening our content business,” as Bertelsmann Chairman and CEO Thomas Rabe said at the time. He brought to completion what Bertelsmann’s postwar founder Reinhard Mohn had begun in 1969 when he acquired the first shareholding in G+J.

The “coup,” the positive phrase chosen by the media for Bertelsmann’s commit-

ment to journalistic content in the digital age, ensures an improved collaboration with the Group’s other divisions. A subsequent change of legal form, from Gruner + Jahr AG to Gruner + Jahr GmbH & Co KG, further facilitates decision-making, coordination and administrative processes.

All changes aside, one thing remains untouched, as CEO Julia Jäkel pointed out in her speech on the Bertelsmann subsidiary’s 50th anniversary: “G+J’s heart continues to beat in journalism.”

# The New Music Company

Let the music play at Bertelsmann: The “new BMG” prevails with an artist-friendly philosophy and plans further expansion

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The musical styles of Nena, the Scorpions, will.i.am, Bruno Mars and Jean-Michel Jarre may differ, but when it comes to managing their music rights, these world stars all rely on the same partner: BMG. Launched with a repertoire of just 16,000 recordings in 2008, today the Bertelsmann subsidiary administers rights for 2.5 million songs and recordings worldwide.

The company is also expanding into audiovisual content such as concert recordings and documentaries.

Key to the new BMG is a business model custom-made for the new digital world of music. That means a relentless focus on service to its artist and songwriter clients and a lean structure that, uniquely for an international





music company, combines recordings and music publishing under one roof and operating off the same platform.

“By empowering artists as never before, the digital revolution has led to the most dramatic upheaval in the music business since the invention of the gramophone,” says Hartwig Masuch, CEO of BMG. “Bertelsmann identified this trend at an early stage and was the first to position itself accordingly. We see ourselves as a provider of

customized, transparent and – above all – fair services for artists. It is a philosophy of partnership that really sets the ‘new BMG’ apart.”

Bertelsmann has taken an innovative tack not only in its strategic approach, but also in the financing of this strategic growth platform. The financial investor Kohlberg Kravis Roberts (KKR) was brought on board for the start-up years – the partner contributing financial resources, Bertelsmann its expertise. As a result, BMG has become the fastest-growing startup in music industry history. Growth has been both organic and through acquisitions, which now exceed 100 and include such well-known labels such as Mute Records and Sanctuary Records as well as numerous song catalogs. Since March 2013, BMG has been fully owned by Bertelsmann again – the continuation of a decades-long commitment to music but with a brand-new business model.

From megastars like Janet Jackson to as-yet-unknown songwriters, BMG’s mission is the same for all its clients: to be the best business partner in the music industry, increasingly through partnerships with other Bertelsmann subsidiaries. In the years ahead, its strategic focus will be on continuing its international expansion while achieving similar scale in recordings as it has in music publishing – providing plenty of opportunity for Hartwig Masuch and his team to continue the Bertelsmann subsidiary’s success story for a long, long time.

**BMG** is the new model music company founded by Bertelsmann in 2008 as a direct response to the challenges of music’s digital revolution. Key to its innovative approach is the fact it represents the traditionally separate music publishing and recording rights off the same platform internationally. BMG is already the world’s fourth biggest music publisher and the first new global player in the recordings business in decades. BMG’s offices across eleven core music markets now represent 2.5 million songs and recordings, including the catalogs of Chrysalis, Bug, Virgin, Mute, Sanctuary, Primary Wave and Talpa Music, as well as literally thousands of artists and songwriters. BMG is wholly owned by Bertelsmann.

[www.bmg.com](http://www.bmg.com)



Artists from left to right:  
Bruno Mars, Jack Savoretti,  
Nena, Janet Jackson, will.i.am



# International Entrepreneurship

New clout for Bertelsmann's services division: Arvato grows and creates solutions for the industries of tomorrow

# B

A supply chain network reaching from Gütersloh to the Philippines. Customer service solutions for international companies on all continents. Financial services that are equally in demand in the Netherlands and Brazil. IT specialists who support the digital transformation of entire companies. Add up all these activities and services and you get an impression of the rich diversity and internationality of the businesses united under the Arvato umbrella.

Since July of last year, Bertelsmann's services division has enjoyed even greater effectiveness in its endeavors. Following a reorganization, the business units can act more quickly and flexibly. Major investment decisions are no longer made by a full executive board, but by the Arvato management team led by CEO Fernando Carro, together with the respective Solution Group's management. The CEO, who has Spanish roots and has been at Arvato's helm since



# arvato

## BERTELSMANN

**Arvato** is an international provider of services. Approximately 70,000 employees in more than 40 countries design and produce innovative solutions for business customers from all over the world, covering a wide range of business processes. These include financial, CRM, SCM and IT solutions, as well as digital marketing services. Companies from a wide range of industries rely on Arvato's portfolio of solutions, from telecommunications providers and energy suppliers, to banks and insurance companies, through e-commerce, IT and Internet providers. Arvato is wholly owned by Bertelsmann.

[www.arvato.com](http://www.arvato.com)

last summer, has already defined his goals. He wants to turn the division back into a "growth engine" for the Bertelsmann Group; its businesses are to become faster growing, more profitable and more international.

Carro can build on the successes of recent years. For instance, the 2013 takeover of the Gothia Financial Group – the largest transaction in the company's history – instantly turned Arvato into Europe's third largest provider in the growing financial services sector. A year later, Arvato's acquisition of the e-commerce service provider Netrada

catapulted it to number one in European fashion e-commerce. Arvato intends to continue growing in both areas, financial and e-commerce services. The Bertelsmann subsidiary has a strong footprint in the growth markets of Asia and Latin America as well: Arvato operates logistics centers in Hong Kong and Thailand, handles Chinese computer giant Lenovo's marketing activities in India, and has also offered financial services in Brazil since last year thanks to a shareholding in Intervalor. All the while, the group continually invests in IT systems, logistics centers and technical infrastructure in its core markets, too,

to deliver state-of-the-art services to customers, anytime and anywhere.

Whether in São Paulo, Brazil, Shenzhen, China, or the Gütersloh head office in Eastern Westphalia, for Fernando Carro, Arvato's 70,000 employees are especially important. He sees their entrepreneurial spirit as the key to the Bertelsmann subsidiary's successful development – everywhere. His wish: "I want everyone to do everything they can in their jobs, to seize and leverage Arvato's tremendous market opportunities."

# Europe's Number One Makes a Big Impression

Europe's biggest printing group: Bertelsmann Printing Group shapes the future of printing

# B

Upon unveiling the Bertelsmann Printing Group in October 2015, Axel Hentrei and Bertram Stausberg, Co-CEOs of Bertelsmann's new division, very clearly stated its aspiration: "We want to actively shape the future of the printing business. And we want to do so from the top, as the market leader in Europe." This neatly sums up the strategic rationale behind the bundling

of Bertelsmann's gravure and offset operations: the businesses can best be developed under a shared umbrella; they can respond more flexibly to market developments and cater ideally to customer requirements. So it makes perfect sense that Bertelsmann CEO Thomas Rabe called the founding of the Bertelsmann Printing Group a "milestone in strengthening our core."



## Bertelsmann Printing Group

The **Bertelsmann Printing Group** bundles all of Bertelsmann's offset and gravure activities. The Group includes the offset printing companies Mohn Media, GGP Media and Vogel Druck in Germany, Prinovis's gravure printing activities in Germany and the UK, and the offset and digital printing facilities of Berryville Graphics, Coral Graphics and OPM in the United States. Bertelsmann Printing Group brings together a broad printing and services portfolio. This Bertelsmann division, with approximately 9,000 employees, also includes the RTV Media Group, the creative services provider MBS, and the international storage media producer Sonopress. Bertelsmann Printing Group is wholly owned by Bertelsmann and has its headquarters in Gütersloh.

[www.bertelsmann-printing-group.com](http://www.bertelsmann-printing-group.com)



Specifically, all the printing operations and several other companies have operated under the new umbrella since the beginning of this year: Prinovis's gravure operations in Germany and the UK, five printing sites in the United States, and all of the offset printers in Germany previously allocated to Arvato – namely, Mohn Media in Gütersloh, GGP Media in Pößneck and Vogel Druck in Würzburg. Other businesses that are part of the Group include the replication

experts at Sonopress, the direct marketing specialist Campaign and the RTV Media Group. In sum, some 9,000 employees work for Europe's leading printing group.

The fact that the Bertelsmann Printing Group stands on a rock-solid foundation is owed to the successful work done by all the operations. The Be Printers division, which already united Bertelsmann's gravure and international offset operations, has long pursued a two-track strategy in response to the challenges that impact parts of the print market. On the one hand, activities are concentrated on the more stable core markets, while on the other – e.g., in the United States – innovative services are added

to the range. The offset printing plants are also taking a proactive approach. Mohn Media, for one, has for many years kept offering its customers new, additional services like creation, media planning and supply chain management. Their reward for this strategy: a successful business.

In the current year, Axel Hentrei, Bertram Stausberg and their management team have made it a priority to leverage potential synergies between the Group's companies, and to fine-tune the specifics of the newly created structure. The Co-CEOs agree that conditions for the merged businesses are now "absolutely ideal."



## Building the Third Mainstay

As a third mainstay of Bertelsmann's business, the Bertelsmann Education Group is shaping learning in the twenty-first century

# B

September 10, 2015, is already assured a special place in Bertelsmann's history. On that day, at a conference in New York attended by some 100 experts from the Group and the educational sector, Bertelsmann officially founded the Bertelsmann Education Group, which took up its work on January 1, 2016. This marked not only the creation of a new division, but a much bigger step: according to Bertelsmann Chairman and CEO Thomas Rabe, education is to become

the Group's third mainstay of business alongside media and services – a whole new line of business.

The move in New York was well and thoroughly prepared, as education has been on Bertelsmann's agenda for some time now. The industry calls for a combination of content and services expertise, and it rewards entrepreneurial thinking and long-term commitment; in other words, it fits perfectly with Bertelsmann's distinguishing traits.





## Bertelsmann Education Group

The **Bertelsmann Education Group** encompasses Bertelsmann's education businesses. The group is shaping learning in the twenty-first century with digital education and service offerings focused on the healthcare and technology sectors, and draws on Bertelsmann's resources and global network. The Bertelsmann Education Group is wholly owned by Bertelsmann.

[www.bertelsmann-education-group.com](http://www.bertelsmann-education-group.com)

The topic picked up momentum when the Bertelsmann Executive Board and Kay Krafft, CEO of the Bertelsmann Education Group, formulated a clear strategy for the segment based on criteria such as market size, scalability, regulatory conditions and experiences gained to date. Bertelsmann would focus its investments in education on the two fast-growing areas of e-learning and online services for educational institutions. Significant parts of these activities are in the highly sought-after fields of healthcare and technology, so the businesses simultaneously benefit from several global megatrends.

Since 2014, events have happened in quick succession: In October, Bertelsmann took over the US education provider Relias Learning, and in the following months invested in Udacity, the "University of Silicon Valley," and the education services provider HotChalk. In its strategic growth regions, too, Bertelsmann is investing in the education business, e.g., in Brazil's corporate training company Affero Lab, the Indian university services provider iNurture and other funds.

"Our goal is to help shape digital learning in the twenty-first century. To

this end, our businesses are developing industry-specific products for lifelong learning that accompany people throughout their professional lives and promote their careers," says Kay Krafft. There is immense demand for this kind of offer. Krafft believes – and not just since September 10 of last year – that education is not merely a "natural third mainstay" for Bertelsmann, but "also a very stable one."

# Strategic Venture Activities

The Bertelsmann funds perform strategic pioneering work in new markets and businesses

# B

The next-generation publisher Clique Media in the United States, the Brazilian corporate education market leader Affero Lab, the Chinese e-commerce company XianLife and India's online furniture marketplace Pepperfry have one thing in common: all of them received funding and continuous strategic support from Bertelsmann last year. This puts them in excellent company: after all, in 2015, the media group invested in no fewer than

30 young digital companies – and that's just through its venture capital vehicles at corporate level. Through them, Bertelsmann now has participations in over 100 innovative startups in the digital media, online services and education sectors.

Given this high level of activity, it makes sense that the corporate venture group is becoming a separate division this year. Bertelsmann Investments,



## **BI** Bertelsmann Investments

the Group's latest division, unites the investment vehicles Bertelsmann Asia Investments (BAI), Bertelsmann Brazil Investments (BBI), Bertelsmann India Investments (BII) and Bertelsmann Digital Media Investments (BDMI). This clearly illustrates what the US trade magazine "Global Corporate Venturing" already emphasized in its 2014 analysis of the venture activities of various corporations: Bertelsmann has a more international network of funds than most other media companies do.

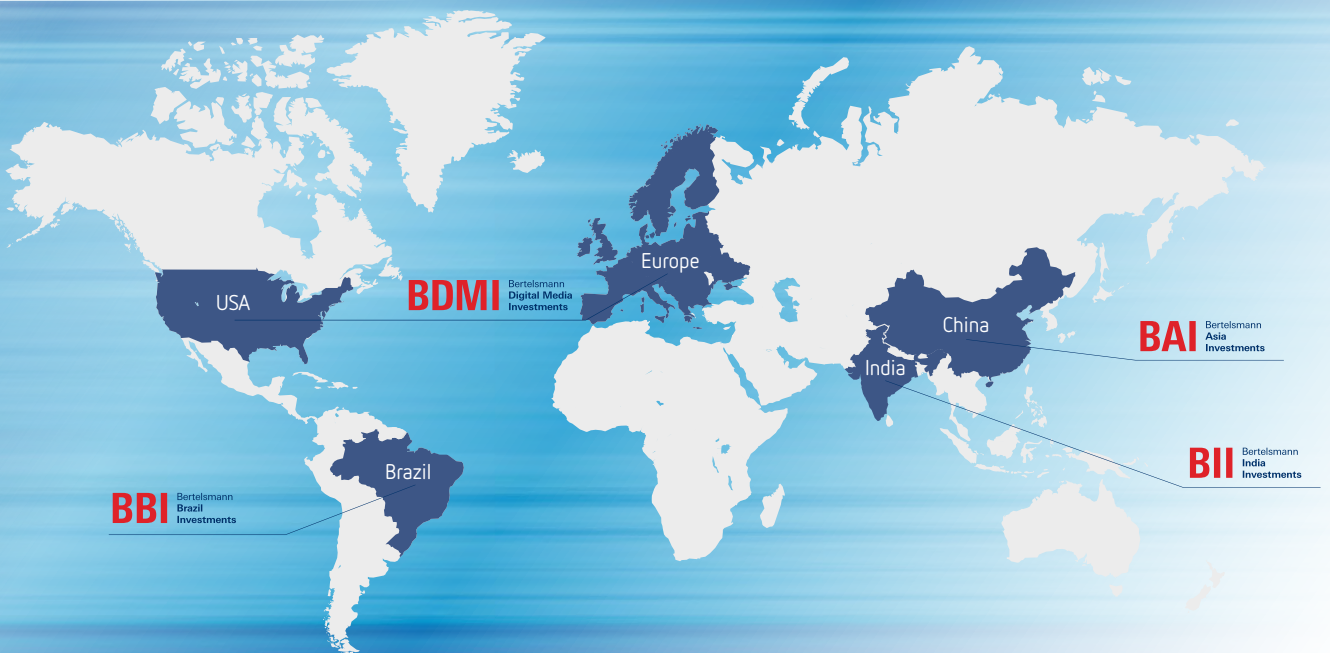
"Our fund activities make an important contribution especially to establishing and further developing our businesses in the strategic growth regions of Brazil, China and India," explains Shobhna Mohn, Executive Vice President of Growth Regions at Bertelsmann. The

holdings give the company myriad insights into the trends of the respective markets, allowing it to identify strategically relevant lines of business at an early stage and benefit financially from the successful development of young startups. "The findings from the work of our various fund investments are among the drivers of the entire Group's digital transformation," says Shobhna Mohn.

One of the strategic rationales for establishing the Bertelsmann Investments division is that these benefits can be better leveraged if they are pooled in a separate division. It facilitates networking among the fund managers from the individual regions as well as cooperation between the startups and the established Bertelsmann divisions.

**Bertelsmann Investments** unites Bertelsmann's start-up investments around the world. The focus of its activities are the strategic growth regions of Brazil, China and India, as well as the United States and Europe. Shareholdings are acquired through the strategic investment vehicles Bertelsmann Brazil Investments (BBI), Bertelsmann Asia Investments (BAI), Bertelsmann India Investments (BII) and Bertelsmann Digital Media Investments (BDMI). Bertelsmann owns stakes in more than 100 innovative companies via these funds.

[www.bertelsmann-investments.com](http://www.bertelsmann-investments.com)





Strengthening the Core

Growth

Transformation

Growth Reg

th Platforms

gions

## The Bertelsmann Strategy

**B**ertelsmann's strategy is designed to give the Group a faster-growing, more digital and more international setup. Specifically, this means that in addition to ongoing investment in existing activities, Bertelsmann is increasingly developing new lines of business that ensure a broader overall revenue structure. In the past few years, significant strategic progress has been made on the four declared priorities – strengthening the core, digital transformation, building growth platforms and expanding in growth regions.

# B

## The Four Strategic Priorities

Bertelsmann's strategy is a response to global trends that are changing media usage behavior and customer requirements: the digitization of all areas of life, the increasing role of emerging markets such as Latin America, China and India, and the rising demand for education services. In all its businesses, Bertelsmann relies strongly on the innovative power of creativity; after all, the Group's value creation revolves around it. Accordingly, the company is investing heavily in the creative substance of its businesses.

Strengthening the Core

Digital Transformation

The four strategic priorities will continue to guide Bertelsmann's business activities, in which the company benefits from its strong market positions and solid financial foundation.

This report is entitled "The New Bertelsmann" and highlights the specific successes that have been achieved in the company's transformation in recent years and how Bertelsmann is structured today. This brings to life the forces that drive the company and the direction Bertelsmann is taking in its individual businesses.

## Growth Platforms

## Growth Regions



## Launch of RTL Z in the Netherlands

RTL Nederland launched its fifth free-to-air TV channel in September: RTL Z. The new channel is mainly targeted at business people and entrepreneurs; it reports on current events in the stock market and other finance and business-related topics in the fields of politics, technology, lifestyle, culture and travel. The channel is designed to inform the viewers, but also to inspire and connect them. To achieve this aim, the channel is also part of an online business network that comprises news services for smartphones and tablets as well as airing live broadcasts of important economic events.



## Surprise Success of the Year: "Club der roten Bänder"

Vox achieved the surprise success of the TV year 2015 in Germany with its first self-produced series, "Der Club der roten Bänder" ("The Red Band Society"; see photo). The series scored ratings well above the channel's average, went on to win kudos including a German Television Award, and is one of many RTL Group programs to be nominated for the Grimme Award. Numerous prizes also went to other formats such as "Deutschland 83" and "Nackt unter Wölfen" ("Naked among Wolves"), which enjoyed international recognition, reflecting the overall high quality of the Group's productions.

Penguin  
Random  
House

## "The Girl on the Train": Record-Breaking Debut Novel

With "The Girl on the Train" by Paula Hawkins, Penguin Random House published one of the most successful debut novels of the past decade in 2015. More than seven million copies were sold in the English- and German-speaking countries alone. The publishing group also celebrated international success with "Grey," the new novel by E L James, which sold over 8.5 million copies with its English-, Spanish- and German-language publications. Penguin Random House placed 584 titles in the "New York Times" bestseller lists. Many of its authors won international awards, including David I. Kertzer, who won a Pulitzer Prize for "The Pope and Mussolini," and Marlon James, who won the Man Booker Prize for "A Brief History of Seven Killings."







## “Barbara” Becomes Most Successful Magazine Launch

Gruner+Jahr made rapid progress with its print campaign in 2015. The launch of the magazine “Barbara” was particularly successful; the first issue alone sold over 250,000 copies, making it one of the most successful magazine launches in G+J’s history. Overall, the company celebrated more creative successes than any other magazine publisher in Germany, with eight new magazines and five special issues. The year 2015 saw the launch of “Stern Crime,” “Walden,” “National Geographic Traveler,” “Geo Wissen Gesundheit,” “Brigitte Wir,” “Brigitte kreativ” and “Schöner Wohnen Styling.” In addition, a total of seven titles from the G+J portfolio (“Eltern,” “Eltern Family,” “Essen & Trinken,” “Biografie,” “P.M.,” “P.M. History” and “Geo”) underwent an extensive relaunch.

# KEIN NORMALES FRAUENMAGAZIN



**arvato**  
BERTELSMANN

## Expansion of Distribution Capacity for Healthcare Customers

By opening a new distribution center in Harsewinkel (Gütersloh) in the summer of 2015, Arvato SCM Solutions has expanded its supply chain management space for customers in the healthcare sector by close to 7,000 square meters, creating space for approximately 8,000 additional pallets. In Hamburg, a new distribution center for the healthcare industry is being built, with 10,000 square meters of space for SCM services. These investments strengthen the SCM Solutions business and literally make room for further growing the international healthcare business in Germany and Europe.

**Bertelsmann**  
**Printing Group**

## Green Printing at Prinovis

Prinovis is going “green.” In 2015, the company printed its first entirely carbon-neutral print job. The production of about 1.3 million copies of “SommerZeit 2015,” a special edition of the church newspaper for the Archdiocese of Cologne, caused 373,973 kg of CO<sub>2</sub> to be emitted. To offset these emissions, Prinovis funded a climate project to manufacture and distribute energy-efficient cooking stoves in Ghana. These stoves need less fuel for cooking, which protects the tree population and reduces CO<sub>2</sub> emissions.





## RTL Group Content in Greater Demand Online than Ever Before

RTL Group recorded 105 billion online video views in 2015 – nearly three times as many as the previous year. This is just one testament to the Group’s rapid progress in the digital domain. The Bertelsmann subsidiary currently generates some eleven billion online video views a month – and the number is rising. A special online highlight in the past year was the chart-storming music video “Lean On” by Major Lazer (see photo). With the support of BroadbandTV, it was clicked on more than a billion times. Achievements like these helped RTL Group become the global number one on YouTube.



Penguin  
Random  
House

## Penguin Random House: Pioneer in the E-Book Market

Penguin Random House remains a pioneer in the e-book market with over 110,000 titles available. In 2015 the novels “The Girl on the Train” by Paula Hawkins and “Grey” by E L James, author of the best- and long-selling “Fifty Shades” series, were very popular as e-books, just as they had been in the print sector. Other e-bestsellers of the year were “The Martian” by Andy Weir, “To Kill a Mockingbird” by Harper Lee and “Die Betrogene” by Charlotte Link.





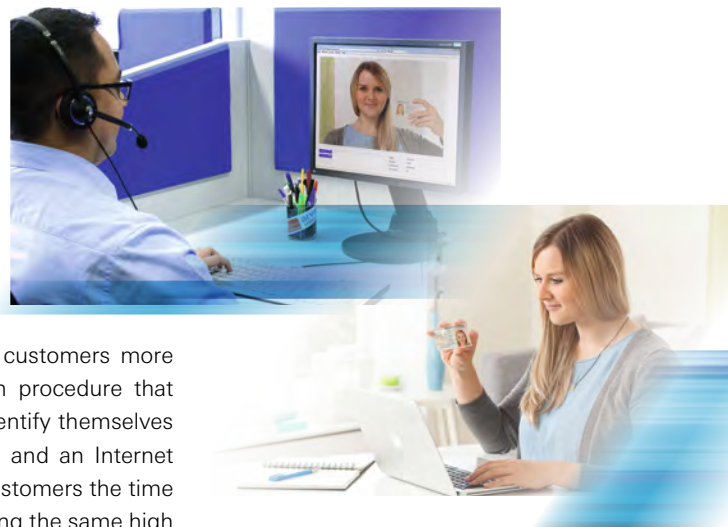
## G+J Expands Its Digital Business

Gruner+Jahr advanced the dovetailing of content, community and commerce and continued to invest in its digital business in 2015. With the acquisition of Danato, the leading online shop for gift ideas, G+J prepared its entry into e-commerce under the Schöner Wohnen brand. Gruner+Jahr also acquired a majority stake in Delinero, the online store for premium foods from Europe, and the employer branding and recruitment company Employour. The Bertelsmann subsidiary has a presence in all the relevant digital marketplaces with its magazines, and has agreed an exclusive partnership with Blendle. Its branded sites once again saw strong growth, and occupy leading positions in their respective segments.



## Digital Solutions for Improved Customer Service

Innovative technical offerings from Arvato CRM Solutions offer customers more convenience. One of many examples is the video identification procedure that Arvato introduced in 2015, which allows users to conveniently identify themselves from their homes via video telephony. All it takes is a webcam and an Internet connection. This method is used by banks, for example, saving customers the time of having to travel long distances to go into a branch while providing the same high level of security.



## BDMI Expands Its Portfolio

The VHX payment platform helps customers monetize their online videos. Pathmatics offers publishers technology for analyzing online ads. And Clique Media is a next-generation online fashion publisher. All three companies have one thing in common: like a number of other startups in the digital domain, they receive financial backing from Bertelsmann Digital Media Investments (BDMI). The fund, which also serves as a trend scout in the digital world, invested in several innovative digital companies in 2015, as well as making various follow-on investments (e.g., in the startup Zergnet). At the same time, BDMI also carried out several successful exits.





## RTL Group Expands Production Business

RTL Group expanded Fremantle Media's production business in 2015. The creative focus was on expanding both scripted and non-scripted formats, such as "Deutschland 83" (see photo) or "The Eureka Moment," which celebrated major international successes last year. To increase its variety of creative offers even further, Fremantle Media also invested in eight international production companies, including the French TV production company Kwai, which recently celebrated nationwide success with the political miniseries "Baron Noir," and the Italian production firm Wildside, whose latest series "The Young Pope" involves the participation of stars like Diane Keaton and Jude Law.



## BMG

### First Number One for BMG in the US Album Charts

Chartbreaker: BMG landed its first number-one album in the US Billboard charts in October with Janet Jackson's new album "Unbreakable," a collaboration with star producers Jimmy Jam and Terry Lewis. BMG artists including John Legend, the Scorpions and Jack Savoretti also celebrated international and national successes. In 2015, BMG clients were involved in one Oscar, seven Grammy and 14 Echo awards, and had 20 number-one hits in the German album charts.

## Arvato Expands SCM for E-Commerce

Arvato further expanded its international network of sites in the e-commerce business. Europe's most modern fashion logistics center went into operation in Hanover around the middle of the year, and Arvato also opened numerous new distribution warehouses internationally. These are needed because the company has acquired several new customers including Fressnapf and CucinaBarilla.



## Growth across All Segments

Buy and build: Bertelsmann expanded its activities in the education segment in 2015 by acquiring new companies as well as expanding its existing businesses. For instance, in November the newly founded Bertelsmann Education Group increased its stake in HotChalk, a leading online education platform in the United States, to become the majority shareholder. The group also increased its shareholding in the innovative online learning provider Udacity, enabling it to participate in the rapid growth of a company that is now valued at over US\$1 billion. The online education provider Relias Learning, acquired in 2014, is growing organically and through strategic acquisitions. At year-end, the Bertelsmann subsidiary had nearly 5,000 institutional clients representing more than 2.75 million users. The company was included in the "Inc. 5000" list of the fastest-growing companies in the United States for the third consecutive year.

## Bertelsmann Acquires Shareholding in Affero Lab in Brazil

Bertelsmann made its first direct investment in an education firm in Brazil: Bertelsmann strengthened its involvement in the education market of the growth region with a shareholding in Affero Lab. Brazil's leading corporate training company offers its customers digital programs and traditional corporate training, as well as combinations of both. The company has been active in the corporate training and digital learning market for 20 years, and today trains more than one million people per year.





## Strong Content: RTL CBS Asia Entertainment Network Expands

RTL CBS Asia Entertainment Network continued to expand in 2015 and – following its market entry in Hong Kong and Taiwan – is now active in 18 Asian countries and regions. The RTL CBS Entertainment HD channel’s success is mainly attributable to its popular content. For example, the latest season of the series “House of Cards” will be broadcast on the RTL Group channel on the same day as it premieres in the United States. RTL CBS Asia Entertainment Network is also one of the few international providers that has responded to usage habits that are shifting toward Internet TV and video on demand, by making its channels available on all platforms.



## BMG Grows Its Business in the Chinese Music Market

BMG China signed a comprehensive distribution deal with the Digital Entertainment unit of Chinese e-commerce giant Alibaba. This gives BMG songwriters and artists optimum access to the music market in the world’s most populous region. Alibaba promotes BMG writers and artists through channels such as its streaming apps Xiami and TTPod. It also monitors the domestic market to prevent infringement of music rights. The agreement covers the digital usage of some 2.5 million copyrights, including recordings by artists such as Kylie Minogue, the Smashing Pumpkins and Bryan Ferry, as well as rights to songs from artists like Bruno Mars, John Legend, Robbie Williams and the Rolling Stones.



## Arvato Enters Brazilian Market for Financial Services

In early June, Arvato acquired a 40 percent stake in Intervalor, a leading provider of financial services in Brazil. The investment advances the Bertelsmann subsidiary’s internationalization of Business Information and Financial Services. International clients who do business in South America can now handle their receivables management through Arvato here as well, and can rely on local experts who are familiar with the legal situation.





## A New Internet Giant in China's Fashion Industry

The social network Mogujie, which specializes in fashion for young women and is the largest of its kind in China, merged with its competitor Meilishuo, one of the country's leading fashion shopping verticals. The takeover created a new Internet giant with a total of 230 million registered users. Bertelsmann Asia Investments has held a stake in Mogujie since it was founded in 2011.

## BAI Wins Awards

In 2015, Bertelsmann Asia Investments made 18 new investments, including the mobile fitness community Keep, the mobile-based social networking platform Tan Tan, and the mobile liquor distribution platform Yi Jiu Pi. Thanks to its successful management by BAI chief Annabelle Long and her team, the fund's portfolio underwent a positive development again last year. This performance is also reflected in the awarding of two coveted China Venture Hit Group Awards to BAI (see photo): one award for the fund itself and a second for Annabelle Long's work.



## India: Investments in E-Commerce and Music Streaming



Further investments in the Indian e-commerce business: In December, Bertelsmann invested in Kartrocket, an e-commerce services provider that helps Indian SMEs sell their products online. It also made a second investment in Pepperfry, a company that has rapidly emerged as the leading online marketplace for furniture and that currently has over two million customers in more than 1,000 cities in India. The potential is huge, with the Indian home and furniture market currently estimated to be worth around US\$25 billion. The capital injection is to be used for expanding the Group's logistics activities in India. Bertelsmann also made another investment in Saavn, India's leading music streaming service, last year. Saavn is the country's most frequently downloaded music app, with nearly 20 million users and a catalog of more than eight million songs.

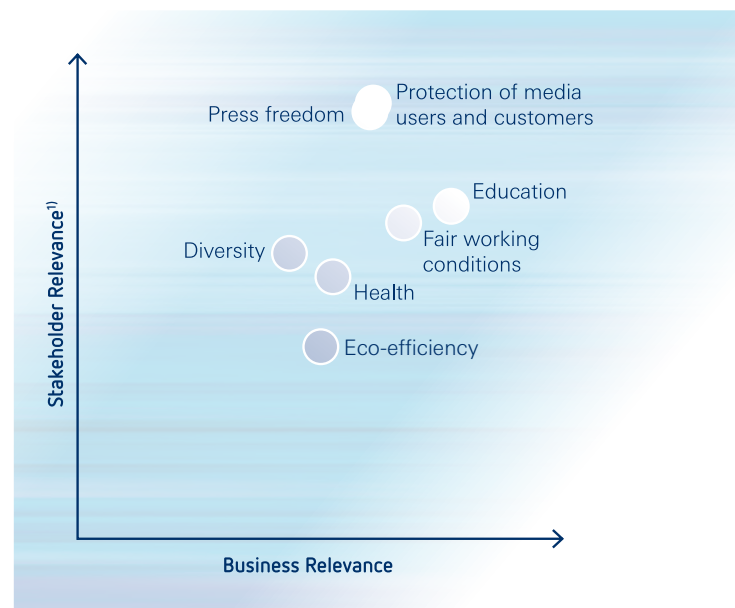
# Corporate Responsibility

## Our Responsibility as a Business

We want to do business responsibly – in our economic environment, with our employees, in society and in our treatment of the environment. This is an integral part of Bertelsmann’s corporate culture.

## Strategic Development of Corporate Responsibility

The aim of corporate responsibility (CR) at Bertelsmann is to reconcile the economic interests of the Group with social and environmental interests, in dialogue with all relevant stakeholders.



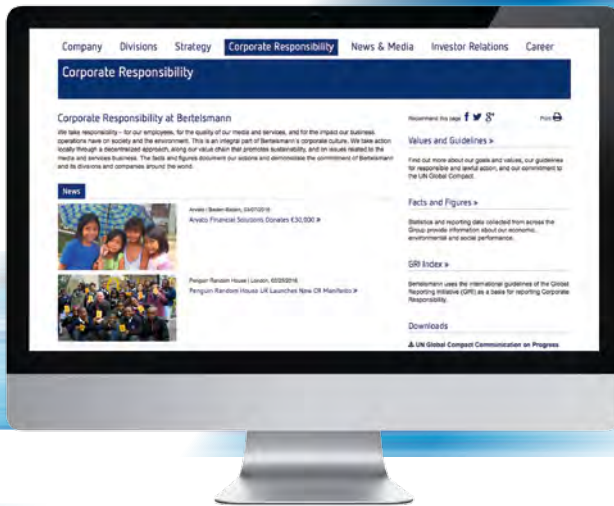
1) Based on an internal survey.

## CR Management at Bertelsmann

Under the leadership of Group Chief Human Resources Officer Immanuel Hermreck, the Bertelsmann Corporate Responsibility Council was constituted in March 2015. The CR Council encourages cross-divisional exchange at higher management levels and supports work on major CR issues in the decentralized corporate structures.

To this end, last year seven CR topics that are particularly relevant from a CR perspective were spotlighted: fair working conditions, freedom of the press, protection of media users and customers, education, eco-efficiency, health, and diversity. For each topic, a cross-divisional and internationally staffed working group was set up. First, external stakeholder requirements were analyzed and, based on this, next steps for each topic were jointly developed. The “Advancing CR at Bertelsmann” project will be continued in 2016.





[www.bertelsmann.com/corporate-responsibility](http://www.bertelsmann.com/corporate-responsibility)

## Comprehensive Online CR Reporting

Bertelsmann's corporate website creates transparency about Bertelsmann and its companies' responsible conduct. The interactive index in accordance with the Global Reporting Initiative (GRI) guidelines on sustainability reporting describes the company's social and environmental performance indicators. In addition, numerous CR projects and initiatives from across the Bertelsmann world are presented.

## The New Bertelsmann University

Bertelsmann's most important resource and asset are its dedicated and highly qualified employees. Therefore, Bertelsmann supports the employees not only in their development, but also in knowledge management and skill building, to prepare them for the requirements of their jobs – at present and into the future. The new Bertelsmann University offers innovative state-of-the-art learning solutions and formats that systematically promote and develop the expertise of employees and executives, worldwide and across divisions and hierarchies. The first milestone was set in 2015 with the introduction of a comprehensive digital learning offer, which will give all Bertelsmann employees worldwide free access to more than 6,800 online video courses in the future.

# Bertelsmann University

# Corporate Responsibility



## Our Duty: Ethics & Compliance

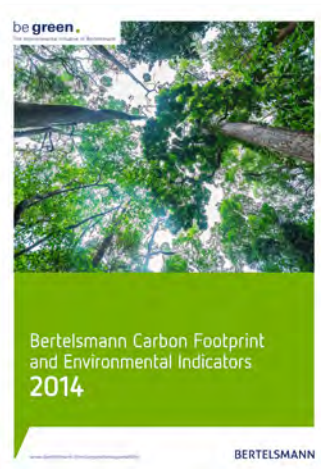
Bertelsmann has established a comprehensive Ethics & Compliance program. Based on the Essentials, the cornerstone document is the Bertelsmann Code of Conduct, which sets out the commitment to ethical and lawful conduct for all employees. Further guidelines have been issued on key topics, such as anticorruption, competition law, foreign trade and business partner compliance. Staff are fully trained and advised, and compliance violations are not tolerated. Suspected violations are promptly investigated and resolved. The effectiveness of the program is ensured by regular evaluation and risk-oriented adjustments.

## be green | Protecting the Environment and Climate

We depend on natural resources for the production of books, magazines and brochures, as well as for the production of movies, television and digital formats, and for the provision of services and technology-based business solutions. Climate protection, including energy and resource efficiency, is therefore an important aspect of our corporate responsibility. In 2015, Bertelsmann published its fourth carbon footprint. The environmental data collected from around the world reflects the company's transformation. For instance, the further decline in the CO<sub>2</sub>-intensive print businesses and the increase in digitization led to a significant reduction in the environmental indicators.

**be green.**

The environmental initiative of Bertelsmann



## Integrated Health Management

The health of its employees is important to Bertelsmann. Therefore, Germany-wide health standards were introduced in March 2015. A total of 223 Group companies have implemented a working group on the topic of health or will do so in the months ahead. About 33,000 employees, or around 70 percent of all employees in Germany, already have access to the Employee Assistance Program. From 2016, the issue of health will be an integral part of management training. The new health management website provides all 47,000 employees in Germany with access to health information.

## Refugee Assistance

The influx of refugees not only strongly influenced the content of editorial reports in 2015, but also triggered a wave of social commitment at many Bertelsmann locations: For example, a donation fund was set up to provide red tape-free support for volunteers, and apprentices in the Group created a website for coordinating refugee aid locally. Many in-kind donations were made. Employees became sponsors and got involved in refugee camps and clothing projects, and large-scale fundraisers such as the RTL Spendenmarathon (telethon) as well as appeals in "Stern" magazine made it possible to finance urgently needed aid. In April 2016, Bertelsmann will launch an integration project in Gütersloh with the aim of preparing young refugees for the dual training system through intensive tutoring. In all divisions and at all hierarchical levels, Bertelsmann employees are working to ensure a welcoming culture and the integration of refugees.



# Bertelsmann Essentials

The Bertelsmann Essentials convey the goals and basic values of our company's employees, executives and shareholders and build on the Corporate Constitution. It is the responsibility of our executives to spread and epitomize these values and to serve as role models. The Bertelsmann Essentials reflect the common understanding of our corporate culture and are subject to constant review, revision and improvement.

## Our Core Values

### Creativity

We provide a home for artists, authors and creative talent in all of our fields of business, promoting their creative development and commercial success. We strive for the protection of intellectual property on a worldwide basis. We promote artistic freedom and freedom of thought, the protection of democracy and human rights, and the respect of traditions and cultural values. Consequently, the content we provide reflects a wide range of viewpoints and opinions. Continuous innovation and improvement, guided by customer needs and interests, are the cornerstones of our success.

### Entrepreneurship

The principle of decentralization is at the heart of Bertelsmann's management philosophy. It enables our employees to act with flexibility, responsibility, efficiency and entrepreneurial freedom. Our operating businesses are run by managers who act as entrepreneurs: They enjoy considerable independence and bear full responsibility for the performance of their companies. Our executives act not only in the best interests of their individual businesses, but are also committed to the interests of the Group as a whole.

## Our Mission

Bertelsmann is a media, services and education company. We provide information, entertainment and media services to inspire people's daily lives. We aspire to make a valuable contribution to society. We strive to be leaders in our markets and achieve returns on capital employed that guarantee growth and continuity of our corporation. Our joint efforts focus on creative content and customer relations. We seek to provide working conditions that are equitable and motivating for our employees. We commit ourselves to ensuring the continuity and ongoing progress of our corporation.

## Partnership

Our corporate culture is based on a mutually beneficial partnership between our employees and the company. Motivated individuals who identify with the company and its values are the driving force behind quality, efficiency, innovation and growth within our corporation. The hallmarks of our participatory leadership approach are mutual trust and respect as well as the principle of delegation of responsibilities. Our employees enjoy autonomy to the greatest extent possible. They receive comprehensive information and participate in decision-making and our financial success. We are committed to the professional development of our employees and seek to provide long-term employment.

## Citizenship

The continuity and development of Bertelsmann as an independent entity is ensured by the Bertelsmann Verwaltungsgesellschaft's (Bertelsmann Management Company) control of the majority of voting rights. In the view of our shareholders, the possession of property creates an obligation to the community. They believe that, in a market economy, a corporation derives its legitimacy from making a valuable contribution to society. The work of the Bertelsmann Stiftung – to which the majority of Bertelsmann shares has been contributed – is also guided by this principle. Our businesses are managed in accordance with the spirit and the letter of the law. They maintain high standards of ethical conduct and act responsibly toward society and the environment.

## Our Commitment

We expect everyone at Bertelsmann to adhere to this mission and these core values.

# Financial Calendar

## May 10, 2016

Payout of dividends on profit participation certificates for the 2015 financial year

## May 11, 2016

Announcement of figures for the first three months of 2016

## August 31, 2016

Announcement of figures for the first half of 2016

## November 10, 2016

Announcement of figures for the first nine months of 2016

# Contact

## For journalists

Corporate Communications/Media Relations  
Phone: +49 (0) 52 41-80-24 66  
[press@bertelsmann.com](mailto:press@bertelsmann.com)

## For analysts and investors

Investor Relations  
Phone: +49 (0) 52 41-80-23 42  
[investor.relations@bertelsmann.de](mailto:investor.relations@bertelsmann.de)

## For global jobs and careers

Recruiting Services  
[createyourowncareer@bertelsmann.com](mailto:createyourowncareer@bertelsmann.com)  
[www.createyourowncareer.com](http://www.createyourowncareer.com)

**The report "The New Bertelsmann," the Annual Report 2015 and current information about Bertelsmann are also posted on:**

[www.bertelsmann.com](http://www.bertelsmann.com)



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## Responsible

Karin Schlautmann  
Bertelsmann SE & Co. KGaA  
Executive Vice President  
Corporate Communications

## Project Management

Simone Fratzak  
Bertelsmann SE & Co. KGaA  
Corporate Communications

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Nils Hendrik Mueller  
Kai Uwe Oesterhelweg

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Stefan Bausewein, Tommi Gutscher, Achim Rösch,  
Thorsten Scherz

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**Bertelsmann SE & Co. KGaA**  
Carl-Bertelsmann-Strasse 270  
33311 Gütersloh  
Germany

[www.bertelsmann.com](http://www.bertelsmann.com)