Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	999 172 857
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	THIS IS NICE STUDIOS NORWAY AS
Forretningsadresse:	Mølleparken 2 0459 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Morten Mogensen
Dato for fastsettelse av årsregnskapet:	10.06.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert

År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 05.07.2023

Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	5	14 337 134	13 998 784
Sum inntekter		**14 337 134**	**13 998 784**
Kostnader			
Varekostnad	2		
Lønnskostnad	2	8 726 326	8 178 075
Avskrivning av driftsmidler og immaterielle eiendeler	9	306 226	299 144
Annen driftskostnad	2	5 013 495	4 678 503
Sum kostnader		**14 046 047**	**13 155 721**
Driftsresultat		**291 087**	**843 063**
Finansinntekter og finanskostnader			
Mottatt konsernbidrag	4	20 617 436	4 190 674
Renteinntekt fra foretak i samme konsern	4	601	264 043
Annen renteinntekt		74 897	
Sum finansinntekter		**20 692 934**	**4 454 717**
Nedskrivning av andre finansielle anleggsmidler	3		
Rentekostnad til foretak i samme konsern	4	4 257 888	4 434 929
Annen rentekostnad		331	688
Annen finanskostnad		828	
Sum finanskostnader		**4 259 047**	**4 435 617**
Netto finans		**16 433 888**	**19 100**
Ordinært resultat før skattekostnad		**16 724 975**	**862 162**
Skattekostnad på ordinært resultat	6	3 679 495	190 085
Ordinært resultat etter skattekostnad		**13 045 480**	**672 077**
Årsresultat	7	**13 045 480**	**672 077**
Årsresultat etter minoritetsinteresser		**13 045 480**	**672 077**

Resultatregnskap

Beløp i: NOK	Note	2021	2020
Totalresultat		**13 045 480**	**672 077**
Overføringer og disponeringer			
Konsernbidrag		-5 775 575	-3 425 322
Avsatt til annen egenkapital		18 821 055	4 097 399
Sum overføringer og disponeringer	7	**13 045 480**	**672 077**

Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	6	29 931	22 074
Sum immaterielle eiendeler		**29 931**	**22 074**
Varige driftsmidler			
Driftsløsøre, inventar o.a. utstyr	9	502 535	554 684
Sum varige driftsmidler		**502 535**	**554 684**
Finansielle anleggsmidler			
Investering i datterselskap	3	157 497 001	157 497 001
Sum finansielle anleggsmidler		**157 497 001**	**157 497 001**
Sum anleggsmidler		**158 029 467**	**158 073 759**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer			9 750
Andre kortsiktige fordringer		1 200 202	1 108 184
Konsernfordringer	4, 10		48 278 971
Krav på innbetaling av selskapskapital	4	92 180 708	8 582 122
Sum fordringer		**93 380 910**	**57 979 027**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.		10 820 228	
Sum bankinnskudd, kontanter og lignende		**10 820 228**	
Sum omløpsmidler		**104 201 138**	**57 979 027**
SUM EIENDELER		**262 230 606**	**216 052 786**

BALANSE - EGENKAPITAL OG GJELD

Balanse

Beløp i: NOK	Note	2021	2020
Egenkapital			
Innskutt egenkapital			
Aksjekapital	7, 8	30 000	30 000
Beholdning av egne aksjer	8		
Overkurs	7	2 100 000	2 100 000
Annen innskutt egenkapital	7	9 200 897	3 425 322
Sum innskutt egenkapital		**11 330 897**	**5 555 322**
Opptjent egenkapital			
Annen egenkapital	7	47 711 344	34 665 864
Udisponert resultat			
Udekket tap	7		
Sum opptjent egenkapital		**47 711 344**	**34 665 864**
Sum egenkapital		**59 042 241**	**40 221 186**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	6		
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	4	162 714 257	172 948 985
Sum annen langsiktig gjeld		**162 714 257**	**172 948 985**
Sum langsiktig gjeld		**162 714 257**	**172 948 985**
Kortsiktig gjeld			
Gjeld til selskap i samme konsern	4	32 057 689	
Leverandørgjeld		951 848	391 674
Betalbar skatt	6	5 316 360	1 161 170
Skyldig offentlige avgifter		601 119	575 742
Annen kortsiktig gjeld		1 547 093	754 028
Sum kortsiktig gjeld		**40 474 108**	**2 882 614**
Sum gjeld		**203 188 365**	**175 831 599**
SUM EGENKAPITAL OG GJELD		**262 230 606**	**216 052 786**

Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Journalnummer:	2022 631181

Enheten

Organisasjonsnummer:	999 172 857
Organisasjonsform:	Aksjeselskap
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Bekreftet av representant for selskapet:	Morten Mogensen
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Brønnøysundregistrene, 18.07.2022

Brønnøysundregistrene
Postadresse: Postboks 900, 8910 Brønnøysund
Telefon: 75 00 75 00
E-post: firmapost@brreg.no Internett: www.brreg.no
Organisasjonsnummer: 974 760 673

Organisasjonsnr: 999 172 857
THIS IS NICE STUDIOS NORWAY AS

RESULTATREGNSKAP

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THIS IS NICE STUDIOS NORWAY AS

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Organisasjonsnr: 999 172 857
THIS IS NICE STUDIOS NORWAY AS

NOTEOPPLYSNINGER - SELSKAP

- alle poster oppgitt i hele tall

Note

Antall aksjer og aksjeeiere

Note
2

Antall årsverk i regnskapsåret

Virksomheten har hatt følgende antall årsverk:
11.00

Omløpsmidler	Startdato	Sluttdato	Endring

Skattemessig fremf.undersk.	Startdato	Sluttdato	Endring

Kortsiktig gjeld	Startdato	Sluttdato	Endring

KPMG AS
Sørkedalsveien 6
Postboks 7000 Majorstuen
0306 Oslo

Telephone +47 45 40 40 63
Fax
Internet www.kpmg.no
Enterprise 935 174 627 MVA

Til generalforsamlingen i This Is Nice Studios Norway AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert This Is Nice Studios Norway AS' årsregnskap som består av balanse per 31. desember 2021, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav,
- gir årsregnskapet et rettvisende bilde av selskapets finansielle stilling per 31. desember 2021, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet slik det kreves i lov, forskrift og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av the International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker ikke informasjonen i årsberetningen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen

- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og vurderer vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.

- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av årsregnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Oslo, 15.06.2022
KPMG AS

Karianne Flønstelien Vintervoll
Statsautorisert revisor
(elektronisk signert)

PENNEO

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur".
De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Karianne F Vintervoll
Statsautorisert revisor
På vegne av: KPMG
Serienummer: 9578-5999-4-2179424
IP: 80.232.xxx.xxx
2022-06-15 12:35:36 UTC

bank ID

Penneo Dokumentnøkkel: K8BDW-LCX37-AD8KZ-WBMOF-6M5YD-261KY

Årsregnskap 2021

for

This Is Nice Studios Norway AS

(org nr 999 172 857)

Resultatregnskap

This Is Nice Studios Norway AS

Driftsinntekter og driftskostnader	**Note**	**2021**	**2020**
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Balanse

This Is Nice Studios Norway AS

Egenkapital og gjeld	Note	2021	2020
Innskutt egenkapital			
Aksjekapital	7, 8	30 000	30 000
Overkurs	7	2 100 000	2 100 000
Annen innskutt egenkapital	7	9 200 897	3 425 322
Sum innskutt egenkapital		**11 330 897**	**5 555 322**
Opptjent egenkapital			
Annen egenkapital	7	47 711 344	34 665 864
Sum opptjent egenkapital		**47 711 344**	**34 665 864**
Sum egenkapital		**59 042 241**	**40 221 186**
Gjeld			
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	4	162 714 257	172 948 985
Sum annen langsiktig gjeld		**162 714 257**	**172 948 985**
Kortsiktig gjeld			
Gjeld til selskap i samme konsern	4	32 057 689	0
Leverandørgjeld		951 848	391 674
Betalbar skatt	6	5 316 360	1 161 170
Skyldig offentlige avgifter		601 119	575 742
Annen kortsiktig gjeld		1 547 093	754 028
Sum kortsiktig gjeld		**40 474 108**	**2 882 614**
Sum gjeld		**203 188 365**	**175 831 599**
Sum egenkapital og gjeld		**262 230 606**	**216 052 786**

Oslo, 10.06.2022
Styret i This Is Nice Studios Norway AS

Morten Mogensen
Styreleder/daglig leder

Sara Lina Johanna Lindberg
Styremedlem

Indirekte kontantstrøm

This Is Nice Studios Norway AS

	Note	2021	2020
Kontantstrømmer fra operasjonelle aktiviteter			
Resultat før skattekostnad		16 724 975	862 162
Periodens betalte skatt		1 161 170	998 470
Ordinære avskrivninger		306 226	299 144
Endring i kundefordringer		9 750	-9 750
Endring i leverandørgjeld		560 174	46 575
Endring i andre tidsavgrensningsposter		668 335	-11 012 318
Netto kontantstrøm fra operasjonelle aktiviteter		**17 108 290**	**-10 812 657**
Kontantstrømmer fra investeringsaktiviteter			
Utbetalinger ved kjøp av varige driftsmidler		254 078	0
Netto endring konsernkonto		48 278 971	1 407 180
Netto kontantstrøm fra investeringsaktiviteter		**48 024 893**	**1 407 180**
Kontantstrømmer fra finansieringsaktiviteter			
Netto endring i konsermellomværende		-62 895 077	0
Innbetalinger av konsernbidrag		8 582 121	9 405 478
Netto kontantstrøm fra finansieringsaktiviteter		**-54 312 956**	**9 405 478**
Netto endring i kontanter og kontantekvivalenter		10 820 227	0
Beh. av kont. og kontantekvivalenter ved per. slutt		**10 820 227**	**0**

Note 1 - Regnskapsprinsipper

Generelt
This Is Nice Studios Norway AS, organisasjonsnummer 999 172 857 MVA, er et aksjeselskap registrert i Norge. Selskapets forretningsadresse er Mølleparken 2, 0505 Oslo, Norge. This is Nice Studio Norway AS inngikk i 2021 i et konsern der det ultimate morselskapet er Fremantle Media Group Ltd bedriftsnummer 353341, med registrert kontor i Storbritannia. Registrert adresse er 1 Stephen street, London, Storbritannia. Fremantle Media Group Ltd er på sin side en del av et konsern med morselskapet RTL Group SA organisasjonsnummer No.B-10807 med base i Luxembourg, som utarbeider konsernregnskapet. Registrert adresse er 43 Bd Pierre Frieden, L-1543 Luxembourg. Den ultimate konsernmoren for konsernet som RTL Group SA tilhører er Bertelsmann SE & Co. KGaA, org.nr. HRB 9194, med base i Gütersloh, Tyskland, som er selskapet som utarbeider konsernregnskapet for det største konsernet. Registrert adresse Carl-Bertelsmann-Strabe 270, 33311 Gütersloh, Tyskland.

Det utenlandske morselskapets konsernregnskap er tilgjengelig på selskapet eller selskapets hjemmeside www.bertelsmann.com.

Hovedprinsipp
Selskapsregnskapet til This Is Nice Studios Norway AS er utarbeidet i samsvar med regnskapslovens bestemmelser og god regnskapsskikk.

Salgsinntekter
Inntekter ved salg av varer og tjenester vurderes til virkelig verdi av vederlaget, netto etter fradrag for merverdiavgift, returer, rabatter og andre avslag. Inntektsføring ved salg av varer skjer på leveringstidspunktet. Tjenester inntektsføres etterhvert som de utføres.

Datterselskaper
Kostmetoden brukes som prinsipp for investeringer i andre selskaper. Kostprisen økes når midler tilføres ved kapitalutvidelse, eller når det gis konsernbidrag til datterselskap. Mottatte utdelinger resultatføres i utgangspunktet som inntekt. Utdelinger som overstiger andel av opptjent egenkapital etter kjøpet føres som reduksjon av anskaffelseskost. Utbytte/konsernbidrag fra datterselskap regnskapsføres det samme året som datterselskapet avsetter beløpet. Utbytte fra andre selskaper regnskapsføres som finansinntekt når utbyttet er vedtatt.

Balanseført beløp skrives ned til antatt virkelig verdi når den er lavere.

Nedskrivning av anleggsmidler
Ved indikasjon på at balanseført verdi av et anleggsmiddel er høyere enn virkelig verdi, foretas det test for verdifall. Testen foretas for det laveste nivå av anleggsmidler som har selvstendige kontantstrømmer. Hvis balanseført verdi er høyere enn både salgsverdi og gjenvinnbart beløp (nåverdi ved fortsatt bruk/eie), foretas det nedskrivning til det høyeste av salgsverdi og gjenvinnbart beløp.

Tidligere nedskrivninger, med unntak for nedskrivning av goodwill, reverseres hvis forutsetningene for nedskrivningen ikke lenger er til stede.

Klassifisering og vurdering av balanseposter
Omløpsmidler og kortsiktig gjeld omfatter poster som forfaller til betaling innen ett år etter balansedagen, samt poster som knytter seg til varekretsløpet. Øvrige poster er klassifisert som anleggsmiddel/langsiktig gjeld.

Det var etablert konsernkontoordning med selskapene i NENT-konsernet. Trekk eller innskudd i ordningen fra de ulike konsernselskapene presenteres som mellomværende med konsernselskaper. Se note 4. Selskapet gikk ut av ordningen i 2021.

Omløpsmidler vurderes til laveste av anskaffelseskost og virkelig verdi. Kortsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Anleggsmidler vurderes til anskaffelseskost, men nedskrives til virkelig verdi ved verdifall som ikke forventes å være forbigående. Anleggsmidler med begrenset økonomisk levetid avskrives planmessig. Langsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Fordringer
Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av individuelle vurderinger av de enkelte fordringene. I tillegg gjøres det for øvrige kundefordringer en uspesifisert avsetning for å dekke antatt tap.

Valuta
Pengeposter i utenlandsk valuta er vurdert til kursen ved regnskapsårets slutt. Valutakursendringer resultatføres løpende i regnskapsperioden under andre driftskostnader.

Skatter
Skattekostnad består av betalbar skatt og endring i utsatt skatt. Utsatt skatt/skattefordel er beregnet på alle forskjeller mellom regnskapsmessig og skattemessig verdi på eiendeler og gjeld. Utsatt skatt er beregnet med 22 % på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt skattemessig underskudd til fremføring ved utgangen av regnskapsåret. Netto utsatt skattefordel balanseføres i den grad det er sannsynlig at denne kan bli nyttiggjort.

Betalbar skatt og utsatt skatt er regnskapsført direkte mot egenkapitalen i den grad skattepostene relaterer seg til egenkapitaltransaksjoner.

Kontantstrømoppstilling
Kontantstrømoppstillingen er i henhold til den indirekte metode og viser samlet kontantstrøm fordelt på operasjonell drift, investerings- og finansieringsaktiviteter. Betalingsmidler er definert som kontanter, bank samt andre likvide plasseringer som umiddelbart og med uvesentlig kursrisiko kan omgjøres til kontantbeløp.

Bruk av estimat i utarbeidelsen av årsregnskapet
Ledelsen har brukt estimater og forutsetninger som har påvirket eiendeler, gjeld, inntekter, kostnader og opplysning om potensielle forpliktelser. Fremtidige hendelser kan medføre at estimatene endrer seg. Estimater og de underliggende forutsetningene vurderes løpende. Endringer i regnskapsmessige estimater regnskapsføres i den perioden endringene oppstår. Hvis endringene også gjelder fremtidige perioder fordeles effekten over inneværende og fremtidige perioder.

Note 2 Lønnskostnader, antall ansatte, godtgjørelser, lån til ansatte m.m.

Lønnskostnader	**2021**	**2020**
Lønninger	7 187 973	6 616 071
Arbeidsgiveravgift	1 030 275	1 017 968
Pensjonskostnader	404 364	400 401
Andre ytelser	103 714	143 635
Sum	**8 726 326**	**8 178 075**

Gjennomsnittlig antall årsverk:	11	10

Ytelser til ledende personer	**Daglig leder**	**Styre**
Lønn	0	0
Pensjonsutgifter	0	0
Annen godtgjørelse	0	0

Daglig leder er lønnet fra annet selskap i konsernet.
Det er ikke ytet lån eller stilt sikkerhet til fordel for daglig leder, ansatt, styret eller aksjeeiere.

Pensjonsforpliktelser
Selskapet er pliktig til å ha tjenestepensjonsordning etter lov om obligatorisk tjenestepensjon.
Selskapets pensjonsordninger tilfredsstiller kravene i denne lov.

Revisor
Kostnadsført revisjonshonorar for 2021 utgjør kr 100 900 ekskl. mva.

Note 3 Datterselskap, tilknyttet selskap m.v

Selskap	**Ervervet**	**Eier-andel**	**Stemme-andel**	**Resultat 2021**	**EK pr 31.12**	**Bokført verdi pr 31.12**
Monster AS*	2012	100 %	100 %	-2 111 190	7 994 358	125 800 000
One Big Happy Family AS	2012	100 %	100 %	2 465 231	2 838 252	3 500 000
Rakett AS	2012	100 %	100 %	-1 022 805	2 669 652	1
Playroom Event AS	2015	100 %	100 %	-413 370	11 136 387	28 197 000
Sum						**157 497 001**

Alle selskapene har kontoradresse i Oslo, Norge.

* Monster AS er morselskapet i underkonsern med følgende datterselskap;
  - Monster Entertaiment AS
  - Monster Scripted AS

Note 4 Mellomværende med selskap i samme konsern m.v

Fordringer	**2021**	**2020**
Fordring konsernbidrag: One Big Happy Family AS	3 189 155	2 023 856
Fordring konsernbidrag: Monster Entertainment AS	11 409 249	245 569
Fordring konsernbidrag: Monster Scripted AS	12 480 962	1 391 830
Fordring - Monster Scripted AS	10 000 000	0
Fordring konsernbidrag: Playroom Event AS	538 070	0
Fordring - Monster AS	3 000 000	0
Fordring konsernbidrag: Strix Televisjon AS	7 459 663	4 391 440
Fordring konsernbidrag: Rakett AS	2 503 000	529 419
Fordring konsernbidrag: Novemberfilm AS	8	7
Konsernkonto - Nordic Entertainment Group AB	0	48 278 971
Fordring - This is Nice Studios Holding AB	41 600 601	0
Sum	**92 180 708**	**56 861 092**

Gjeld	**2021**	**2020**
Langsiktig gjeld til Nice Entertainment Group OY	162 714 256	172 948 984
Kortsiktig gjeld til RTL Group S.A	32 057 689	0
Sum	**194 771 945**	**172 948 984**

Konti som inngikk i konsernkontoavtalen var klassifisert som Innskudd konsernkonto i balansen. Selskapet gikk i 2021 ut av denne ordningen.

Note 5 Salgsinntekter

	2021	**2020**
Pr. Virksomhetsområde		
Service fee og tjenestesalg til døtre	14 337 134	13 998 784
Sum	**14 337 134**	**13 998 784**
Geografisk fordeling		
Norge	14 337 134	13 998 784
Sum	**14 337 134**	**13 998 784**

Note 6 Skatt

Årets skattekostnad	**2021**	**2020**
Resultatført skatt på ordinært resultat:		
Betalbar skatt	3 687 352	195 054
Endring i utsatt skattefordel	-7 857	-4 969
Skattekostnad ordinært resultat	**3 679 495**	**190 085**
Skattepliktig inntekt:		
Ordinært resultat før skatt	16 724 975	862 162
Permanente forskjeller	0	1 863
Endring i midlertidige forskjeller	35 713	22 586
Mottatt konsernbidrag	7 404 583	4 391 438
Skattepliktig inntekt	**24 165 271**	**5 278 049**
Betalbar skatt i balansen:		
Betalbar skatt på årets resultat	-848 484	-726 895
Betalbar skatt på mottatt konsernbidrag	6 164 844	1 888 065
Sum betalbar skatt i balansen	**5 316 360**	**1 161 170**

Skatteeffekten av midlertidige forskjeller som har gitt opphav til utsatt skatt og utsatte skattefordeler, spesifisert på typer av midlertidige forskjeller

	2021	**2020**	**Endring**
Varige driftsmidler	-136 050	-100 337	35 713
Sum	**-136 050**	**-100 337**	**35 713**
Grunnlag for utsatt skattefordel	**-136 050**	**-100 337**	**35 713**
Utsatt skattefordel (22 %)	**-29 931**	**-22 074**	**7 857**

Note 7 Egenkapital

	Aksjekapital	**Overkurs**	**Annen innskutt egenkapital**	**Annen egenkapital**	**Sum egenkapital**
Pr. 31.12.2020	30 000	2 100 000	3 425 322	34 665 864	40 221 186
Årets resultat	0	0	0	13 045 480	13 045 480
Mottatt konsernbidrag	0	0	5 775 575	0	5 775 575
Pr 31.12.2021	**30 000**	**2 100 000**	**9 200 897**	**47 711 344**	**59 042 241**

Note 8 Aksjonærer

Aksjekapitalen i This Is Nice Studios Norway AS pr. 31.12 består av:

	Antall	Pålydende	Bokført
Ordinære aksjer	30 000	1,0	30 000
Sum	**30 000**		**30 000**

Eierstruktur

Aksjonærer i % pr. 31.12:

	Ordinære	Eierandel
Nice Entertainment Group OY	30 000	100,0

Note 9 Varige driftsmidler

	Driftsløsøre	Sum
Anskaffelseskost 01.01	3 501 504	3 501 504
+ Årets tilganger	254 078	254 078
- Avgang i året	0	0
Anskaffelseskost 31.12	**3 755 582**	**3 755 582**
Akk.avskrivninger 31.12	-3 253 046	-3 253 046
Bokført verdi 31.12	**502 535**	**502 535**
Årets avskrivninger	306 226	306 226
Økonomisk levetid	3-5 år	
Avskrivingsplan	Lineær	

Note 10 Bankinnskudd

Innestående midler på skattetrekkskonto (bundne midler) er på kr. 329 613.

Note 11 Hendelser etter balansedagen

Effekt av Covid-19 virus

Covid-19 viruset har ikke hatt noen vesentlig betydning for selskapets resultat i regnskapsåret 2021. Ledelsen i selskapet har hatt en god strategi for å tilpasse seg koronasituasjonen. Selskapet har ingen usikre kundefordringer eller andre balanseposter med et forventet verdifall. Likviditeten i selskapet er god, og egenkapitalen er tilfredsstillende.

Styret kjenner ikke til andre forhold etter regnskapsårets utgang som har betydning for selskapets stilling og resultat. I samsvar med regnskapslovens § 3-3 bekreftes det at forutsetningen for fortsatt drift er lagt til grunn ved utarbeidelse av regnskapet. Til grunn for antakelsen ligger oppnådde resultater for 2021 og resultatprognoser for 2022 samt selskapets langsiktige strategiske prognoser for årene fremover.

SIGNATURES	ALLEKIRJOITUKSET	UNDERSKRIFTER	SIGNATURER	UNDERSKRIFTER

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Tämä asiakirja sisältää 11 sivua ennen tätä sivua
Dette dokument indeholder 11 sider før denne side
Detta dokument innehåller 11 sidor före denna sida

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BankID - fc752cbf-f1d3-4474-9a6d-52be551eb74c - SE

Morten Helding Mogensen
a8674bb1-8690-4429-a1be-23667a9b26f0 - 2022-06-10 14:56:13 UTC +03:00
NemID / MitID - 819813db-a847-4425-96f4-5d74b39b727c - DK

authority to sign	asemavaltuutus	ställningsfullmakt	autoritet til å signere	myndighed til at underskrive
representative	nimenkirjoitusoikeus	firmateckningsrätt	representant	repræsentant
custodial	huoltaja/edunvalvoja	förvaltare	foresatte/verge	frihedsberøvende

Annual Report 2021

BERTELSMANN

BERTELSMANN

At a Glance
2021

Key Figures (IFRS)

in € millions	2021	2020	2019	2018	2017
Business Development					
Group revenues	18,696	17,289	18,023	17,673	17,190
Operating EBITDA	3,241	3,143	2,887	2,586	2,636
EBITDA margin in percent[1]	17.3	18.2	16.0	14.6	15.3
Bertelsmann Value Added (BVA)[2]	474	355	89	121	163
Group profit	2,310	1,459	1,091	1,104	1,198
Investments[3]	1,954	920	1,240	1,434	1,103
Consolidated Balance Sheet					
Equity	13,574	10,725	10,445	9,838	9,127
Equity ratio in percent	42.8	36.1	38.2	38.8	38.5
Total assets	31,714	29,704	27,340	25,343	23,713
Net financial debt	959	2,055	3,364	3,932	3,479
Economic debt[4]	3,475	5,207	6,511	6,619	6,213
Leverage factor	1.3	1.9	2.6	2.7	2.5
Dividends to Bertelsmann shareholders	180	–	180	180	180
Distribution on profit participation certificates	44	44	44	44	44
Employee profit sharing	89	88	96	116	105

The figures shown in the table are, in some cases, so-called Alternative Performance Measures (APM), which are neither defined nor described in IFRS.
Details are presented in the section "Alternative Performance Measures" in the Combined Management Report.
Rounding may result in minor variations in the calculation of percentages.

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 return on investment. Since the financial year 2018, Bertelsmann Value Added has been calculated excluding the Bertelsmann Investments division.
3) Taking into account the financial debt assumed, investments amounted to €1,961 million (2020: €974 million).
4) Net financial debt less 50 percent of the par value of the hybrid bonds and less the short-term liquidable investments in a special fund plus pension provisions, profit participation capital and lease liabilities.

Bertelsmann is a media, services and education company that operates in about 50 countries around the world. It includes the entertainment group RTL Group, the trade book publisher Penguin Random House, 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 145,000 employees and generated revenues of €18.7 billion in the 2021 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. Bertelsmann aspires to achieve climate neutrality by 2030.

www.bertelsmann.com

Interactive Online Report

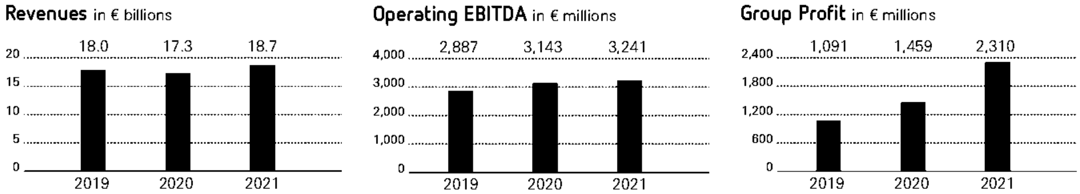
The Bertelsmann Annual Report can also be accessed online at:
ar2021.bertelsmann.com

Financial Information

Combined Management Report

Financial Year 2021 in Review

In the financial year 2021, Bertelsmann strongly increased its revenues and achieved an operating result of more than €3 billion for the second consecutive time. The Group recorded revenue growth of 8.1 percent to €18.7 billion (previous year: €17.3 billion), driven by strong organic growth of 11.4 percent. In addition to the recovery of the advertising-financed businesses, the continued positive development of the book publishing and services businesses was the main contributor to this increase. At €3,241 million, operating EBITDA reached a record level, exceeding the previous year's level of €3,143 million, which included capital gains from real estate transactions. Strong earnings growth in the TV and production business, in the book publishing business as well as in the service businesses of Majorel and Arvato Supply Chain Solutions more than offset ongoing expenditure on expanding the streaming area. Operating EBITDA before streaming start-up losses of RTL Group was €3,394 million (previous year: €3,188 million). The EBITDA margin was 17.3 percent (previous year: 18.2 percent). Driven by the positive operating earnings development and a high earnings contribution from company disposals, Group profit increased noticeably to €2,310 million, compared to €1,459 million in the previous year.



- Organic revenue growth of 11.4 percent compared to previous year, or 9.0 percent compared to 2019
- Revenue increases primarily at RTL Group, Penguin Random House and Arvato

- Operating EBITDA at record level at €3,241 million, earnings growth primarily at RTL Group, Penguin Random House and Arvato
- EBITDA margin of 17.3 percent

- At €2.3 billion, Group profits are at their highest level since 2006
- Increase is down to operational strength, high profit contributions from company disposals and Bertelsmann Investments

Fundamental Information about the Group

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

Corporate Profile

Bertelsmann operates in the core business fields of media, services and education in around 50 countries worldwide. The geographic core markets are Western Europe – in particular, Germany, France and the United Kingdom – and the United States. In addition, Bertelsmann is strengthening its involvement in growth markets such as Brazil, India and China. On the reporting date of December 31, 2021, the Bertelsmann divisions include RTL Group (entertainment), Penguin Random House (books), Gruner + Jahr (magazines), BMG (music), Arvato (services), Bertelsmann Printing Group (printing), Bertelsmann Education Group (education) and Bertelsmann Investments (funds).

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

RTL Group is one of the leading European television groups in the broadcasting, content and digital business, with interests in 67 television channels, 10 streaming platforms, 39 radio stations, global content production companies as well as digital video networks. The television portfolio includes RTL Deutschland, M6 in France and the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia and Hungary, as well as a stake in Atresmedia in Spain. RTL Group's streaming services include RTL+ in Germany, Videoland in the Netherlands, and 6play and Salto in France. RTL Group's content business, Fremantle, is one of the largest international creators, producers and distributors of scripted and unscripted content in the world. RTL Group also owns the streaming tech company Bedrock and the ad-tech company Smartclip. RTL AdConnect is RTL Group's international advertising sales house. RTL Group is a listed company and a member of the SDAX (MDAX as of March 21, 2022).

Penguin Random House is, based on revenue, the world's largest trade book publisher, with more than 300 imprints across six continents. Its well-known book brands include Doubleday, Riverhead, Viking and Alfred A. Knopf (United States); Ebury, Hamish Hamilton and Jonathan Cape (United Kingdom); Goldmann and Heyne (Germany); Plaza & Janés and Alfaguara (Spain); Sudamericana (Argentina); and the international imprint Dorling Kindersley. Each year Penguin Random House publishes more than 16,000 new titles and sells more than 700 million print books, e-books and audiobooks.

Gruner + Jahr is a premium magazine publisher whose portfolio includes established brands such as "Stern," "Brigitte" and "Geo"; digital products in all publishing segments; and products and licenses such as the "Schöner Wohnen" collection. Gruner + Jahr also includes other business operations such as the international AppLike Group, the communication agency Territory, and a majority shareholding in the DDV Mediengruppe and a stake in the Spiegel Group. In August 2021, it was announced that RTL Deutschland would be taking over the German magazine businesses and brands of Gruner + Jahr. The transaction was completed on January 1, 2022.

BMG is an international music company with 19 offices in 12 core music markets, now representing more than three million titles and recordings, including iconic catalogs and renowned artists and songwriters such as Jason Aldean, Kylie Minogue, Mick Jagger and Keith Richards, No Angels, Roger Waters, Tina Turner and many more.

Arvato is an international service provider that develops and implements custom-made solutions for all kinds of business processes, for customers in a wide range of sectors in more than 40 countries. These include SCM solutions, financial services and IT services. The services business also includes the listed customer experience company Majorel, in which Bertelsmann owns almost 40 percent of shares.

Bertelsmann Printing Group unites Bertelsmann's printing activities. They include all the Group's gravure, offset and book printing companies in Germany, the United Kingdom and the United States. In addition, various digital marketing services are offered, such as data-driven multichannel marketing. Bertelsmann Printing Group also includes the storage media producer Sonopress, the specialty printer Topac and the multichannel marketing platform DeutschlandCard.

Bertelsmann Education Group comprises Bertelsmann's education activities. The digital education and service offerings are primarily in the healthcare sector and in the area of in-company training and development as well as in the university education area. The education activities include the online education provider Relias, the US university Alliant and venture fund investments.

Bertelsmann Investments comprises Bertelsmann's global start-up investments. The activities are focused on the strategic growth markets of Brazil, China, India and the United States. Investments are largely made through the funds Bertelsmann Brazil Investments (BBI), Bertelsmann Asia Investments (BAI), Bertelsmann India Investments (BII) and Bertelsmann Digital Media Investments (BDMI).

Regulatory Environment

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

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

Shareholder Structure

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

Strategy

Bertelsmann's strategic focus is on a fast-growing, digital, international and diversified Group portfolio. Businesses in which Bertelsmann invests should have long-term stable growth, global reach, sustainable business models, high market-entry barriers and scalability. At the beginning of 2021, Bertelsmann defined a Group-wide growth initiative and presented the new strategic growth priorities necessary for that: national media champions, global content, global services, online education and investment portfolio. Further developing the strategy in this way is necessary to meet new challenges, such as growing competition from US tech platforms. The Group aims to grow in both existing and new lines of business through organic initiatives and acquisitions. The following topics form the basis for the successful implementation of the strategy: tech & data, upskilling, cooperation and alliances. Substantial progress was made in the implementation of the new strategic priorities in the 2021 financial year.

The announced mergers of Groupe M6 and Groupe TF1 in France, of RTL Nederland and Talpa in the Netherlands, as well as the completed combination of RTL Deutschland and the German magazine businesses and brands of Gruner + Jahr, which was implemented in early 2022, will serve to create national media champions in the European markets. RTL Group initiated further consolidation steps with the announced disposals of RTL Belgium and RTL Croatia. The streaming services RTL+ in Germany and Videoland in the Netherlands recorded continued substantial increases in paying subscribers. RTL Deutschland further reinforced its market position through the full acquisition of Super RTL, and Gruner + Jahr sold its French subsidiary Prisma Media to the French media group Vivendi.

Bertelsmann also invested in the expansion of the global content business. The production company Fremantle announced several acquisitions and stake increases, and established the Global Factual unit in order to expand the business in high-end documentaries. Penguin Random House achieved creative and business successes, for example with "How to Avoid Climate Disaster" by Bill Gates and "Atlas of the Heart" by Brené Brown. BMG signed global superstars such as Bryan Adams, Santana and Johnny Marr, and – with the acquisition of the rock band Mötley Crüe's music catalogue – effected the single biggest catalog acquisition since the company was founded in 2008. In March, BMG also entered into a strategic partnership with the private equity firm KKR for the acquisition of major music rights packages. In October, BMG also announced the acquisition of an extensive portfolio of Tina Turner rights.

Global services were also further expanded. The customer experience company Majorel recorded strong organic growth. To support its dynamic development, Majorel entered the capital market with its flotation on Euronext Amsterdam. Arvato Supply Chain Solutions invested in the expansion and automation of its global network of locations. Arvato Financial Solutions also grew organically, in particular with its range of "purchase on account" services. Arvato Systems won various business awards, underscoring both the company's expertise and its market reputation as a partner in digital transformation.

Bertelsmann Education Group benefited from continued high demand for the digital education and training provision of Relias and Alliant. Furthermore, Bertelsmann Education Group, together with Bertelsmann, continued with the digital training campaign #50000Chances, Bertelsmann's response to the skills shortage in the areas of cloud, data and artificial intelligence.

Bertelsmann further expanded its global investment portfolio and made around 100 new and follow-up investments during the reporting period. As of the end of 2021, Bertelsmann Investments held a total of 290 investments through its four international funds. In Brazil, the acquisition of 25 percent of the capital shares and 46 percent of the voting rights in the listed education company Afya was completed. During the reporting period, Bertelsmann Investments also participated in a new financing round for Shiprocket, an Indian e-commerce service provider whose business has grown strongly during the coronavirus pandemic. At the same time, Bertelsmann Investments realized profits from full and partial disposals of companies, among them Eruditus, a global provider of executive education.

Bertelsmann is continually developing its strategy. Compliance with and achievement of the strategic development priorities are examined by the Executive Board and at the divisional level, through regular meetings of the Strategy and Business Committees and as part of the annual Strategic Planning Dialogue between the Executive Board and the Supervisory Board. In addition, relevant markets and the competitive environment are analyzed on an ongoing basis in order to draw conclusions concerning the further development of the Group's strategy. The Executive Board is also supported by the Group Management Committee (GMC) on issues of corporate strategy and development. This Committee is composed of executives representing key businesses, countries and regions, and select Group-wide functions.

The Group's content-based and entrepreneurial creativity is also very important for the implementation of its strategy. Bertelsmann will therefore continue to invest in the creative core of its businesses. Simultaneously, innovation competence is very important for Bertelsmann and is a key strategic component (see the section "Innovations").

Value-Oriented Management System

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

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

To explain the business performance, and to control and manage the Group, Bertelsmann uses additional alternative performance measures that are not defined in accordance with IFRS (more details are given in the section "Alternative Performance Measures").

Strictly Defined Operational Performance Indicators

To control and manage the Group, Bertelsmann uses revenues, operating EBITDA and BVA as performance indicators. Revenue is used as a growth indicator of businesses. In the financial year 2021, Group revenues rose by 8.1 percent to €18.7 billion (previous year: €17.3 billion). Organic growth was 11.4 percent, after an organic decline of 1.7 percent in the previous year.

A key performance indicator for measuring the profitability of the Group and the divisions is operating EBITDA. Operating EBITDA rose during the reporting period by 3.1 percent to €3,241 million (previous year: €3,143 million).

Bertelsmann uses BVA for assessing the profitability of operations and return on invested capital. BVA measures the profit realized above and beyond the appropriate return on invested capital. At €474 million, BVA in the financial year 2021 was below the previous year's figure of €355 million.

Broadly Defined Performance Indicators

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

The cash conversion rate serves as a measure of cash generated from business activities, which should be between 90 percent and 100 percent as a long-term average. In the financial year 2021, the cash conversion rate was 107 percent (previous year: 118 percent).

The EBITDA margin is used as an additional criterion for assessing business performance. In the financial year 2021, the EBITDA margin was 17.3 percent, slightly below the previous year's figure of 18.2 percent.

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

The non-financial performance indicators (employees, corporate responsibility and similar topics) are not included in the broadly defined value-oriented management system. As they can still only be measured to a limited extent, it is not possible to make any clear quantifiable statements concerning interrelated effects and value increases. For this reason, the non-financial performance indicators have not yet been used for the management of the Group but are gaining in relevance for Bertelsmann's businesses.

Non-Financial Performance Indicators

The following section refers to the non-financial performance indicators at Bertelsmann. For more information about the organization, management and key topics of corporate responsibility, including additional information on employee concerns, please refer to the section "Combined Non-Financial Statement."

Employees

Bertelsmann's employees are the most important key for the company's long-term success. At the end of the financial year 2021, Bertelsmann employed 145,027 members of staff worldwide. Thanks to their creativity and entrepreneurial spirit, the company is able to continuously develop further. This is underlined by the results of the Group-wide 2021 employee survey, in which the indices for "Creativity" and "Entrepreneurship" showed an improvement.

Further information and employee-related non-financial performance indicators are presented in the "Employee Matters" section (Combined Non-Financial Statement).

Innovations

Businesses invest in the research and development of new products in order to ensure their long-term competitiveness. Bertelsmann has a similar imperative to create innovative media content, media-related products, and services and educational offerings in a rapidly changing environment. Instead of conventional research and development activities, Bertelsmann views the company's own innovative power as particularly important for business development. The long-term success of the Group depends heavily on product innovations, investing in growth markets and integrating new technologies. Furthermore, innovative expertise is very important for strategy implementation.

Bertelsmann relies on innovation and growth in core operations and new business fields. The key success factors of Bertelsmann's innovation management include continuously following cross-industry trends and observing new markets. At the Group level, Bertelsmann works with the divisions to continuously identify and implement innovative business strategies. Alongside market-oriented activities, support is given to Group-wide initiatives that actively promote knowledge transfer and collaboration. Furthermore, cooperation is being expanded among the divisions.

Innovations at RTL Group focus on three core topics: continuously developing new, high-quality video content; using all digital distribution channels; and better monetization of RTL Group's audience reach by personalization, recommendations and addressing target groups. In 2021, RTL Group launched a new identity and design for its core brand RTL. The comprehensive redesign and repositioning was initiated to strengthen RTL as Europe's leading entertainment brand – standing for positive entertainment and independent journalism, as well as inspiration, energy and attitude. Within this project, the German streaming service TV Now was rebranded to RTL+. Furthermore, RTL Group announced the expansion of RTL+ over the course of 2022 into a cross-media entertainment service, comprising video, music, podcasts, audio books and e-magazines, which will be a unique selling proposition in the German-speaking market. Another innovative focus point is addressable TV advertising, which combines the broad reach of linear TV with targeted digital advertising. In October 2021, RTL Group and Amobee, a global leader of advertising technologies, announced the formation of TechAlliance. This comprehensive cooperation will be a joint sales and services company for the ad-tech solutions of Amobee and Smartclip, which is part of RTL Deutschland. The planned TechAlliance will be the first European-wide offering for programmatic access to addressable TV advertising.

Innovations at Penguin Random House have been driven by investments in distribution and supply chains, consumer marketing engagement and the advancement of the company's Diversity, Equity & Inclusion goals. Its lead US distribution facility installed Goods-to-Person, an automated material-handling system to provide dense storage, picking efficiencies and customer- and publisher-support enhancements. Its US Consumer Marketing team launched an internally developed proprietary tool, Today's Top Books, to mine web-wide data to promote the top five Penguin Random House titles to share daily with subscribers of the Penguin Random House platform. In 2021, Penguin Random House Audio introduced Ahab, a global online casting platform, to better enable audiobook-, video game-, documentary-, podcast- and visual-content creators to find multicultural actors to hire. Penguin Random House UK began its Next Editors Program, an 18-month action-training session for Black, Asian, Latin American and other minority ethnic individuals, who are currently underrepresented in editorial roles, to develop the skills and expertise to become book-publishing editors.

Innovations at Gruner + Jahr in the past financial year mainly consisted of developing and expanding numerous new journalistic formats. A partnership between Gruner + Jahr and RTL Deutschland resulted in the successful TV series "Faking Hitler," which was based on the podcast of the same name about the forged Hitler diaries, as well as crime documentaries such as "Der Maskenmann," which was produced by Stern Crime and Vox. Stern, in partnership with the broadcasters RTL and ntv, launched the podcast "heute wichtig," and Vox and Stern worked together on a long-term documentary on the aftermath of the flood disaster in the Ahr valley. In 2021, Gruner + Jahr also expanded the successful personality magazines segment and launched the home and lifestyle magazine "Guidos Deko Queen." The magazine is accompanied by a new TV show of the same name on Vox.

Innovation at BMG is based on its distinctive market positioning and unique structure, operating the traditionally separate music publishing, recordings, and other service areas off the same integrated global platform. Innovation is focused on delivering its core values of service, fairness and transparency. Notable developments in 2021 included the launch of a new global benefits program on the company's myBMG app, offering discounts and value-added services to its songwriter and producer clients, and a partnership with Google Cloud to enhance service to artists and songwriters to build a scalable, global infrastructure. The strategic expansion of BMG's service offering included further acquisitions in live events in Germany and the international expansion of BMG's artist management partner, Shelter Music Group.

Innovations at Arvato are geared towards further optimizing existing services, and towards developing and implementing new customer solutions. Arvato Supply Chain Solutions, as part of its digitalization strategy, made major investments in cutting-edge automation technology and the expansion of its cloud infrastructure. Arvato Financial Solutions developed a pioneering fintech solution for the auto industry. The basic idea behind this new offering is to bring the subscription model into the world of carsharing, with a view to doing the same with other digital business models in the future. The IT service provider Arvato Systems considerably expanded its expertise in the areas of cloud computing, artificial intelligence and IT security, and enhanced its service portfolio in these innovation fields. In addition, Majorel entered into a partnership with OmniBot, thereby further expanding its range of services in the field of automated customer interaction in a targeted way.

Innovations at Bertelsmann Printing Group centered on further developing existing processes with new technologies and digital solutions, and expanding its portfolio of products and services. Mohn Media invested in optimizing processes and procedures. At GGP Media, an existing web service for customers from the publishing industry was expanded into a smart platform for collaborations between printers, publishers and agencies, and participant communication in the multichannel marketing platform DeutschlandCard was further digitalized and enhanced with gamification elements.

Innovations at Bertelsmann Education Group mainly consisted of developing digital, technology-based and customized education offerings. For example, in the healthcare sector, Relias employs health experts (including doctors, nurses and therapists) to continue developing teaching content and platforms for training skills specific to clinic and nursing home personnel. Another important focus was the development of additional support services for customers looking to recruit nursing home personnel. In the university education segment, Alliant used data science and advanced analytics to develop new services for students.

Report on Economic Position

Corporate Environment

Overall Economic Developments

In 2021, global economic development was once again driven largely by the coronavirus pandemic. Real gross domestic product (GDP) rose 5.9 percent, after falling 3.5 percent in 2020. However, the strong upturn was accompanied in many countries by price rises and supply bottlenecks.

In the euro area, economic growth was particularly strong in the summer. Overall, real GDP rose 5.2 percent in 2021, after falling 6.6 percent in the previous year. However, rising infection rates around the end of the year made necessary the reintroduction of temporary containment measures.

The fourth wave of infections has again affected Germany's economic recovery recently. Real GDP rose 2.9 percent in 2021 compared to a decrease of 4.6 percent in the previous year. The French economy recovered far more strongly. Real GDP rose 7.0 percent in 2021, after a decline of 8.0 percent in the previous year. The economy of the United Kingdom also enjoyed a strong recovery. Real GDP rose by 7.5 percent compared to a reduction of 9.4 percent in the previous year.

The economy of the United States also recovered from the effects of the coronavirus pandemic, although the pace of the recovery also slowed towards the end of the year. Real GDP rose 5.7 percent, after falling 3.4 percent in the previous year.

Developments in Relevant Markets

The following analysis focuses on markets and regions that are of a sufficient size and are strategically important from a Group perspective.

The German TV advertising market grew significantly in 2021 and the TV advertising markets in France, the Netherlands and Hungary, and the streaming markets in Germany and the Netherlands showed strong growth.

The markets for printed books showed positive development overall in 2021. There was strong growth in revenue for printed books in the United States and in the Spanish-language market, while the British and German markets each showed moderate growth. After noticeable growth in the previous year, revenues from e-books were down moderately in the United States and strongly in the United Kingdom. In contrast, revenues from digital audiobooks continued to grow strongly in both countries.

In 2021, the German magazine market was characterized by stable print advertising revenues and moderately declining circulation revenues, while the relevant digital market recorded strong growth.

The global music market recorded significant growth in the publishing market segment in 2021, and strong growth in the recordings market segment.

The service markets relevant for Arvato – customer experience solutions, supply chain solutions and IT solutions – were characterized by significant to strong growth, while the market for financial services recorded a moderate decline largely due to regulatory changes.

In 2021, the European printing markets recorded stable development in the offset business and moderate declines in the gravure printing business. The North American book printing market grew strongly.

In 2021, the education markets in the United States exhibited significant to strong growth in the market segments where Bertelsmann is involved – namely, training in healthcare and university education.

Significant Events in the Financial Year

In April 2021, RTL Group sold the interest held in its subsidiary SpotX to the US ad-tech company Magnite. RTL Group received a cash payment of US$640 million and 12.4 million shares of Magnite stock.

In early May 2021, Núria Cabutí, CEO of the Spanish-language book publishing group Penguin Random House Grupo Editorial, was appointed to the Bertelsmann SE & Co. KGaA Supervisory Board effective June 1, 2021. She will be a member of this oversight board in her role as representative of the Bertelsmann executives. In this capacity, Núria Cabutí succeeds Ian Hudson, who stepped down from the Supervisory Board after leaving the Group in March 2020.

In May 2021, Groupe TF1, Groupe M6, Groupe Bouygues and RTL Group announced the signing of agreements to immediately begin exclusive negotiations for the merger of Groupe TF1 and Groupe M6. The planned business combination was unanimously approved by each of the boards of directors of the four affected groups. In July 2021, after favorable opinions had been issued by the French employee representative bodies, Groupe Bouygues and RTL Group signed agreements relating to the merger. The closing of the transaction is subject to the approval of the relevant authorities and the extraordinary general meetings of Groupe TF1 and Groupe M6, respectively. The transaction is expected to close by the beginning of 2023.

Effective May 31, 2021, Gruner + Jahr sold its interest held in its French subsidiary Prisma Media to the French media group Vivendi.

In June 2021, RTL Group announced plans to merge its channels and connected media businesses in the Netherlands with Talpa Network into a national media group. Talpa Network will contribute television, radio, print, digital, e-commerce and other assets, and will receive in return a 30 percent stake in the expanded company RTL Nederland. RTL Group will hold the remaining 70 percent of the merged group and exercise control over the expanded RTL Nederland. The transaction is subject to the approval of antitrust authorities. The transaction is expected to be completed in the third quarter of 2022.

Also in June 2021, RTL Group announced the planned sale of its Belgian family of channels RTL Belgium to the Belgian media companies DPG Media and Groupe Rossel. The sale is subject to the approval of the responsible antitrust authorities. The transaction is expected to close in the first half of 2022.

In July 2021, RTL Deutschland acquired the remaining 50 percent of the shares in Super RTL (RTL Disney Fernsehen GmbH & Co. KG). RTL Group's shareholding in Super RTL is now 100 percent. The acquisition of the full interest in Super RTL is in line with RTL Group's consolidation strategy and supports the growth plan for the RTL streaming service RTL+.

The takeover of Gruner + Jahr's German magazine businesses and brands by RTL Deutschland was announced on August 6, 2021. Merging these two companies forms a national cross-media champion in the areas of television, streaming, magazines, radio and digital media. The transaction closed on January 1, 2022. As of the beginning of the financial year 2022, Gruner + Jahr is no longer reported as an independent division. The remaining Gruner + Jahr activities will be assigned to the Bertelsmann Investments division in the future. This does not affect the reported figures in the 2021 Annual Report.

In early August 2021, Bertelsmann also completed the acquisition of shares in the Brazilian education company Afya, thereby further expanding its global education business. The Group acquired 25 percent of the shares and 46 percent of the voting rights in Afya. The listed company is a leading provider of medical education and training in Brazil. Bertelsmann acquired the shares from Crescera Educacional II, a fund launched by Crescera Capital in 2014 together with Bertelsmann as the lead investor.

In early September 2021, the global customer experience company Majorel announced its intention to enter the capital market through a private placement. The company's shares were traded on Euronext Amsterdam for the first time on September 24, 2021. After the private placement of some of its shares, Bertelsmann holds almost 40 percent of Majorel shares, and thereby remains an important strategic shareholder, along with Saham Group. The company will also continue to be consolidated by Bertelsmann.

In September 2021, Fremantle, RTL Group's production business, sold its stake in the mobile videogames company Ludia Inc. to the US company Jam City for €144 million net of cash disposed of.

Penguin Random House's acquisition of the book publisher Simon & Schuster from Paramount Global (formerly ViacomCBS), which was announced at the end of 2020, is still pending approval by the antitrust authorities. On November 2, 2021, the Department of Justice filed a suit in the US District Court for the District of Columbia in Washington DC to block the transaction, citing concerns about monopsony relating to the acquisition of author rights.

In November 2021, Dominik Asam, CFO and member of the Executive Committee at the aircraft manufacturer Airbus SE, was appointed to the Bertelsmann SE & Co. KGaA Supervisory Board, effective January 1, 2022.

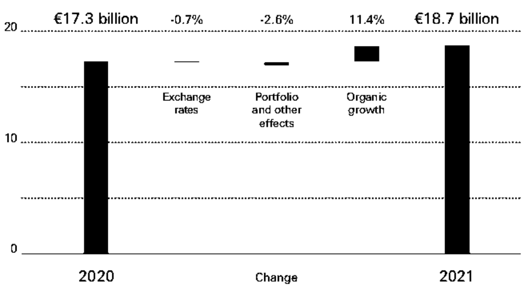
Results of Operations

Revenue Development

Group revenues increased in the financial year 2021 by 8.1 percent to €18.7 billion (previous year: €17.3 billion). In addition to the recovery of the advertising-financed businesses, the positive performance of the book publishing and services businesses was a key factor in this strong revenue growth. Adjusted by exchange rate, portfolio and other effects, the Group's organic growth was 11.4 percent.

Revenues at RTL Group recovered from the levels of the previous year, which was defined by the effects of the coronavirus pandemic, rising 10.3 percent to €6,637 million (previous year: €6,017 million). Organic growth was 13.5 percent. The sustained recovery of TV advertising markets and the growth businesses of content production and streaming were important contributing factors in this growth. Revenues at Penguin Random House rose 6.0 percent to €4,030 million (previous year: €3,802 million). Organic growth was 7.3 percent. Revenue increases were recorded in all territories. Gruner + Jahr recorded a 7.4 percent drop in revenues to €1,051 million (previous year: €1,135 million), due primarily to portfolio effects. Organic growth, in contrast, was positive at 13.1 percent. The advertising and circulation business in print and digital recovered from the effects of the coronavirus pandemic. Moreover, AppLike Group and Territory in particular recorded strong revenue growth. BMG revenues rose 10.1 percent to €663 million (previous year: €602 million). Organic growth was 10.6 percent. Organic revenue growth was evident both in the label and in the recording business. Revenues at Arvato grew by 14.9 percent to €5,035 million (previous year: €4,382 million). Organic growth was 16.8 percent. This increase in revenues was due in particular to the positive business performance of the customer experience company Majorel and of Supply Chain Solutions. Bertelsmann Printing Group revenues were down 3.1 percent to €1,319 million (previous year: €1,362 million). The organic decline was 5.5 percent. The decline is mainly down to the closure of the gravure printing site in Nuremberg and the general decline in the gravure and offset printing business. Revenues at Bertelsmann Education Group declined by 6.0 percent to €283 million (previous year: €301 million)

Revenue Breakdown



Revenues by Division

in € millions			2021			2020
	Germany	International	Total	Germany	International	Total
RTL Group	2,248	4,389	6,637	1,958	4,059	6,017
Penguin Random House	281	3,749	4,030	277	3,525	3,802
Gruner + Jahr	753	298	1,051	769	366	1,135
BMG	40	623	663	46	556	602
Arvato	1,851	3,184	5,035	1,666	2,716	4,382
Bertelsmann Printing Group	787	532	1,319	833	529	1,362
Bertelsmann Education Group	3	280	283	2	299	301
Bertelsmann Investments	2	6	8	4	8	12
Total divisional revenues	5,965	13,061	19,026	5,555	12,058	17,613
Corporate/Consolidation	(245)	(85)	(330)	(221)	(103)	(324)
Continuing operations	5,720	12,976	18,696	5,334	11,955	17,289

due to portfolio and exchange-rate adjustments. Organic growth was 6.4 percent. The investments of Bertelsmann Investments are generally not consolidated, so revenue is not usually reported for this division.

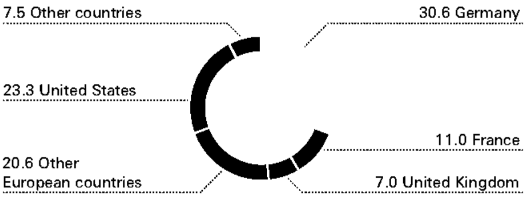
There were slight changes in the geographical breakdown of revenues compared to the previous year. The share of revenues generated in Germany was 30.6 percent compared to 30.9 percent in the previous year. The revenue share generated by France amounted to 11.0 percent (previous year: 11.9 percent). In the United Kingdom, the revenue share was 7.0 percent (previous year: 6.5 percent). The share of total revenues generated by the other European countries was 20.6 percent, compared to 19.3 percent in the previous year. The revenue share generated by the United States was 23.3 percent (previous year: 24.8 percent), and the other countries achieved a revenue share of 7.5 percent (previous year: 6.6 percent). This means that the share of total revenues generated by foreign business rose slightly to 69.4 percent (previous year: 69.1 percent). Year on year, there was a slight change in the ratio of the four revenue sources (own products and merchandise, services, advertising, rights and licenses) to overall revenue.

Operating EBITDA

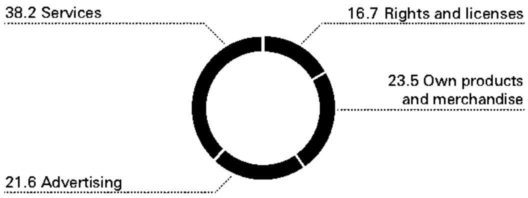
Bertelsmann achieved a record operating EBITDA of €3,241 million in the financial year 2021 (previous year: €3,143 million). The previous-year period included high capital gains from real-estate transactions. Despite that, the Group recorded a 3.1 percent increase in earnings. Strong earnings growth in the TV and production business, in the book publishing business as well as in the service businesses of Majorel and Arvato Supply Chain Solutions more than offset ongoing expenditure on expanding the streaming area at RTL Group. At 17.3 percent, the EBITDA margin reached a high level once again (previous year: 18.2 percent).

Operating EBITDA at RTL Group improved on the previous year, rising 24.1 percent to €1,361 million (previous year: €1,097 million). This rise was primarily driven by a strong recovery in the TV advertising markets and positive business performance by Fremantle's global content production business. Operating EBITDA at Penguin Random House rose by 9.2 percent to €755 million (previous year: €691 million), thanks in particular to continued growth in the US business as well as the sustained growth in audio. Operating EBITDA

Consolidated Revenues by Region in percent



Consolidated Revenues by Category in percent



Results Breakdown

in € millions	2021	2020
Operating EBITDA by division		
RTL Group	1,361	1,097
Penguin Random House	755	691
Gruner + Jahr	134	127
BMG	144	137
Arvato	825	662
Bertelsmann Printing Group	60	55
Bertelsmann Education Group	86	89
Bertelsmann Investments	(11)	(10)
Total operating EBITDA by division	3,354	2,848
Corporate/Consolidation	(113)	295
Operating EBITDA	3,241	3,143
Amortization/depreciation, impairments/reversals of impairment losses on intangible assets and property, plant and equipment not included in special items	(880)	(918)
Special items	963	51
EBIT (earnings before interest and taxes)	3,324	2,276
Financial result	(352)	(339)
Earnings before taxes	2,972	1,937
Income tax expense	(662)	(478)
Group profit or loss	2,310	1,459
attributable to: Earnings attributable to Bertelsmann shareholders	1,800	1,152
attributable to: Earnings attributable to non-controlling interests	510	307

at Gruner + Jahr was 5.9 percent higher at €134 million (previous year: €127 million). The AppLike Group as well as the advertising and sales business in particular recorded a positive earnings performance. At BMG, operating EBITDA grew 5.4 percent to €144 million (previous year: €137 million) as the company profited from continued strong growth in music streaming. Arvato recorded an operating EBITDA of €825 million (previous year: €662 million). This increase of 24.6 percent primarily reflects continued strong earnings growth at the customer experience company Majorel and in the Supply Chain Solutions business area. Operating EBITDA at Bertelsmann Printing Group rose 9.7 percent to €60 million (previous year: €55 million). At Bertelsmann Education Group, operating EBITDA was down 2.6 percent to €86 million (previous year: €89 million) primarily as a result of exchange rate effects. The investments of Bertelsmann Investments are generally not consolidated, so operating earnings are not usually reported for this division.

Special Items

Special items in the financial year 2021 totaled €963 million compared to €51 million in the previous year. They consist of impairments or reversals of impairment losses on investments accounted for using the equity method amounting to €2 million (previous year: €-62 million), impairments on other financial assets at amortized cost amounting to €-1 million (previous year: €-26 million), adjustments of the carrying amounts of assets held for sale amounting to €-6 million (previous year: –), results from disposals of investments amounting to €786 million (previous year: €410 million), fair value measurement of investments of €483 million (previous year: €59 million), as well as restructuring expenses and other special items totaling €-301 million (previous year: €-214 million). During the reporting period, there were no impairments on goodwill and other intangible assets with indefinite useful lives, compared with €-116 million in the previous year. The strong increase in results from disposals of investments is particularly due to the disposal of SpotX. The increase in the fair value measurement of investments is particularly due to companies in the Bertelsmann Investments portfolio.

EBIT

EBIT amounted to €3,324 million in the financial year 2021 (previous year: €2,276 million) after adjusting operating EBITDA for special items totaling €963 million (previous year: €51 million) and amortization, depreciation, impairments and reversals of impairment losses on intangible assets, property, plant and equipment and right-of-use assets totaling €-880 million (previous year: €-918 million), which were not included in the special items.

Group Profit

The financial result was €-352 million, compared with the previous year's amount of €-339 million. The income tax expense increased to €-662 million compared to €-478 million in the previous year. The change is attributable to improved earnings before tax, among other factors. This resulted in an increase in Group profit to €2,310 million (previous year: €1,459 million). The share of Group profit attributable to non-controlling interests came to €510 million (previous year: €307 million). The share of Group profit attributable to Bertelsmann shareholders was €1,800 million (previous year: €1,152 million). For the financial year 2021, a dividend payout of €220 million (previous year: €180 million) will be proposed at the Annual General Meeting of Bertelsmann SE & Co. KGaA.

Net Assets and Financial Position

Financing Guidelines

The primary objective of Bertelsmann's financial policy is to achieve a balance between financial security, return on equity and growth. For this purpose, Bertelsmann bases its financing policy on the requirements of a "Baa1/BBB+" credit rating and the associated qualitative and quantitative criteria. Credit ratings and capital market transparency make a considerable contribution to the company's financial security and independence.

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

Bertelsmann utilizes a financial control system employing quantitative financial targets concerning the Group's economic debt and, to a lesser extent, its capital structure. One of the financial targets is a dynamic leverage factor limited to the defined maximum of 2.5. As of December 31, 2021, the leverage factor was 1.3, which was below the previous year's level (December 31, 2020: 1.9). This was mainly a result of the decrease in economic debt.

As of December 31, 2021, economic debt decreased to €3,475 million compared to €5,207 million in the previous year, due to a significant decrease in net financial debt to €959 million (December 31, 2020: €2,055 million). As of December 31, 2021, recognized lease liabilities were €1,356 million (December 31, 2020: €1,355 million). Provisions for pensions and similar obligations were down to €1,474 million as of December 31, 2021 (December 31, 2020: €2,009 million). In addition to a higher discount rate, the main reason for the decrease is a voluntary addition of €200 million to the plan assets managed in trust by Bertelsmann Pension Trust e.V.

Another financial target is the (interest) coverage ratio. This is calculated as the ratio of operating EBITDA, used to determine the leverage factor, to financial result, and should exceed four. In the reporting period, the coverage ratio was 8.3 (previous year: 8.3). The Group's equity ratio increased to 42.8 percent (December 31, 2020: 36.1 percent), which remains significantly above the self-imposed minimum of 25 percent.

Financing Activities

The available liquidity was used to repay various financing instruments ahead of schedule in the financial year 2021. At the start of 2021, a €100 million variable interest promissory note due in April 2023 and a €500 million bond due in May 2021 were terminated and repaid early. Furthermore, parts of bonds due in August 2022, October 2024 and September 2025 totaling a nominal €428 million were repaid ahead of schedule as part of a public repurchase offer in May 2021. In June 2021, the revolving syndicated credit facility was extended for a further year, until 2026.

Financial Targets

	Target	2021	2020
Leverage Factor: Economic debt/Operating EBITDA[1]	≤ 2.5	1.3	1.9
Coverage ratio: Operating EBITDA/Financial result[1]	> 4.0	8.3	8.3
Equity ratio: Equity as a ratio to total assets (in percent)	≥ 25.0	**42.8**	36.1

1) After modifications.

Rating

Bertelsmann has been rated by the rating agencies Moody's and Standard & Poor's (S&P) since 2002. The issuer ratings facilitate access to the international capital markets and are therefore a key element of Bertelsmann's financial security. Bertelsmann is rated by Moody's as "Baa2" (outlook: stable) and by S&P as "BBB" (outlook: stable). Both credit ratings are in the investment-grade category. Bertelsmann's short-term credit quality rating is "P 2" from Moody's and "A 2" from S&P.

Credit Facilities

In addition to available liquidity, the Bertelsmann Group has access to a syndicated credit facility with 15 banks. This credit facility that was unutilized as of December 31, 2021, forms the backbone of the strategic credit reserve; Bertelsmann can utilize this with a term until 2026 to draw up to €1.2 billion of revolving funds in euros, US dollars and pounds sterling.

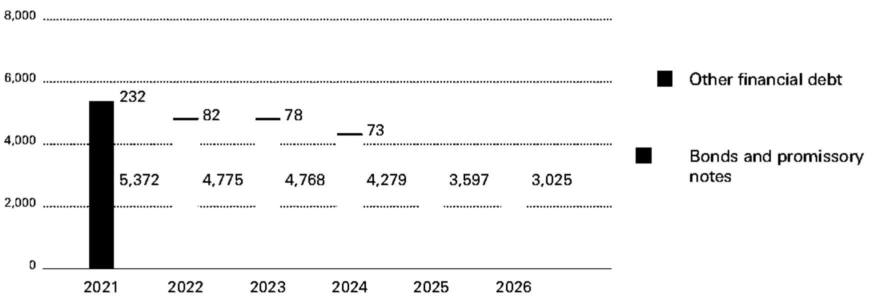
Cash Flow Statement

During the reporting period, cash flow from operating activities was generated in the amount of €1,792 million (previous year: €2,995 million). The sustainable operating free cash flow, adjusted for special effects, was €2,457 million (previous year: €2,571 million), and the cash conversion rate was 107 percent (previous year: 118 percent); see also the section "Broadly Defined Performance Indicators." The cash flow from investing activities was €-267 million (previous year: €-263 million). Of that amount, €-1,699 million (previous year: €-879 million) was attributable to investments in intangible assets, property, plant and equipment, and financial assets. Purchase price payments for consolidated investments (less acquired cash and cash equivalents) were €-255 million (previous year: €-41 million). Payments from the sales of subsidiaries and other business units as well as of other non-current assets were €1,687 million (previous year: €657 million). The increase in payments represents in particular the disposal of SpotX as well as the disposals of Prisma Media and Ludia. The cash flow from financing activities was €-1,667 million (previous year: €330 million). The deviation is primarily due to the repayments stated in the section "Financing Activities." Dividend payments to Bertelsmann SE & Co. KGaA shareholders totaled €-180 million, after the dividend payment was suspended in the previous financial year due to the coronavirus pandemic. Dividends paid to non-controlling interests and other payments to shareholders amounted to €-230 million (previous year: €-10 million). As of December 31, 2021, Bertelsmann had cash and cash equivalents of €4.6 billion (previous year: €4.6 billion).

Off-Balance-Sheet Liabilities

The off-balance-sheet liabilities include contingent liabilities and other financial commitments, almost all of which result from operating activities conducted by the divisions. The off-balance-sheet liabilities increased compared with the previous year. The off-balance-sheet liabilities existing as of December 31, 2021, had no significant negative effects on

Maturity Structure of Financial Debt in € millions



Consolidated Cash Flow Statement (Summary)

in € millions	2021	2020
Cash flow from operating activities	1,792	2,994
Cash flow from investing activities	(267)	(263)
Cash flow from financing activities	(1,667)	330
Change in cash and cash equivalents	(142)	3,061
Exchange rate effects and other changes in cash and cash equivalents	168	(61)
Cash and cash equivalents as of 1/1	4,643	1,643
Cash and cash equivalents as of 12/31	4,669	4,643
Less cash and cash equivalents included within assets held for sale	(24)	(72)
Cash and cash equivalents as of 12/31 (according to the consolidated balance sheet)	4,645	4,571

the Group's net assets, financial position or results of operation for the past or the following financial year.

Investments

Total investments, including acquired financial debt of €7 million (previous year: €54 million), amounted to €1,961 million in the financial year 2021 (previous year: €974 million). Investments according to the cash flow statement amounted to €1,954 million (previous year: €920 million). As in previous years, the majority of the €327 million investments in property, plant and equipment (previous year: €350 million) stemmed from Arvato. Investments in intangible assets came to €482 million (previous year: €313 million) and were primarily attributable to RTL Group for investments in film rights and to BMG for the acquisition of music catalogs. The sum of €890 million was invested in financial assets (previous year: €216 million). This includes in particular the investments in start-ups of Bertelsmann Investments and the investment in Afya. Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €255 million (previous year: €41 million) and relates, among others, to the full acquisition of Super RTL.

Balance Sheet

Total assets increased to €31.7 billion as of December 31, 2021 (previous year: €29.7 billion). Cash and cash equivalents totaled €4.6 billion (previous year: €4.6 billion). Equity increased to €13.6 billion (previous year: €10.7 billion). This resulted in an equity ratio of 42.8 percent (previous year: 36.1 percent). Equity attributable to Bertelsmann SE & Co. KGaA shareholders was €11.6 billion (previous year: €9.1 billion). Provisions for pensions and similar obligations dropped to €1,474 million (previous year: €2,009 million). Gross financial debt totaled €5,604 million compared to €6,626 million as of December 31, 2020. Apart from that, the balance sheet structure remained largely unchanged from the previous year.

Investments by Division

in € millions	2021	2020
RTL Group	596	210
Penguin Random House	116	75
Gruner + Jahr	21	31
BMG	248	92
Arvato	321	264
Bertelsmann Printing Group	37	34
Bertelsmann Education Group	19	19
Bertelsmann Investments	693	185
Total investments by divisions	2,051	910
Corporate/Consolidation	(97)	10
Total investments	1,954	920

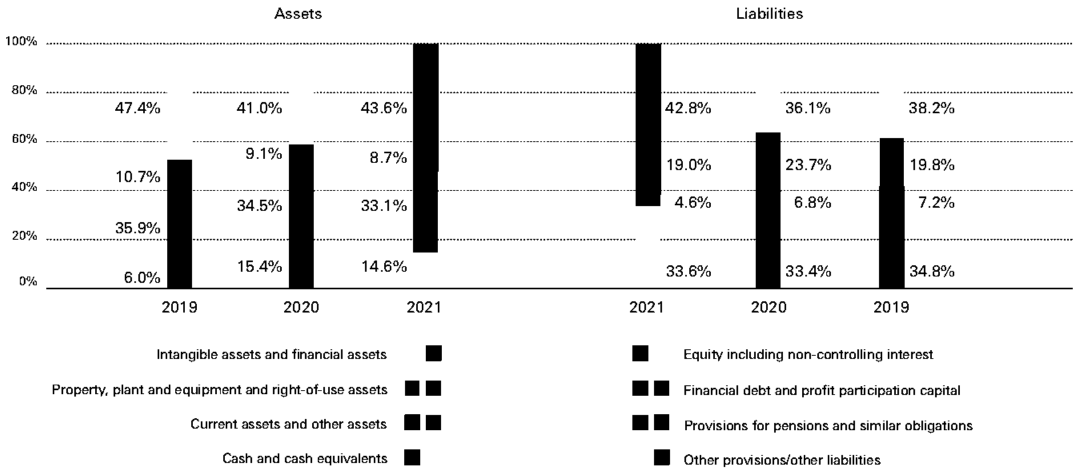
Profit Participation Capital

Profit participation capital had a par value of €301 million as of December 31, 2021, which is unchanged from the previous year. If the effective interest method is applied, the carrying amount of profit participation capital was €413 million as of December 31, 2021 (previous year: €413 million). The 2001 profit participation certificates (ISIN DE0005229942) account for 94 percent of par value of profit participation capital, while the 1992 profit participation certificates (ISIN DE0005229900) account for the remaining 6 percent.

The 2001 profit participation certificates are officially listed for trading on the Regulated Market of the Frankfurt Stock Exchange. Their price is listed as a percentage of par value. The lowest closing rate of the 2001 profit participation certificates during the 2021 financial year was 325.00 percent in January; their highest was 365.00 percent in December.

Under the terms and conditions of the 2001 profit participation certificates, the payout for each full financial year is 15 percent of par value, subject to the availability of sufficient Group profit and net income at the level of Bertelsmann SE & Co. KGaA. These conditions were met in the past financial year. Accordingly, a payout of 15 percent of the par value of the 2001 profit participation certificates will also be made for the financial year 2021.

Balance Sheet



The 1992 profit participation certificates, approved for trading on the Regulated Market in Frankfurt, only have a limited liquid trading on the stock exchange due to their low volume. Payouts on the 1992 profit participation certificates are based on the Group's return on total assets. Because the return on total assets for the financial year 2021 was 9.88 percent (previous year: 7.65 percent), the payout on the 1992 profit participation certificates for the financial year 2021 will be 10.88 percent of their par value (previous year: 8.65 percent).

The payout distribution date for both profit participation certificates is expected to be May 10, 2022. Under the terms and conditions of the profit participation certificates, the auditors appointed by Bertelsmann SE & Co. KGaA are responsible for verifying whether amounts to be distributed have been calculated correctly. The auditors of both profit participation certificates provide confirmation of this.

Performance of the Group Divisions

RTL Group

RTL Group recorded a very positive business performance. The recovery of the advertising markets, a strong production business and continued growth in the strategically important streaming segment led to double-digit revenue growth. The group also strongly increased its operating result. At the same time, RTL Group made progress in building national cross-media champions in Europe.

RTL Group's revenues increased by 10.3 percent to €6.6 billion in 2021 (previous year: €6.0 billion), and operating EBITDA by 24.1 percent to €1.36 billion (previous year: €1.1 billion). Organic sales growth was 13.5 percent year on year and 3.9 percent compared with the pre-pandemic level of 2019. The EBITDA margin reached 20.5 percent, compared with 18.2 percent in the previous year.

RTL Group agreed several far-reaching consolidation moves during the reporting period, with the aim of creating national cross-media champions that can compete with global technology platforms. In May 2021, RTL Group and Groupe Bouygues agreed to merge the activities of Groupe TF1 and Groupe M6. In June, RTL Group and Talpa Network announced plans to merge their broadcasting and media businesses in the Netherlands. That same month, RTL Group signed a definitive agreement to sell RTL Belgium to the Belgian media companies DPG Media and Groupe Rossel. The transactions are subject to reviews by the relevant authorities. In July, RTL Deutschland acquired all remaining shares in Super RTL, Germany's leading children's channel. In August, RTL Group announced that RTL Deutschland had reached an agreement with Bertelsmann to acquire Gruner + Jahr's German publishing businesses and brands. The cooperation was further strengthened in the months that followed, culminating in the completion of the combination to form the enlarged RTL Deutschland entity on January 1, 2022.

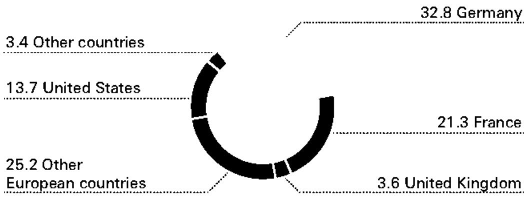
The streaming services RTL+ (formerly TV Now) in Germany and Videoland in the Netherlands together recorded 3.8 million paying subscribers at the end of the year, 73.8 percent more than a year earlier. Streaming revenues increased by 30.9 percent to €223 million (previous year: €170 million).

Groupe M6 and RTL Nederland increased their audience shares as their information and entertainment programs scored high ratings. The combined audience share of RTL Deutschland's channels decreased slightly, partly because the popular European soccer championship was broadcast by the public broadcasters in the summer.

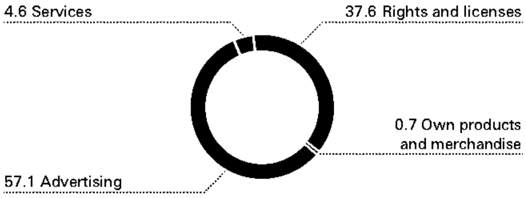
RTL Group increased its shareholding in several production companies in 2021. Fremantle also expanded its position in the Scandinavian market with the acquisition of 12 production companies from Nordic Entertainment Group. RTL Group generated a high capital gain from the sale of SpotX to the US ad tech company Magnite. The mobile video games subsidiary Ludia was sold to the US company Jam City.

Fremantle strongly increased its revenues during the reporting period, fueled in part by the delivery of the high-end drama series "American Gods" (third season) to Amazon Prime and "The Mosquito Coast" to Apple TV+, as well as the film production "The Hand of God" for Netflix that was nominated for an Oscar. Fremantle also expanded its global production business with a new unit for high-end documentaries.

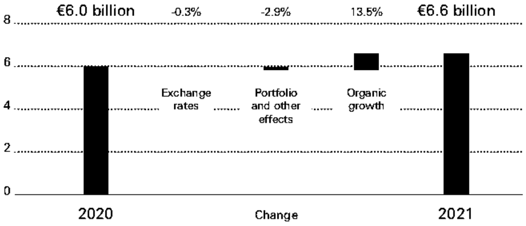
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Penguin Random House

Penguin Random House increased its revenues and operating result in 2021, thanks to numerous successful new releases, robust backlist sales and continued high demand for digital audiobooks. Penguin Random House generated €4.0 billion in revenues during the reporting year, up 6.0 percent from the previous year's €3.8 billion. Operating EBITDA rose 9.2 percent to €755 million (previous year: €691 million). The EBITDA margin increased to 18.7 percent (previous year: 18.2 percent).

The year's best-selling books included backlist titles such as "Atomic Habits" by James Clear, with more than 3.5 million copies sold by its English-language and German publishers across all formats, "Greenlights" by Matthew McConaughey, which sold nearly two million additional copies in print, e-book and audiobook, and "A Promised Land," the first volume of Barack Obama's presidential memoirs. The most popular new publications included "How to Avoid a Climate Disaster" by Bill Gates and three volumes of poetry by Amanda Gorman, which together sold more than one million copies following the poet's high-profile reading at the inauguration of US President Joe Biden.

Penguin Random House publishers each placed numerous titles on the bestseller lists of the "New York Times" in the United States, the "Sunday Times" in the United Kingdom and "Spiegel" in Germany. The publishing group established new publishing imprints in several markets.

In May, the UK Competition and Markets Authority (CMA) approved Penguin Random House's proposed acquisition of Simon & Schuster; a US Department of Justice challenge to the deal is scheduled to be heard in the US federal court during the financial year 2022.

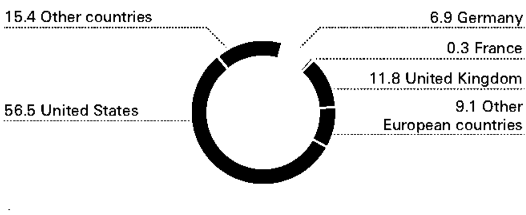
The book group continued its investments in distribution and fulfillment logistics in 2021. This enabled Penguin Random House to meet rising demand for its titles despite significant pandemic-related production and delivery bottlenecks, while at the same time offering more efficient delivery times to book retailers. Penguin Random House also advanced the capturing of consumer data in order to expand its direct-to-consumer marketing.

Penguin Random House US enjoyed a successful publishing and business year. Its biggest bestseller was "Atomic Habits" by James Clear, published in 2018; new releases such as "The Judge's List" by John Grisham, "The 1619 Project" created by Nikole Hannah-Jones and the New York Times Magazine, and "Go Tell the Bees That I Am Gone" by Diana Gabaldon also achieved high sales.

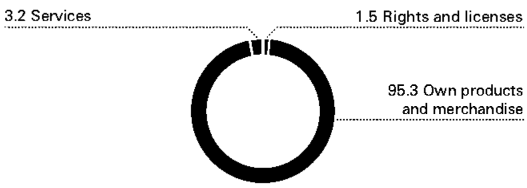
In the British book market, Penguin Random House UK was successful with titles such as "The Thursday Murder Club" and "The Man Who Died Twice" by Richard Osman, "The Very Hungry Caterpillar" by Eric Carle and, again, "Atomic Habits" by James Clear. Penguin Random House Grupo Editorial benefited from continued growth in online sales and a strong backlist catalog. Top titles included "El Italiano" by Arturo Pérez-Reverte and "De Ninguna Parte" by Julia Navarro. The Spanish-language publishing group founded Penguin Kids, and also strengthened its position in the children's and young adult book segment with the acquisition of the Molino publishing house. It merged its Portuguese publishing activities with Editora 20/20 to form the new Penguin Random House Grupo Editorial Portugal.

In the German-speaking countries, Penguin Random House Verlagsgruppe maintained its leading market position; online sales in particular increased. Best-selling titles in their respective categories were "Über Menschen" by Juli Zeh (fiction hardcover), "Das Kind in Dir muss Heimat finden" by Stefanie Stahl (nonfiction paperback) and "Der Gesang der Flusskrebse" by Delia Owens (fiction paperback).

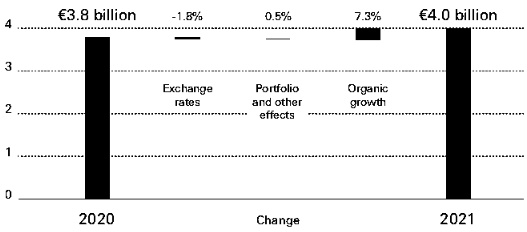
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Gruner + Jahr

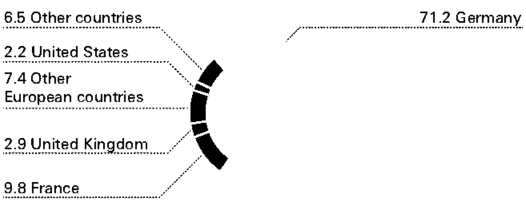
Gruner + Jahr had a successful year. Revenues declined by 7.4 percent to €1.05 billion (previous year: €1.14 billion), mainly as a result of the divestment of Prisma Media in France. Operating EBITDA increased by 5.9 percent to €134 million (previous year: €127 million). The EBITDA margin improved to 12.7 percent (previous year: 11.2 percent). The business achieved strong organic growth in its revenues and earnings.

This positive business performance was driven by a significant year-on-year recovery in Gruner + Jahr's advertising business, as well as strong revenue and earnings growth at the AppLike Group and high investment income at the Spiegel Group. The share contributed by the digital businesses to total revenues in Germany rose to over 50 percent. Territory contributed to this success with strong revenue and earnings growth, as did DDV Mediengruppe.

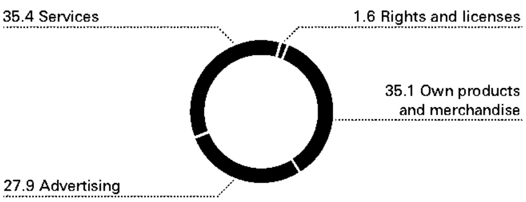
As a member of the Bertelsmann Content Alliance, Gruner + Jahr was involved in the development of numerous new content formats. For example, "Stern," RTL and ntv launched the weekday podcast "heute wichtig" ("important today"). Vox and Stern are working together on a long-term report on the consequences of the flood disaster in the Ahr Valley. Gruner + Jahr also became involved in the content alliance initiative "JAhr zur Wahrheit" for independent journalism.

In August 2021, it was announced that RTL Deutschland would take over Gruner + Jahr's German magazine businesses and brands. The transaction was completed on January 1, 2022. Gruner + Jahr's other activities, such as Territory, the AppLike Group, the DDV Media Group and the stake in the Spiegel Group, will remain with Bertelsmann and will be assigned to the Bertelsmann Investments division from now on.

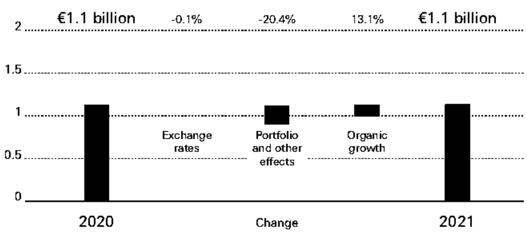
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



BMG

Bertelsmann's music subsidiary BMG increased both its revenues and its operating result in 2021. Its label business in particular recorded dynamic operational growth, but it also significantly expanded its publishing business. Overall, BMG increased its revenues by 10.1 percent to €663 million (previous year: €602 million). In the label business, BMG benefited from high revenues from music streaming and strong physical music sales, while in the publishing business, growing digital revenues more than offset the pandemic-related decline in revenues from the live sector. BMG's operating EBITDA was €144 million, up by 5.4 percent over the previous year (€137 million). The EBITDA margin was 21.7 percent (previous year: 22.7 percent). The revenue share contributed by the digital businesses to BMG's total revenue increased to 63 percent (previous year: 60 percent).

In March 2021, BMG and the private equity firm KKR joined forces with a view to acquiring major music rights packages. Initial deals included the acquisition of rights from rock band ZZ Top and R&B star John Legend. BMG also independently acquired an extensive portfolio of rights from Tina Turner, one of the most popular artists in pop music history, and the entire music catalog of US rock band Mötley Crüe. For BMG, this was the largest single catalog acquisition since its founding in 2008.

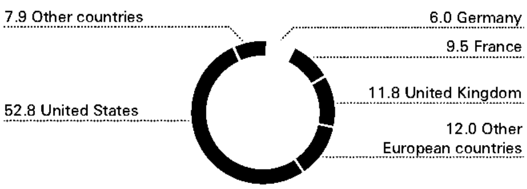
In the label business, BMG released successful new works by AJR, Billy Idol, Carlos Santana, Duran Duran, Garbage, Iron Maiden, Jason Aldean, KSI, Pat Metheny and Van Morrison, among others. Catalogue highlights included releases by Mick Fleetwood & Friends, Motörhead, Nick Cave & The Bad Seeds, and Buena Vista Social Club. BMG signed new recording contracts with artists including 5 Seconds of Summer, Bryan Adams, Carlos Santana, JLS, Maxwell, Duran Duran and No Angels.

In the publishing business, DJ Khaled, Iron Maiden, Inhaler and RAF Camora released new albums that soared to number one in various markets. BMG songwriter Tyron Hapi co-wrote "Astronaut in the Ocean" (with Masked Wolf), the most-used song in 2021 on TikTok and Shazam. Singer/songwriter Diane Warren won a Golden Globe for Best Original Song for "Io Sì (Seen)," while songwriter and producer D'Mile won an Academy Award for Best Original Song for "Fight for You" (with H.E.R.) and a Grammy Award for Song of the Year for "I Can't Breathe" (with H.E.R). Alongside D'Mile, Scorpions, John Legend and the Juice WRLD Estate renewed their long-term publishing contracts; Max Giesinger added a publishing deal to his label contract.

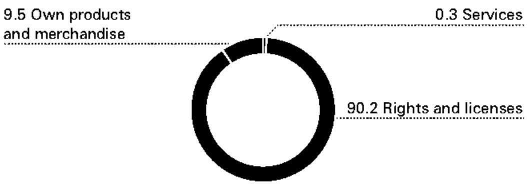
BMG entered into a long-term, exclusive agreement with Netflix to manage the video streaming service's music publishing rights for all countries outside the United States. It also announced a partnership with online gaming platform Roblox to open up the platform to develop opportunities for BMG artists and songwriters. BMG expanded into live music by acquiring KARO, the concert agency that organizes Germany's renowned Taubertal Festival.

The Bertelsmann music subsidiary continued to advocate for fairness and transparency in the music industry, e.g., for more justice in the streaming business. The Black Music Action Coalition lauded BMG in the inaugural "Music Industry Action Report Card" for its initiative to review the contractual terms of Black artists in acquired music catalogs and to correct unequal payments.

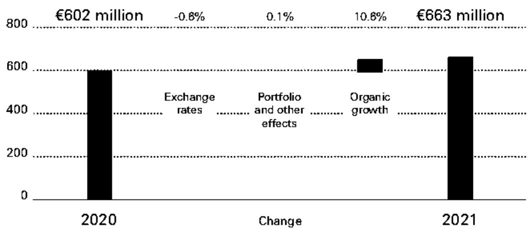
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Arvato

Bertelsmann's services activities, which are combined in the Arvato division, once again saw a very gratifying business performance in 2021. The main drivers were the logistics businesses, which benefited from booming e-commerce businesses, and the global customer experience company Majorel, which expanded its business relationships with global Internet customers in particular. Arvato's growing IT businesses also contributed to the positive business performance. Against this backdrop, Arvato grew its revenues by 14.9 percent to €5.0 billion (previous year: €4.4 billion). Operating EBITDA reached a new record, increasing by 24.6 percent to €825 million (previous year: €662 million).

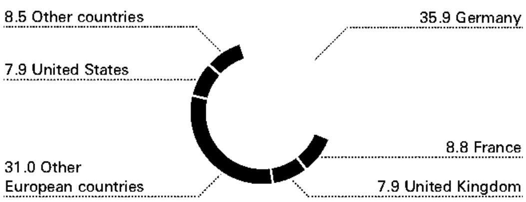
Arvato Supply Chain Solutions' logistics services businesses grew profitably in fiscal year 2021, especially internationally. In Asia and in Spain, Arvato Supply Chain Solutions increased its revenues by 40 percent, and in the United States, Poland, the United Kingdom, Russia and Turkey by around 30 percent. The Solution Group continued to benefit from the accelerated shift in global trade towards e-commerce. To keep up with this dynamic growth, Arvato Supply Chain Solutions further strengthened its global network of locations by establishing new distribution centers and expanding existing ones in Europe and the United States. Based on its strong market position, the Solution Group invested extensively in state-of-the-art automation technology and the expansion of its cloud infrastructure. In addition, Arvato SCS | DIGITAL, a new operating unit with nearly 300 employees, was established to drive the digitalization strategy and systematically develop new digital solutions and products for customers at all levels of collaboration.

Revenues from Arvato's financial services businesses declined slightly in the period under review. This is mainly due to a change in the portfolio, relating to the sale of 60 percent of the risk management business to the information services provider Experian in 2020. By contrast, the "Pay after Delivery" business saw a positive business performance and grew in fiscal year 2021. Arvato Financial Solutions' operating result was additionally impacted by government regulations in the receivables management business in its core market of Germany.

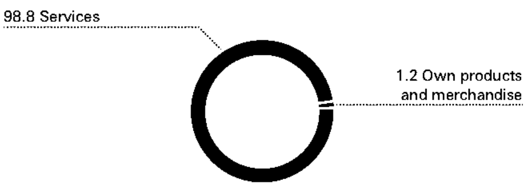
The IT services provider Arvato Systems grew strongly in fiscal year 2021 with new customers, primarily from the public sector, and existing customers in particular from the healthcare sector. It further developed its business with proprietary products and platforms and strongly expanded the cloud business. The intensification of strategic partnerships with major international software and Internet groups contributed to this. As IT security plays an important role, Arvato Systems became a member of the Microsoft Intelligent Security Association (MISA) in 2021, to be able to deploy security solutions for customers even more rapidly. Arvato Systems won various business awards during the reporting period, which underscored both the company's expertise and its market perception as a partner for the transformation to digital.

The global customer experience company Majorel noticeably increased both its revenue and operating result during the 2021 financial year. This development was driven by the strong growth with global Internet clients and continued growth with existing clients while also winning new clients. A private placement of approximately 20 percent of the Company's share capital to institutional investors was completed in September 2021. The Company's shares were subsequently listed on the Euronext Amsterdam stock exchange on September 24, 2021.

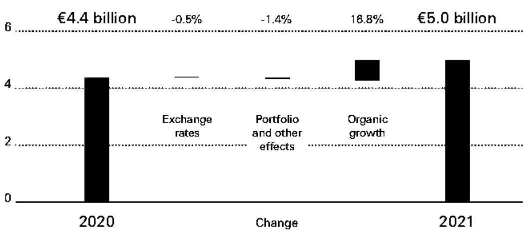
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Bertelsmann Printing Group

Besides declining rotogravure and offset markets, Bertelsmann Printing Group (BPG) also faced significant price increases for paper, production materials and energy over the past financial year, particularly in the second half of the year. Its replication, letterpress and direct marketing businesses developed positively. Due to the closure of Prinovis's rotogravure printing site in Nuremberg and the structurally declining rotogravure and offset printing business, revenues were down 3.1 percent year on year to €1.32 billion (previous year: €1.36 billion). Operating EBITDA increased by 9.7 percent to €60 million (previous year: €55 million). At 4.5 percent, the division's EBITDA margin was also above the previous year's level.

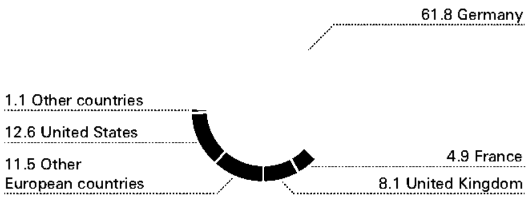
The German print businesses declined overall in fiscal year 2021. This was mainly due to the closure of the rotogravure printing site in Nuremberg and other market-related declines in sales at Prinovis and at Europe's leading offset printing company, Mohn Media. Mohn Media was able to partially compensate for lower capacity utilization, particularly in the catalog and brochure segment, as well as the considerable increase in raw material prices, thanks to comprehensive cost-cutting measures and higher revenues for used materials, among other things. GGP Media, a printing company that specializes in the production of books, was able to consolidate its leading market position thanks to high demand in the softcover and hardcover segments and grew profitably in financial year 2021.

The direct marketing and digital businesses in Germany, Austria and Switzerland improved their overall revenues and earnings year on year. DeutschlandCard's business in particular saw strong growth, mainly due to the acquisition of several new partners and the further digitization of subscriber communications. Dialog's multichannel marketing businesses and Campaign's campaign-management services achieved a significant to strong improvement in revenues, while earnings remained stable.

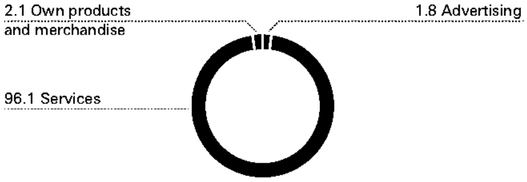
International print activities demonstrated a variable performance in the past financial year. While Prinovis in the United Kingdom made capacity adjustments during the year due to the loss of a customer, BPG's letterpress activities in the United States grew overall. The book printing sites in Fairfield and Martinsburg, which were acquired at the end of 2020, were integrated as planned. In addition, organizational structures were standardized, processes were optimized along integrated value chains and investments in modern production facilities promise to bring a performance boost for major publishing customers in the future.

The replication and packaging specialists at BPG performed very well in a market that continued to decline, and were able to increase revenues strongly, particularly through the acquisition of a major entertainment customer. The business with sustainable packaging solutions for the food industry also grew.

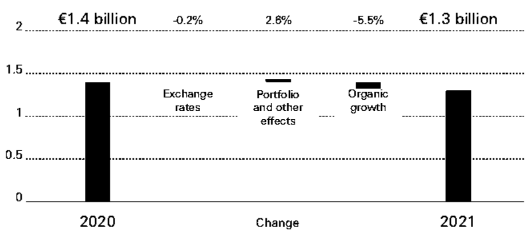
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Bertelsmann Education Group

The Bertelsmann Education Group achieved organic growth in 2021 but, taking portfolio and exchange rate effects into account, recorded a decline in revenues. The operating result dipped slightly due to exchange rate effects; adjusted for these effects, the previous year's level was reached despite increased investments in technology and product improvements. Both Relias, the e-learning provider specializing in healthcare training and continuing education, and Alliant International University, with its growing range of online courses, benefited from rising demand – partly in the context of the coronavirus pandemic.

Bertelsmann's education businesses generated total revenues of €283 million (previous year: €301 million, -6.0 percent). The decline is due to the divestment of the US university services provider HotChalk at the end of 2020; organically, the Bertelsmann Education Group grew by 6.4 percent in the year under review. Operating EBITDA amounted to €86 million, down 2.6 percent from the previous year's figure of €89 million. The EBITDA margin was again high at 30.6 percent (previous year: 29.5 percent).

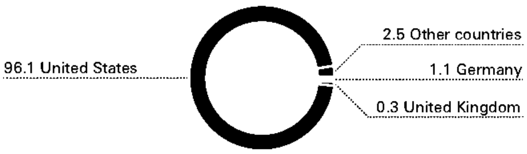
Relias is increasingly focusing on digitized, cloud-based and data-driven educational formats to strengthen its market leadership in training and continuing education for healthcare professionals in the United States. The company expanded its investments in tech innovations as well as the product portfolio accordingly in 2021. For example, in view of acute staff shortages in nursing and eldercare in the United States, a "Home Health Aide Certification Program" was developed that quickly and efficiently qualifies people for home care based on new online learning methods. In November, Relias added a training series to its program that helps hospitals manage more efficiently the entire revenue cycle, from initial patient encounters to claims management. The company also continued to offer free COVID-19 prevention courses worldwide.

Alliant International University, which specializes in psychology and education, recorded an increase in student numbers. It continued to expand its online course offerings in 2021, with about half of all students taking online courses. The university received an eight-year accreditation reaffirmation from the WASC Senior College and University Commission in March, confirming the high quality of its degree programs.

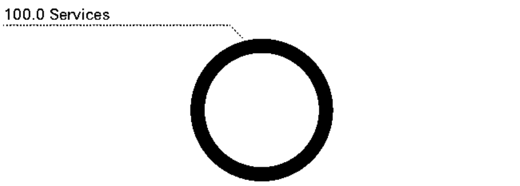
The online continuing education platform Udacity, in which Bertelsmann owns a significant stake, expanded its course offerings to include cybersecurity programs, among other things, in order to meet the growing demand from companies and government agencies for qualified specialists in this field.

Bertelsmann again offered 15,000 scholarships for Udacity courses in the areas of cloud, data and AI as part of its three-year #50000Chances program to counter the shortage of IT specialists. In response, 47,300 applications from 190 countries were received in the reporting year.

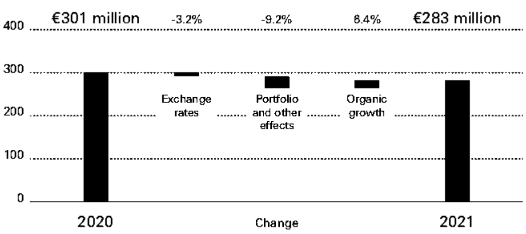
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Bertelsmann Investments

Bertelsmann Investments (BI) expanded its start-up and fund network in 2021 to 290 active investments with a total of 57 new and 42 follow-on investments, and realized several exits. EBIT reached a new record at €316 million (previous year: €1 million), mainly due to capital gains and strong increases in the value of the holdings.

Bertelsmann Digital Media Investments (BDMI) made 31 new investments and 11 follow-on investments, including in Rally Rd, a blockchain-based trading platform for trading shares in collectibles, and in Infinite Objects, a non-fungible token (NFT)-based video printing provider. BDMI also made seven follow-on investments. The New York City-based fund recorded successful exits with the sale of its holdings in the portfolio companies Vimeo, a leading video creation platform, and Barkbox, a Nasdaq-listed e-commerce platform for dog owners.

Bertelsmann Asia Investments (BAI) made 22 new investments in fiscal year 2021, including in Innovusion, the leading developer of technology for laser-based distance sensors in autonomous driving vehicles, the NFT platform TR Lab and the crypto trading platform Babel Finance. BAI also invested in the pharmatech platform NeoX and in Yahaha, an open-source video game platform. Four BAI portfolio companies went public: Linklogis, Dingdong Fresh, NetEase Cloud Music and SF Intra-City. BAI made follow-on investments in 23 companies, including Stori, the leading digital bank in Latin America.

During the reporting period, Bertelsmann India Investments (BII) made an investment in Skeps, an innovative blockchain-based lending platform for merchants and lenders. BII also continued to focus on strengthening its portfolio by making follow-on investments in seven of its portfolio companies. These included Shiprocket, which helps small businesses manage and track their end-to-end logistics processes. Following another profitable partial exit, BII retains a stake in the executive education company Eruditus, which has now reached a valuation of around €2.7 billion.

In Brazil, Bertelsmann completed the acquisition of 25 percent of the capital shares and 46 percent of the voting rights in the listed education company Afya. Afya is a leading provider of medical education and training in Brazil. Bertelsmann acquired the shares from Crescera Educacional II, a fund launched in 2014 by Crescera Capital with Bertelsmann as the main investor. Afya will be further expanded together with the Esteves founding family, which holds 24 percent of the shares and 45 percent of the voting rights, and the company's successful management team. The dynamic development of the Brazilian venture capital market is reflected in the increase in value of BBI's investments in Monashees Capital V and Redpoint Eventures.

Bertelsmann Investments (BI) invested in four more funds, including another fund from the Berlin-based venture capital firm Greenfield One, the Cathay AfricInvest Innovation Fund and TIDE Africa Fund II focusing on Africa, and the Vertex Growth Fund II focusing on Southeast Asia.

General Statement by Company Management on the Economic Situation

In the financial year 2021, Bertelsmann recorded successful business development and exceeded the revenue and profit levels of the period before the outbreak of the coronavirus pandemic. Its strong financial performance with new record results puts Bertelsmann in a position to invest substantial funds in further growth in the future.

Group revenues in the reporting period rose strongly by 8.1 percent to €18.7 billion from €17.3 billion in the previous year, thereby exceeding expectations (forecast in the 2020 Annual Report: moderate increase in revenues). Organic revenue growth was 11.4 percent. At €3,241 million, operating EBITDA was 3.1 percent above the previous year's high level of €3,143 million, which also included high capital gains from real-estate transactions (forecast in the 2020 Annual Report: sharp decline in operating EBITDA). Without the capital gains from real-estate transactions recorded in the previous year, there would have been a strong rise in operating EBITDA (forecast in the 2020 Annual Report: stable development). The significant positive divergence from the projected earnings development is attributable to the swifter recovery of advertising markets and the more positive development of the book publishing and services businesses. At €474 million, the BVA used for Group management was strongly above the previous year's figure of €355 million (forecast in the 2020 Annual Report: strongly declining BVA). The development reflects the significant improvement in the operating profit. The operating earnings of RTL Group grew strongly as the European TV advertising markets recovered as expected (forecast in the 2020 Annual Report: earnings strongly above the previous year's figure).

In 2021, Bertelsmann set the course for a Group-wide growth initiative. The five new strategic priorities were presented at the beginning of the year: National Media Champions, Global Content, Global Services, Online Education and Investments. The Bertelsmann businesses defined their respective growth ambitions and function as drivers of a Group-wide surge in growth. In terms of the strategy's implementation so far, the planned mergers of Groupe M6 and Groupe TF1 in France, and of RTL Nederland and Talpa in the Netherlands, as well as the combination of RTL Deutschland and the German magazine businesses and brands of Gruner + Jahr, which was completed in early 2022, will create national cross-media champions in Europe. As of the end of the 2021 financial year, the streaming services RTL+ in Germany and Videoland in the Netherlands alone had 3.8 million paying subscribers, representing growth of almost 74 percent. Furthermore, acquisitions in the book publishing and TV production business have helped to expand Bertelsmann's global content businesses and drive forward BMG and KKR's collaboration for purchasing music catalogs. The global services business was further strengthened through the consistent implementation of the growth strategy. This involved acquisitions as well as establishing additional locations. In 2021, Majorel acquired the CX consultancy firm Junokai, one of the leading independent customer experience consulting companies in the DACH region. The US book printing business was also strengthened. The online education division saw significant expansion with the acquisition of shares in the Brazilian education company Afya. Meanwhile, Bertelsmann Investments continued to invest in young companies and funds around the world.

Net assets and financial position remain strong. At 1.3, the leverage factor in the reporting period was below the previous year's level (December 31, 2020: 1.9). As of December 31, 2021, the cash and cash equivalents were reported at €4.6 billion (December 31, 2020: €4.6 billion). The rating agencies Moody's and S&P currently rate Bertelsmann as "Baa2" and "BBB," respectively, with a stable outlook.

Alternative Performance Measures

In this Combined Management Report, the following Alternative Performance Measures, which are not defined in accordance with IFRS, are used to explain the results of operations and/ or net assets and financial position. These should not be considered in isolation but as complementary information for evaluating Bertelsmann's business situation, and they are differentiated in terms of strictly defined and broadly defined key performance indicators, in the same way as in the value-oriented management system.

Organic Revenue Growth

The organic growth is calculated by adjusting the reported revenue growth for the impact of exchange rate effects, corporate acquisitions and disposals, as well as other effects. When determining the exchange rate effects, the functional currency that is valid in the respective country is used. The other effects include changes in methods and presentation, for example.

Organic Revenue Growth

in percent	2021	2020
Organic revenue growth	11.4	(1.7)
Exchange rate effect	(0.7)	(1.0)
Portfolio effects and other effects	(2.6)	(1.4)
Reported revenue growth	8.1	(4.1)

Operating EBITDA

Operating EBITDA is determined as earnings before interest, tax, depreciation, amortization, and impairment losses and reversals of impairment losses, and is adjusted for special items. The adjustments for special items serve to determine a sustainable operating result that could be repeated under normal economic circumstances and is not affected by special factors or structural distortions. These special items primarily include impairment losses and reversals of impairment losses, fair value measurements, restructuring expenses and/or results from disposals of investments. This means operating EBITDA is a meaningful performance indicator. Not included in the special items are disposal effects of real estate transactions. To preclude a double adjustment, amortization/depreciation, impairment and reversals already included in the special items are eliminated by means of a correction.

BVA

BVA measures the profit realized above and beyond the appropriate return on invested capital. This form of value orientation is reflected in strategic investment and portfolio planning and in the management of operations and, together with qualitative criteria, provides the basis for measuring the variable portion of management remuneration. BVA is used for control essentially at the Group level. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated on the basis of operating EBITDA. The NOPAT figure used to calculate BVA is determined by deducting depreciation and amortization, provided that they are not included in special items, and a flat 30 percent tax. Cost of capital is the product of the weighted average cost of capital (WACC) and the average level of capital invested. The uniform WACC after taxes is 8 percent. The average invested capital is calculated quarterly on the basis of the Group's operating assets less non-interest-bearing operating liabilities. BVA is determined without taking into account the Bertelsmann Investments division, since business performance is represented primarily on the basis of EBIT. Accordingly, the method does not include a NOPAT contribution from this division. To maintain consistency, the invested capital will be adjusted for the Bertelsmann Investment division; hence, capital costs will be neutralized.

Cash Conversion Rate

The cash conversion rate serves as a measure of cash generated from business activities and is calculated as the ratio of operating free cash flow to operating EBIT. The operating free cash flow is determined on the basis of the cash flow from operating activities as reported in the consolidated cash flow

Operating EBITDA

in € millions	2021	2020
EBIT (earnings before interest and taxes)	3,324	2,276
Special items	(963)	(51)
attributable to: RTL Group	(775)	51
attributable to: Penguin Random House	32	19
attributable to: Gruner + Jahr	(47)	109
attributable to: BMG	14	6
attributable to: Arvato	139	(239)
attributable to: Bertelsmann Printing Group	60	86
attributable to: Bertelsmann Education Group	(59)	17
attributable to: Bertelsmann Investments	(331)	(12)
attributable to: Corporate/Consolidation	4	14
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	909	1,040
Adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	(29)	(122)
Operating EBITDA	3,241	3,143

BVA

in € millions	2021	2020
Operating EBITDA	3,241	3,143
Amortization/depreciation, impairments/reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets not included in special items	(880)	(918)
Operating EBIT	2,361	2,225
Flat taxes (30 percent)	(708)	(667)
NOPAT (Net Operating Profit After Tax)	1,653	1,558
Average invested capital	16,166	16,131
Cost of capital (8 percent)	1,293	1,290
Correction Bertelsmann Investments	114	87
BVA	474	355

statement, whereby the impact of paid income taxes and the change in provisions for pensions and similar obligations on cash flow from operating activities is offset. Operating free cash flow is also reduced by investments in intangible assets and property, plant and equipment as well as lease payments, and increased by proceeds from the sale of non-current assets. Further adjustments are made to ensure an allocation of capital flows to the relevant periods, and to offset the impact of payment flows resulting from special items on the operating free cash flow in a way that is methodically consistent with operating EBITDA. Operating EBITDA is used to calculate operating EBIT by deducting amortization and depreciation, provided that these are not included in special items. The Group aims to maintain a cash conversion rate of 90 percent to 100 percent as a long-term average.

Economic Debt

Net financial debt is calculated on the basis of gross financial debt, which comprises the balance sheet items current and non-current financial debt, minus cash and cash equivalents. Economic debt is defined as net financial debt less the 50 percent par value component of the hybrid bonds and investments in a special fund of 2021 that can be converted into cash at short notice (see also section "Minority Stakes and Other Financial Assets" in the Notes), plus provisions for pensions, profit participation capital and lease liabilities. In calculating economic debt, the hybrid bonds are taken into account only at 50 percent, as both bonds are classified by the rating agencies as 50 percent equity. Economic debt is modified for the purposes of calculating the leverage factor.

Leverage Factor

One of the financial targets is a dynamic leverage factor calculated as the ratio of economic debt to operating EBITDA; this factor should not regularly exceed the defined maximum of 2.5. In determining the leverage factor, the economic debt and the operating EBITDA are modified to enable financial

Cash Conversion Rate

in € millions	2021	2020
Cash flow from operating activities	1,792	2,994
Income taxes paid	807	214
Change in provisions for pensions and similar obligations	276	92
Investments in intangible assets and property, plant and equipment (less proceeds from the sale of non-current assets)	(459)	(564)
Lease payments	(317)	(316)
Further adjustments	358	151
Operating free cash flow	2,457	2,571
Operating EBITDA	3,241	3,143
Amortization/depreciation, impairments/reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets not included in special items	(880)	(918)
Operating EBIT	2,361	2,225
Cash Conversion Rate (in percent) Operating free cash flow/operating EBIT	107	118

Economic Debt

in € millions	2021	2020
Gross financial debt	5,604	6,626
Less cash and cash equivalents	(4,645)	(4,571)
Net financial debt	959	2,055
Less 50 percent of the par value of the hybrid bonds	(625)	(625)
Less investments in special fund	(102)	n/a
Pension provisions	1,474	2,009
Profit participation capital	413	413
Lease liabilities	1,356	1,355
Economic debt	3,475	5,207

management that corresponds to the Group's structure. The modifications in regard to the economic debt largely relate to cash and cash equivalents, which are tied up in the Group, while the modifications in regard to the operating EBITDA address the Group's structure and its co-shareholder shares. The leverage factor determined in this way is thus always more conservative than the figure that would be obtained using only the items recognized in the balance sheet.

Significant Events after the Balance Sheet Date

In November 2021, Majorel signed an agreement for the acquisition of 80 percent of the shares in Mayen Telekomünikasyon Hizmetleri A.Ş., a company based in Turkey. An advance payment of €58 million was already made as of December 31, 2021. The acquisition date is January 1, 2022.

In January 2022, parts of bonds due in August 2022, October 2024, September 2025 and April 2026 in a total nominal amount of €146 million were repaid early as part of a public repurchase offer.

Also in January 2022, RTL Group sold its stake in the US advertising technology company VideoAmp. RTL Group held 8.57 percent of the company's shares, which it sold for US$104 million in cash. The transaction was carried out as a share buyback by VideoAmp.

Leverage Factor

in € millions	2021	2020
Economic debt	3,475	5,207
Modifications	250	250
Economic debt[LF]	3,725	5,457
Operating EBITDA	3,241	3,143
Modifications	(324)	(314)
Operating EBITDA[LF]	2,917	2,829
Leverage Factor: Economic debt[LF]/Operating EBITDA[LF]	1.3	1.9

In February 2022, RTL Group announced that it had signed a definitive agreement for the sale of its Croatian business, RTL Croatia, to Central European Media Enterprises (CME). In addition to the purchase price of €50 million, RTL Group also receives payments through a long-term brand licensing agreement with CME. The sale is subject to the approval of the responsible antitrust authorities. The transaction is expected to close in the second quarter of 2022.

In March 2022, Bertelsmann announced that it had entered into a term sheet with the main co-investors, the Esteves family and NRE Capital Ventures Ltd., regarding the offer to acquire 6 million additional Class B shares of the investment in Afya Ltd. held by the Bertelsmann Investments division as an associate. The binding offer, the acceptance of which by Bertelsmann is subject to due diligence and approval by the relevant boards, is based on a price per share of US$26.90 and is valid until April 15, 2022.

In March 2022, Fremantle acquired 70 percent of Lux Vide, Italy's leading independent television production company. The acquisition of Lux Vide forms part of Fremantle's wider international growth strategy to invest in premium production companies, content creators and talent from around the world – developing and securing original formats and unmissable IP. The transaction will be accounted for as a business combination in accordance with IFRS 3. At the time the Consolidated Financial Statements were prepared, the purchase price allocation was at a very preliminary stage.

Risks and Opportunities

Risk Management System

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

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

The Group auditor inspects the risk early-warning system for its capacity to identify developments early on that could threaten the existence of Bertelsmann SE & Co. KGaA according to section 91(2) of Germany's Stock Corporation Act (AktG), and then reports the findings to the Supervisory Board of Bertelsmann SE & Co. KGaA. Corporate Audit conducts ongoing reviews of the adequacy and functional capability of the RMS in all divisions apart from RTL Group and Majorel. The RMS of RTL Group and of Majorel is evaluated by the respective internal auditing department and by the external auditor. Any issues that are identified are promptly remedied through appropriate measures. The Bertelsmann Executive Board defined the scope and focus of the RMS based on the specific circumstances of the company. However, even an appropriately designed and functional RMS cannot guarantee with absolute certainty that risks will be identified and controlled.

Accounting-Related Risk Management System and Internal Control System

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

The ICS for the accounting process consists of the following areas. The Group's internal rules for accounting and the preparation of financial statements (e.g., IFRS manual, guidelines and circulars) are made available without delay to all employees involved in the accounting process. The Consolidated Financial Statements are prepared in a reporting system that is uniform throughout the Group. Extensive automatic system controls ensure the consistency of the data in the financial statements. The system is subject to ongoing development through a documented change process. Systematized processes for coordinating intercompany transactions serve to prepare the corresponding consolidation steps. Circumstances that could lead to significant misinformation in the Consolidated Financial Statements are monitored centrally by employees of Bertelsmann SE & Co. KGaA, and then verified by external experts as required.

Central contact persons from Bertelsmann SE & Co. KGaA and the divisions are also in continuous contact with local subsidiaries to ensure IFRS-compliant accounting as well as compliance with reporting deadlines and obligations. These preventive measures are supplemented by specific controls in the form of automated and manual analyses by the Corporate Financial Reporting department of Bertelsmann SE & Co. KGaA. The purpose of such analyses is to identify any remaining inconsistencies. The controlling departments at the Group and division levels are also integrated into the internal management reporting. Internal and external reporting are reconciled during the segment reconciliation process. The further aim in introducing a globally binding control framework for the decentralized accounting processes is to achieve a standardized ICS format at the level of the local accounting departments of all fully consolidated Group companies. The findings of the external auditors, Corporate Audit and the internal auditing departments of RTL Group and Majorel are promptly discussed with the affected companies, and solutions are developed. An annual self-assessment is conducted to establish reporting on the quality of the ICS in the key fully consolidated Group companies. The findings are discussed at the divisional level. Like the RMS, each ICS cannot guarantee with absolute certainty that significant misinformation in the accounting process can be prevented or identified.

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

Major Risks to the Group

Bertelsmann is exposed to a variety of risks. The major risks to Bertelsmann identified in the risk reporting are listed in order of priority in the table below. In line with the level of possible financial loss, the risks are classified as low, moderate, significant, considerable or endangering. The risk inventory carried out did not identify any risks that would be classified as considerable or endangering. The determination of risk-bearing capacity at Group level using a Monte Carlo simulation also shows that no endangering situation can be identified since there is sufficient liquidity to cover risk.

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

Overview of Major Risks to the Group

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

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

■ Existing risks

Strategic and Operational Risks

The global economy recovered after the pandemic-driven downturn in the previous year. Real gross domestic product (GDP) rose 5.5 percent, after falling 3.5 percent in 2020. In 2021, global economic development was once again driven largely by the coronavirus pandemic. However, the strong upturn was accompanied in many countries by price increases and supply bottlenecks. Continued economic recovery is subject to a particularly high degree of uncertainty. The future course of the pandemic, ongoing supply bottlenecks and inflation, which has risen sharply, are key factors that could dampen economic activity. The negative effects on the global economy arising from the Russian invasion of Ukraine and the resulting continued increase of the geopolitical tension are not yet foreseeable. Bertelsmann's business development is also subject to other macroeconomic risks. Brexit has resulted in continued economic challenges for individual businesses. Bertelsmann has been observing and analyzing the exit process since 2016, and will take targeted measures to mitigate risk for the affected businesses. Even though the negative effect of the coronavirus pandemic on Bertelsmann's businesses in 2021 was less significant than expected, especially as regards the advertising-financed businesses of RTL Group and Gruner + Jahr, there is ongoing uncertainty regarding the impact of new developments in the coronavirus pandemic. In addition, the structural decline in the printing businesses continues. The printing and services businesses in particular are significantly affected by rising staff and material costs. It is largely possible to transfer this upwards pressure on prices, but only with a time delay in some cases. Additional cost measures will be required in individual divisions as part of the offsetting measures. In the short and medium term, negative economic developments, legal and regulatory risks, a changing market environment, supplier and customer risks, reduced audience and market shares, and drops in prices and margins all represent significant Group risks. How these risks develop depends to a large extent on changes in customer behavior due to factors such as the continued digitalization, the development and implementation of products and services by competitors, bad debt losses, and default and interference along the production chains in individual sectors. Information security and financial market risks represent moderate risks for Bertelsmann. Risks related to employees are classified as low in the three-year period under review. The information security risks integrated into the overview of key Group risks for the first time replace the risks from technological change. The risks from technological change are still classified as low.

A substantial risk for RTL Group is the dependency of advertising markets on the economic situation. If the coronavirus pandemic continues, it may lead to an accelerated decline in the advertising market, with direct effects on RTL Group earnings. RTL Group responds to such economic downturns with ongoing monitoring of market development, planning various scenarios and strict cost control. Furthermore, RTL Group aims to secure advertising revenue through the active expansion of addressable TV and to widen its earning base by finding sources of income that are not dependent on advertising. Increasing competition and constant change, particularly in the digital environment, are resulting in a stronger fragmentation of RTL Group's markets as audiences increasingly use non-linear TV products amid a growing number of streaming services. The possible risks of this for RTL Group are decreasing audience and advertising market shares of its advertising-financed channels with possible negative effects on TV advertising revenues. To counter these risks, RTL Group is continuously revising and developing the channel and program strategies. By establishing leading positions locally in the streaming market, in some cases with strategic partners, RTL Group counters risks stemming from the growing use of non-linear services. Increasing competition in the area of program acquisition and TV production, and the growing dependence on individual production companies, coupled with the risk of potential cost increases, could also impact RTL Group's ability to generate revenues. This risk is being reduced by expanding the share of in-house productions in the program – in particular of local content. To reduce the risk of customer losses, advertising packages with cooperation partners are offered, as well as pursuing the basic aim of establishing long-term customer relationships.

The possibility of shifting business models and market conditions constitute significant risks for Penguin Random House. Due to the changing retail landscape, another risk is declining sales volumes in brick-and-mortar book retail. Penguin Random House is addressing these risks by supporting brick-and-mortar retailing, increasing online sales of physical books and audiobooks, and continuously examining alternative selling and marketing options. Any risks of bad debt loss are being limited through debtor management, and in some cases through credit insurance. In the area of procurement and supply chains, rising costs for raw materials and energy, and operational challenges at commissioned printers also represent risks. These risks are countered through ongoing cost management and by continually prioritizing and securing additional printing capacities. In addition to the risk of cost increases, Penguin Random House is finding itself exposed to general economic risks that could lead to lower sales. The risks are addressed through careful management of supplier relationships and innovative marketing activities, and by maintaining a flexible cost structure that allows for a quick response in the event of an economic downturn.

Risks that affect BMG concern the client portfolio, in particular contract extensions with artists and authors as well as contractual relationships with business partners concerning digital and physical distribution as well as film, TV, advertising and live concerts. There are also risks resulting from corporate growth, especially for business integration and scaling of the technical platform and organization. Market risks, especially changes in the market environment with increased competitive pressures, are addressed through high revenue diversification resulting from a fragmented client and catalog base, both in regional and segment terms. Furthermore, measures for minimizing risk include contractual protection clauses to secure advance payments made, the realization of prepayments received and minimum revenue guarantees.

Arvato sees itself as particularly exposed to risks from customer and supplier relationships. The risk of loss of key customers is being countered through contracts offering comprehensive service packages with simultaneously flexible cost structures. On the supplier side, there are risks associated with the availability of services. Countermeasures include an active exchange with existing suppliers and entering into long-term framework agreements. New competitors entering the market could intensify the competitive pressure and lead to lower margins. By developing the range of services, the aim is to improve the competitive position and increase customer loyalty through integrated solutions. Moreover, new legislation could have a negative impact on business models. This risk is mitigated by observing legislative developments and adjusting business processes. A worsening of the economic environment could result in declining revenues and thus lower margins, which would necessitate cost-cutting measures and capacity downsizing. Broad diversification across regions and sectors helps to reduce this risk.

For Bertelsmann Printing Group, the most significant risks are possible further capacity adjustments, made necessary by a deterioration in market development and existing or growing overcapacities in the print market. Other significant risks on the supplier side include the growing shortage of raw materials caused by supply bottlenecks as well as rising prices for raw materials, especially paper and energy. The loss of customers also represents an additional risk. In addition, price and margin pressures result from the market environment, which is characterized by overcapacity. Furthermore, deterioration in the economic environment may also lead to declining circulations or even product discontinuation. Digital substitution was given a lasting boost by the coronavirus pandemic, and this constitutes another factor in the decline in circulations and the number of pages per issue, in particular in the magazine and catalog print segments. Risk minimization strategies are based, in particular, on the expansion of innovative print and marketing services, ongoing initiatives to sign up large customers and constantly optimizing cost structures and processes. Rising factor costs are to be gradually offset by higher prices for printing services.

For Bertelsmann Education Group, increasing competition from existing training providers and the possible market entry of new providers, particularly in the US healthcare market, could lead to growing price and margin pressure and to reduced new customer acquisition, and negatively impact the planned growth targets. These risks are being countered in particular through strategic partnerships, long-term customer agreements, targeted customer retention measures and an expansion of the product portfolio.

The key risks for Bertelsmann Investments consist of falling portfolio valuations and a lack of exit opportunities. These risks are being addressed through a standardized investment process and the continuous monitoring of investments.

The increasing pace of change in the markets, accelerated even more by the coronavirus pandemic, and in Bertelsmann's business segments means employees will need to be more willing and able to adapt in the future. There are also continuing demographic risks that impact the recruitment, development and retention of talent as a result of shifts in the age distribution of the workforce. The pandemic has also resulted in a skills shortage in many operational business areas, and suitable measures, in particular customized training opportunities, comprehensive health programs, competitive remuneration and flexible working models, are required to counteract this shortage. Bertelsmann is also enhancing its talent management by digitalizing recruiting processes and measures, and making it easier for employees to switch jobs within the Group by harmonizing processes and structures.

Acquisition-Related Risks

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

Legal and Regulatory Risks

Bertelsmann, with its worldwide operations, is exposed to a variety of legal and regulatory risks concerning, for example, litigation or varying interpretations of tax assessment criteria. Bertelsmann has television and radio operations in several European countries that are subject to regulation. In Germany, for example, the media is subject to oversight by the Commission on Concentration in the Media. Moreover, education activities are subject to regulatory provisions of government authorities and accreditation bodies. Some of the financial services activities are subject to banking supervision regulations. Bertelsmann Group companies occupy leading market positions in many lines of business, and may therefore have limited potential for growth through acquisition due to antitrust legislation. Other risks include litigation relating to company acquisitions and disposals, as well as increased data protection regulations leading to growing challenges, especially for data-based business models. These risks are being continuously monitored by the relevant divisions within the Group.

Several subsidiaries of RTL Group are being sued by the broadcaster RTL 2 Fernsehen GmbH & Co KG and its sales house El Cartel Media GmbH & Co KG before the regional court in Düsseldorf, Germany, seeking disclosure of information to substantiate a possible claim for damages. The proceedings follow the imposition of a fine in 2007 by the German Federal Cartel Office for abuse of market dominance with regard to discount scheme agreements (share deals) granted by AD Alliance GmbH (former IP Deutschland GmbH) and SevenOne Media GmbH to media agencies. The German Federal Cartel Office argued that these discounts would foreclose small broadcasters from the advertising market. In 2014, the district court of Düsseldorf decided to order an expert report. The expert concluded in February 2018 that the likelihood of damages cannot be proven with certainty. In July 2018, RTL 2 Fernsehen GmbH & Co KG filed a motion claiming that the expert was not impartial, with the aim of getting the court to obtain a new expert opinion. AD Alliance GmbH has rejected the motion of lack of impartiality as unfounded. In May 2019, the court announced it would give the expert the opportunity to comment on the motion of lack of impartiality. Because the expert died in February 2020, an expert opinion was not submitted. The court stated that it would appoint a new expert. It is expected that the process of appointing a new expert and the preparation of the expert opinion will take two to three years. It could ultimately take 15 to 20 years after filing (2008) for a final judgment to be handed down. The court case will continue. Similar proceedings from other small broadcasters, initiated in different courts, were unsuccessful or have been withdrawn.

In June 2016, the main competitors of Fun Radio alleged that the radio station influenced in its favor a survey conducted by the Médiamétrie Institute to determine audience market share. It was claimed that a host on the morning show encouraged his listeners to vote for Fun Radio in this survey. In response to these allegations, Médiamétrie decided to remove Fun Radio from its surveys. Following a legal procedure initiated by Fun Radio, Médiamétrie was required to reinstate Fun Radio in the audience results surveys as of September 2016. Nevertheless, Médiamétrie decided to lower Fun Radio's audience results in its published surveys, alleging the existence of a "halo effect." Following a procedure initiated by Fun Radio, a judicial expert was appointed in December 2017 to examine Médiamétrie's assessment of the alleged halo effect. In September 2019, the judicial expert issued his final report, which confirmed the halo effect but assessed that Fun Radio's results were overcorrected. As of September 2017, Médiamétrie has again published the full audience results for Fun Radio. In parallel to the above procedure, in December 2016, the main competitors of Fun Radio also filed a claim for damages, claiming unfair competition, but this procedure was suspended until the expert report was presented, and was restarted in the first quarter of 2020. In the meantime, four of the six claimants withdrew their claim from the proceedings. Negotiations on a settlement with the two remaining claimants failed in late July 2020. For this reason, the court case will continue.

On February 22, 2018, the Spanish Competition Authority (CNMC) communicated to Atresmedia the opening of a proceeding for sanctions in relation to possible practices restricting competition prohibited by article 1 of the Spanish Competition Act. On February 6, 2019, the CNMC notified the Statement of Objections in which it assumes proven that specific commercial practices by Atresmedia are restrictive of competition. On May 28, 2019, the department of the competition authority responsible for the investigation submitted a proposal for a decision that included a proposed fine of €49.2 million. Atresmedia submitted its observations on the proposed decision on June 28, 2019. On November 12, 2019, the CNMC Board announced its decision and imposed a fine of €38.2 million. On January 10, 2020, Atresmedia filed an application for judicial review against the decision with the competent court. On October 21, 2020, the court entered a judgment regarding the appeal filed by Atresmedia against the CNMC on November 12, 2019. The court accepted the appeal filed by Atresmedia for temporary suspension of payment of fines, subject to security to be paid within two months. The court denied the petition filed by Atresmedia requesting that it be released from the obligation of complying with the CNMC order. The order requests discontinuation of certain business practices. The court argued that compliance with the order was in the public interest and served to restore competition in this sector. Atresmedia is researching with external legal advisors whether it should appeal against the court's judgment on the CNMC order. The prospects of success are perceived to be very slim. Furthermore, the Spanish association Forta is assessing whether it should also file for damages due to lost profit as a result of the sales practices of Atresmedia and Mediaset España. Atresmedia remains convinced that the decision made by the CNMC is not sufficiently justified and expects a positive outcome. The prospects of success are based, inter alia, on the outdated definition of the advertising market used by the CNMC.

In November 2020, Penguin Random House announced the acquisition of the book publisher Simon & Schuster from the media company Paramount Global (formerly ViacomCBS). The transaction is subject to the approval of the antitrust authorities. In the event that the acquisition is completely prohibited or if the termination date is reached, Penguin Random House has contractually agreed to payment of a regulatory termination fee of US$200 million to Paramount Global. On November 2, 2021, the Department of Justice filed a suit in the US District Court for the District of Columbia in Washington DC to block the transaction, citing concerns about monopsony relating to the acquisition of author rights. Bertelsmann has hired experienced litigation attorneys and argues that the Department of Justice's reasons for blocking the deal are unfounded.

The year 2021 demonstrated how quickly the investment environment in China can change. This became apparent from the more consistent enforcement of antitrust and data protection regulations, especially with regard to the tech giants. At the same time, the Chinese government is tackling what it sees as undesirable social developments by implementing regulatory interventions, e.g., in the areas of education and fintech. This is influencing the focus of BAI's investment activities, the growth expectations of the businesses and possible exit channels with regard to the existing portfolio. Possible exit timings may generally be pushed back. Foreign direct investments in the People's Republic of China are also subject to regulatory restrictions. To satisfy local requirements, some of Bertelsmann's activities in China are held by trustees ("variable interest entities" (VIE)). These are standard market practice for investments in China and are only rarely subject to judicial disputes. However, there is a certain risk that it will not be possible to safeguard VIE structures through the courts, particularly if the People's Republic changes its policies or if courts and authorities change their case law or administrative practice toward investments by foreigners (particularly in respect to VIE structures). The latest press releases point to a more restrictive policy, in particular in data-intensive business areas. Tensions between the United States and China could also have an adverse effect on BAI's portfolio of listed companies and on the exit channel of the US IPO. The Holding Foreign Companies Accountable Act (HFCAA) came into effect on December 18, 2020. The Act directs the US Securities and Exchange Commission (SEC) to prohibit the trading of shares in companies on US stock exchanges if these companies' annual financial statements have, for three successive years, not been audited by auditing firms who are themselves subject to oversight by the US Public Company Accounting Oversight Board (PCAOB). The HFCAA also requires non-US issuers whose auditors are not subject to inspection by the PCAOB to disclose ownership and control by non-US governmental entities, and to identify Chinese Communist Party officials on their boards of directors. Because the HFCAA allows for a period of three years for a delisting, the Chinese issuers have to develop an action plan by no later than 2024 if no compromise is reached between the United States and China in the meantime. Bertelsmann lawyers and external legal counsel are working closely with the Group legal department to follow further developments in order to anticipate legal and economic consequences early on. This affects companies within BMG, Arvato and most investments by BAI.

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

Information Security Risks

The ability to provide information in a timely, complete and confidential way, and to process it without disruptions, is crucial to Bertelsmann's success, and it continues to grow in importance. Bertelsmann is addressing the operating environment, which is made tougher by cyber threats, at the management level by operating a Group-wide Information Security Management System (ISMS, based on ISO 27001). The ISMS's goal is the structured management of cyber risks and the monitoring of compliance with minimum Group standards. In order to have access to cutting-edge cyber security technologies and specialist expertise in regular operations and emergencies, Bertelsmann – in addition to providing and further developing its own resources – also uses a network of external partners, and is an active member of the German Cyber Security Organization (Deutsche Cyber-Sicherheitsorganisation: DCSO). Furthermore, Bertelsmann addresses the increased risk with specific measures that directly increase resilience in cyber security – for example, by supporting the activities of Security Operations Centers and authentication technologies. An indicative assessment of information security risks was conducted in the 2021 financial year on the basis of the method used to assess operative Group risks. The results indicate that information security risks are moderate, analogous to the categorization of major Group risks.

Financial Market Risks

As an international corporation, Bertelsmann is exposed to various forms of financial market risk, especially interest rate and currency risks. These risks are primarily monitored centrally by the Finance Department on the basis of guidelines set up by the Executive Board. Derivative financial instruments are used solely for hedging purposes. Currency derivatives are primarily used to hedge future obligations that are subject to a foreign currency risk. Some firm commitments denominated in foreign currency are partially hedged when they are made, with the hedged amount being adapted over time. A number of subsidiaries are based outside the eurozone. The resulting translation risk to the leverage factor (ratio of economic debt to operating EBITDA) is managed by aligning the leverage factors for the main currencies USD and GBP in the long term with the maximum permitted for the Group. Foreign currency translation risks arising from net investments in foreign entities are not hedged. The cash flow risk from interest rate changes is centrally monitored and controlled as part of interest rate management. The aim is to achieve a balanced ratio of different fixed-interest rates through the selection of appropriate maturity periods for the originated financial assets and liabilities affecting liquidity, and through the ongoing use of interest rate derivatives. The liquidity risk is regularly monitored on the basis of the budget planning. The syndicated loan and appropriate liquidity provisions form a sufficient risk buffer for unplanned payments. Counterparty risks exist in the Group in respect to invested cash and cash equivalents, as well as in case a counterparty to derivative transactions defaults. Transactions involving money market securities and other financial instruments are exclusively conducted with a defined group of banks with high credit ratings. Within the guidelines, a risk limit specified by the Executive Board has been issued for financial assets and derivatives for each counterparty. Compliance with this limit is regularly monitored by the Finance Department. The guidelines concerning the investment of cash and cash equivalents are continuously monitored and extended if necessary. Financial investments are made on a short-term basis, so that the investment volume can be reduced if the credit rating changes. Financial market risks remain at a moderate level. The setup of a strategic and anticipatory liquidity reserve in the wake of the coronavirus pandemic creates increased interest rate risks related to investing the liquidity.

General Statement on the Risk Situation

The risks identified in the 2021 financial year are not endangering. Neither are there any substantial discernible risks that could threaten the existence of the Group.

The overall risk situation is slightly above the previous year's level. Due to continuing uncertainty regarding the impact of further developments in the pandemic and of increased inflation, risks arising from economic development continue to represent the main challenge. Legal and regulatory risks, risks arising from a changing market environment, supplier and customer risks, the possible loss of audience and market share at RTL Group, and pricing and margin risks constitute other key challenges. However, as a result of the diversification of Group businesses, there are no concentration risks stemming from dependency on individual business partners or products in either procurement or sales. The Group's financial position is solid, with liquidity needs covered by existing liquidity and available credit facilities.

Opportunity Management System

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

Opportunities

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

Strategic opportunities can be derived primarily from the Group's further strategic development (see the section "Strategy"). In particular, there are opportunities in some cases for exploiting synergies as a result of the strategic portfolio expansions. There are individual operating opportunities in the individual divisions, in addition to the possibility of more favorable economic development.

For RTL Group, a better-than-expected development of the advertising and streaming markets, as well as higher audience and advertising market shares, are major opportunities. The increasing digitalization and fragmentation of the media landscape are opening up opportunities. Professionally produced content can be distributed across multiple platforms nationally and internationally. New revenue streams could be generated by exploiting existing TV content across different platforms, and by creating native digital content. Also, the increased presence in the digital sector provides opportunities for online video advertising sales on all devices and platforms, and growing subscriber-based revenues in the on-demand business. Other opportunities can be found in target-group marketing of the Group's own inventory (addressable advertising) and advertising technology products for third parties. In addition, more widespread use of new technologies such as UHD/4K could lead to greater revenue growth in the distribution business.

For the trade publishing group Penguin Random House, opportunities lie in signing new authors and new book projects. The publishing group is well positioned to invest in new markets and content around the world, and to offer its products to the widest possible readership. In general, the digital evolution transforming book markets offers the potential for new product development, and broader and more efficient marketing channels as well as better accessibility to the backlist. Digital audiobooks are experiencing growth worldwide, while new technologies could make books more appealing and bring book content to wider audiences. New online tools and platforms are expanding opportunities for author engagement with readers.

BMG's focus is on growth through signing new contracts with artists and authors, especially the acquisition of music rights and the monetization thereof. Furthermore, the growing international market penetration of subscription-based streaming services offers opportunities to expand the recorded-music and music-publishing markets as well as a significantly expanded monetization basis, e.g., in the areas of gaming, fitness and self-help apps.

At Arvato, strategic partnerships and major projects can provide additional opportunities for acquiring new customers. The global e-commerce market is expected to continue its dynamic growth over the next few years. Arvato could participate in this growth through further business expansion, particularly with Majorel, Supply Chain Solutions and Financial Solutions. Further growth opportunities from ongoing digitalization lie in the development of innovative IP-based and multi-cloud-based IT services.

Bertelsmann Printing Group businesses may decline less steeply through additional volumes from existing and new customers. Furthermore, increased consolidation in the market could result in an additional strengthening of Bertelsmann Printing Group's own competitive position.

In particular, a further shift from traditional classroom-based delivery methods toward online and skill-based training offers further growth opportunities for the education business.

The growing skills shortage in the fields of healthcare, technology and education also offers opportunities for organic growth for Bertelsmann Education Group. For example, Relias in the United States has the potential to grow more rapidly than expected through additional offerings for hospitals in the area of recruiting and workforce management.

For Bertelsmann Investments fund activities, there is the opportunity to realize higher-than-expected profits thanks to increasing portfolio valuations or through the disposal of investments.

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

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

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

Outlook

Anticipated Overall Economic Development

Bertelsmann anticipates that economic conditions will develop as follows in 2022. The coronavirus pandemic and supply chain bottlenecks will determine the development of the global economy over the forecast period. Despite the momentum of the global economic upturn, there are still significant risks in 2022. A slower-than-expected rise in vaccination rates and the spread of virus mutations could lead to further outbreaks around the world. Any containment measures introduced by countries in response would slow growth. In its outlook from December 2021, the Institute for the World Economy (IfW) in Kiel estimates that global production will increase by 4.5 percent in 2022, compared to a rise of 5.9 percent in 2021. The above stated economic expectations for the year 2022 are based on a stable geopolitical environment.

The economic recovery in the eurozone is expected to progress further. The IfW estimates real economic growth of 3.5 percent in 2022. The IfW expects Germany's GDP to grow by 4.0 percent in real terms. The growth rate in France is expected to be 2.9 percent in real terms. For the United Kingdom, GDP is expected to rise by 4.5 percent in real terms in 2022. Positive growth rates are also expected once again in the United States. The forecast for 2022 is real economic growth of 4.4 percent.

The current geopolitical tensions in Eastern Europe could slow down the global economic recovery and negatively affect the business performance of Bertelsmann.

Anticipated Development in Relevant Markets

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

In 2022, the TV advertising markets in Germany and France are expected to be stable, while significant growth is expected in Hungary and a slight decline in the Netherlands. The streaming markets in Germany and the Netherlands are expected to continue growing strongly. The book markets are expected to remain stable overall. In the relevant music market, the publishing market segment is expected to grow strongly, while significant growth is projected for the recordings market segment. The services markets are predicted to show significant growth in 2022. The European printing markets are expected to record a moderate (offset) to strong (gravure) decline, while the book printing market in North America is expected to remain stable. Overall, sustained moderate to strong growth is anticipated for the relevant US education markets.

Expected Business Development

The following assessments are subject to a particularly high degree of uncertainty. It is not possible to predict the direction of the pandemic and of the geopolitical tensions in Eastern

Europe and their economic consequences, therefore making it hard to sufficiently predict the future. This unpredictability is currently a challenge when trying to assess the effects on the markets relevant to Bertelsmann and the anticipated overall economic situation. In addition, geopolitical crises, national deficits, currency turbulence or the introduction of higher tariffs as a result of rising protectionist tendencies could interfere with economic performance. The resulting developments could also adversely affect the overall economic situation, which is a key factor influencing Bertelsmann's business performance. Accordingly, the following expectations are based on the assumption of a continued recovery in the overall economic situation, and an assumption that most of the forecasted market developments and economic predictions of the research institutions will be realized.

For the financial year 2022, Bertelsmann anticipates that business development will be driven by a further normalization of the European TV advertising markets and by stable book markets, as well as by growing service, music and online education markets. The growth stimuli created through strategic portfolio expansions will continue to have a positive impact on Bertelsmann's growth profile.

In addition to the assumed market developments, the predicted economic developments in the geographic core markets of Western Europe and the United States are the basis of the expected business development. With revenue and earnings share within the eurozone currently expected at around two-thirds, the range of growth is above all based on the forecasted economic development in this economic zone. The IfW therefore predicts that GDP in the eurozone will increase by 3.5 percent in real terms, while the International Monetary Fund expects growth of 3.9 percent for 2022. In view of these economic expectations and assuming that infection rates do not rise again, Bertelsmann expects revenues to show a moderate increase in the financial year 2022. In view of start-up losses regarding the expansion of the streaming business at RTL Group, the operating EBITDA is forecast to decline moderately in the financial year 2022. Without these start-up losses, a stable development is expected. BVA is expected to drop sharply but to be clearly positive once again in the financial year 2022, due to the start-up losses mentioned above. These expectations are based on operational planning for the financial year 2022 and on the exchange rates as of November 2021.

RTL Group revenues will grow, among other factors, after taking over Gruner + Jahr's publishing activities, and are expected to strongly increase compared to the previous year. Otherwise, the expected performance of any individual division of key significance for the Bertelsmann Group is not expected to deviate significantly from that of the Group.

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

These forecasts are based on Bertelsmann's business strategy, as outlined in the section "Corporate Profile." As of January 1, 2022, Gruner + Jahr is no longer reported as an independent division. The publishing activities will be part of the RTL Group division in the future. The remaining Gruner + Jahr activities will be assigned to the Bertelsmann Investments division in the future. In general, the forecasts reflect careful consideration of risks and opportunities. All statements concerning potential future economic and business developments represent opinions advanced on the basis of the information that is currently available. Should underlying assumptions fail to apply and/or further risks arise, actual results may differ from those expected. Accordingly, no assurances can be provided concerning the accuracy of such statements.

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

In addition to the Group reporting, the business development of Bertelsmann SE & Co. KGaA is outlined below. Bertelsmann SE & Co. KGaA is the parent company and group holding company of the Bertelsmann Group. As a group holding company, it exercises key corporate functions such as the definition and further development of group strategy, capital allocation, financing and management. There are also service functions for individual divisions within the Corporate Center. Furthermore, it is the controlling company of the tax group for most of the domestic subsidiaries. The position of Bertelsmann SE & Co. KGaA is essentially determined by the business success of the Bertelsmann Group.

The Annual Financial Statements of Bertelsmann SE & Co. KGaA, in contrast to the Consolidated Financial Statements, have not been prepared in accordance with the

Income Statement of Bertelsmann SE & Co. KGaA in accordance with HGB

in € millions	2021	2020
Revenues	100	109
Other operating income	227	398
Cost of materials	(20)	(29)
Personnel costs	(147)	(147)
Amortization, depreciation and write-downs	(21)	(20)
Other operating expenses	(274)	(258)
Income from other participations	557	731
Interest income	(66)	(70)
Write-downs of long-term financial assets	–	(65)
Taxes on income	2	(212)
Earnings after taxes	358	437
Other taxes	(2)	(2)
Net income	356	435
Income brought forward	718	663
Transfer to other retained earnings	(130)	(200)
Net retained profits	**944**	898

International Financial Reporting Standards (IFRS), but in accordance with the regulations of the German Commercial Code (HGB) and the supplementary regulations of the German Stock Corporation Act (AktG).

Results of Operations of Bertelsmann SE & Co. KGaA

The results of operations of Bertelsmann SE & Co. KGaA are significantly affected by the amount of income from other participations, due to Bertelsmann SE & Co. KGaA's role as the parent company of the Bertelsmann Group. The decrease in net income to €356 million (previous year: €435 million) is primarily attributable to the drop in other operating income and in income from participations. In contrast to this, the reduction in taxes on income had a positive impact on the development in net income.

The decrease in other operating income is attributable to the proceeds from the disposal of a plot of land and a building in the previous year as well as the reduction in foreign currency gains. This development was partly offset by the rise in reversals of write-downs of shares in affiliated companies and by the reversals of loss allowances on receivables. The €60 million in reversals in the reporting year relates to shares in RM Hamburg Holding GmbH, Hamburg (formerly: Gruner + Jahr GmbH, Hamburg) and results from the agreed sale of significant parts of the business and of the shares held in subsidiaries to RTL Deutschland. The increase of €16 million in other operating expenses is largely attributable to an increase in currency losses and expenses arising from guarantee agreements. This was offset by the reduction of loss allowances on receivables.

Income from other participations is primarily affected by the amount of income from a profit and loss transfer agreement with Bertelsmann Capital Holding GmbH, Gütersloh. As a result of the collection of dividends, the amount of income coming from the profit and loss transfer agreement with this company rose by €406 million. The decrease in income coming from the profit and loss transfer agreements of other subsidiaries exceeds this increase, with the result that income from investments were €174 million lower than in the previous year. The income from investments was lower in the 2021 financial year as a result of a restructuring subsidy paid to a subsidiary. In the previous year, the income coming from the profit and loss transfer agreements of other subsidiaries was influenced by positive effects from a corporate transaction and sales of buildings.

Taxes on income decreased in the financial year 2021 as a result of the tax group's lower taxable income.

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

in € millions	12/31/2021	12/31/2020
Assets		
Fixed assets		
Intangible and tangible assets	366	365
Long-term financial assets	18,613	17,665
	18,979	18,030
Current assets		
Receivables and other assets	5,632	4,987
Securities, cash and cash equivalents	1,250	2,476
	6,882	7,463
Prepaid expenses and deferred charges	18	20
Excess of plan assets over post-employment benefit liability	0	0
	25,879	25,513
Equity and liabilities		
Equity	10,459	10,283
Provisions	610	736
Liabilities	14,806	14,488
Deferred income	4	6
	25,879	25,513

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

The total assets of Bertelsmann SE & Co. KGaA amounted to €25,879 million, compared to €25,513 million in the previous year. A high ratio of equity (40 percent) and long-term financial assets (72 percent) to total assets continues to characterize net assets and financial position.

The increase in long-term financial assets concerns investments in affiliated companies (€706 million) and investment securities (€242 million). Investments in affiliated companies increased due to contributions to Bertelsmann Capital Holding GmbH, Gütersloh, in the amount of €648 million, and the reversal of impairments of shares in RM Hamburg Holding GmbH, Hamburg (formerly: Gruner + Jahr GmbH, Hamburg). The addition to investment securities relates to €100 million of securities in a special fund serving as a liquidity investment. The increase in receivables and other assets is largely related to financing extended to affiliated companies. The €2,255 million reduction in cash and cash equivalents is largely attributable to measures taken in the liquidity portfolio. Funds amounting to €1,029 million were invested in securities held as current assets. Equity increased by €356 million as a result of the net income of the reporting year, minus the dividend of €180 million paid out for the financial year 2020. Bonds and obligations have decreased by €1,028 million due to the repurchase of bonds and the repayment of bonds and obligations. The increase in liabilities to affiliated companies from €7,601 million to €8,917 million is attributable to the increase in the amount of cash and cash equivalents that were deposited by subsidiaries with Bertelsmann SE & Co. KGaA.

Risks and Opportunities for Bertelsmann SE & Co. KGaA

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

Outlook for Bertelsmann SE & Co. KGaA

As the parent company of the Bertelsmann Group, Bertelsmann SE & Co. KGaA receives from its subsidiaries dividend distributions and income or expenses from profit and loss transfer agreements, as well as income from services provided to its subsidiaries. Consequently, the performance of Bertelsmann SE & Co. KGaA is primarily determined by the business performance of the Bertelsmann Group (see the section "Outlook"). Bertelsmann SE & Co. KGaA expects its results for the financial year 2022 to allow a dividend payment at the same level as the dividend for the reporting period.

Dependent Company Report (Statement in accordance with Section 312 of the German Stock Corporation Act (AktG))

The Executive Board of Bertelsmann Management SE, as general partner of Bertelsmann SE & Co. KGaA, has submitted a voluntary report to the Supervisory Board of Bertelsmann SE & Co. KGaA in accordance with sections 278 (3) and 312 (1) of the German Stock Corporation Act, in which it outlines its relationships with affiliated companies for the financial year 2021. The Executive Board hereby declares that Bertelsmann SE & Co. KGaA received adequate consideration in return for each and every legal transaction under the circumstances known at the time the transactions were undertaken.

Combined Non-Financial Statement

The following information relates to Bertelsmann SE & Co. KGaA and the Bertelsmann Group ("Bertelsmann") with its incorporated, fully consolidated subsidiaries ("subsidiaries") in accordance with sections 315b and 315c of the HGB, in conjunction with sections 289b to 289e of the HGB. Bertelsmann operates in the core business fields of media, services and education in around 50 countries (see the section "Corporate Profile"). These are set forth in the corporate constitution as well as in the Bertelsmann Essentials "Creativity & Entrepreneurship." In its corporate responsibility management, Bertelsmann pursues the goal of reconciling commercial interests with social and environmental concerns, within the Group and beyond.

When preparing its combined non-financial statement, Bertelsmann follows the Standards (2016) of the Global Reporting Initiative (102 and 103). In addition, voluntary reporting based on the GRI Standards (2016, 2018; in accordance: Core option) is published in the middle of the financial year.

Company Principles and Guidelines

The prerequisites for a corporate culture in which employees, management and shareholders work together successfully, respectfully and in a spirit of trust are common goals and shared values. These are set forth in the corporate constitution as well as in the Bertelsmann Essentials "Creativity & Entrepreneurship." Furthermore, the Bertelsmann Code of Conduct – as a binding guideline – defines minimum standards for ethical and lawful conduct within the company and toward business partners and the public. The Bertelsmann Supplier Code of Conduct sets out the mandatory minimum requirements for business partners in their relationship with Bertelsmann.

Bertelsmann's actions are also determined by external guidelines. The company uses as guidance the recommendations of the German Corporate Governance Code for good and responsible corporate governance and largely follows the OECD Guidelines for Multinational Enterprises. Bertelsmann is committed to the principles of the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the International Labor Organization core labor standards. As a participant in the United Nations Global Compact, Bertelsmann supports the UN's Agenda 2030 for sustainable development.

Corporate Responsibility Management

Organization

The advisory body for the management and strategic development of corporate responsibility (CR) at Bertelsmann is the CR Council. The CR Council consists of executives from the corporate divisions and the Chief Human Resources Officer of Bertelsmann, who chairs the advisory body. The CR Council focuses on the further development of group-wide CR priorities in line with the corporate strategy, anchoring corporate responsibility more strongly in the corporate divisions and the cross-divisional coordination of CR activities within the Group.

At the Group level, the Corporate Responsibility department coordinates and supports the work of the CR Council in close cooperation with other Group functions. Within the Bertelsmann corporate structure, the local management teams are responsible for implementing corporate responsibility through specific measures. The corporate divisions and companies have their own structures and processes in place for this, in accordance with local requirements.

Topics

To identify thematic CR priorities, Bertelsmann carries out regular CR relevance analyses. For each analysis, the company conducts a survey of external and internal stakeholders as regards non-financial topics selected in advance: the external stakeholders estimate the impact of Bertelsmann's business activity on the non-financial topics, while the internal stakeholders assess their business relevance. This process serves to identify CR priorities that are necessary for understanding the business development, the business performance, the position of the Group and the impact of its activity on employees, society and the environment. The CR priorities are analyzed within the company boundaries, unless otherwise stated. In 2021, the Bertelsmann Executive Board adopted the new CR relevance matrix with eight CR priorities (creative/editorial independence & freedom of expression; content responsibility; fair working conditions; diversity, equity & inclusion; health & well-being; learning; responsibility in the supply chain; and climate change). The Bertelsmann CR Program (2021–2023) adopted on this basis includes individual working programs for every CR priority. Their content and relevance for the 2021 financial year is explained elsewhere in this non-financial statement.

Non-financial topics, including their performance indicators, are increasingly important for Bertelsmann's businesses, but have not yet been incorporated into the Group's value-oriented management system (see the section "Value-Oriented Management System").

Risks

A number of risks are associated with the CR priorities relevant for Bertelsmann. These risks can arise from the company's own business activities or from its business relationships, and can affect the company or its environment and stakeholders.

For the non-financial matters defined in the German Commercial Code – employee and social matters, respect for human rights, anti-corruption and bribery matters, and environmental matters – no significant risks that were very likely to have serious negative effects, either individually or collectively, were identifiable as part of the 2021 reporting. For more information on the relevant risks, please see the section "Risks and Opportunities."

Employee Matters

Motivated employees are the most important resource for Bertelsmann's success, and they are essential for creativity and entrepreneurship. This corporate identity – anchored in the corporate constitution and the Bertelsmann Essentials – is the basis for the Executive Board guidelines on HR work. Supplementary regulations are specified in the Bertelsmann Code of Conduct. The Chief Human Resources Officer (CHRO) of Bertelsmann is responsible for employee matters. The main focus of his work throughout the Group includes setting the strategic HR agenda, aligning management and talent development with the Group's strategic growth priorities, the re- and upskilling activities of Bertelsmann University in the tech & data field, standardizing and providing IT support for HR processes, and continually developing corporate responsibility and the corporate culture.

The CHRO heads the HR Committee, which is the corporate committee responsible for international HR matters at Bertelsmann. Its members are the heads of HR at the corporate divisions, who report to the CHRO, as well as head managers of the corporate HR department.

Fair Working Conditions

Strategy implementation and operational responsibility are for the most part delegated to the divisions and companies, in accordance with the subsidiarity principle. With that in mind, Bertelsmann sees it as its responsibility to ensure fair working conditions and a safe and healthy working environment for employees. The Supplier Code of Conduct contains standards for Bertelsmann's business partners stipulating that they adhere to the statutory regulations on fair working conditions and provide a framework that allows their employees to speak up freely and without fear of retaliation.

At Bertelsmann, remuneration issues are an integral part of fair working conditions. The compensation system is designed to ensure that remuneration is driven by market, function and performance considerations, taking into account business-specific characteristics. Numerous domestic and foreign subsidiaries have operational/divisional success and profit-sharing models adapted to local requirements. In 2021, a total of €88 million was distributed as part of such participation schemes globally.

Continual dialogue between employees and company management at Bertelsmann represents another key element for fair working conditions. Employees are involved in the development and improvement of working conditions through standardized HR interview tools (performance and development dialogue, agreements on objectives, team talk), as well as international employee surveys. Although Bertelsmann, as a media company, is free to determine its political direction as defined in the German "Works Constitutions Act" (Tendenzschutz) and therefore is not subject to statutory co-determination in the Supervisory Board, the company nevertheless makes four positions on the Supervisory Board of Bertelsmann SE & Co. KGaA available to employees on a voluntary basis. Three of these are leading works council members of German Group companies. Since June 1, 2021, Núria Cabutí, CEO of Penguin Random House Grupo Editorial, has been a member of the Supervisory Board in her capacity as Chair of the international Bertelsmann Management Representative Committee. In addition, managers, general workforce, employees with disabilities and trainees all have platforms for exchanging ideas, advancing topics and voicing their concerns. The Bertelsmann Group Dialogue Conference is an event where the CEO, CHRO and members of the Corporate Works Council from the Group divisions in Germany can exchange ideas.

Other elements of the topic "Fair Working Conditions" – such as respecting human rights, including antidiscrimination; diversity, equity & inclusion; health & well-being (including protecting the health of employees in the continuing coronavirus pandemic); and learning – are discussed elsewhere in this non-financial statement.

In 2021, the company defined strategic objectives relating to fair working conditions, and developed measures from those, as part of the Bertelsmann CR Program (2021–2023). These include the further development of a Group-wide management approach to fair working conditions and respecting human rights, the continuous advancement of knowledge on these topics and the further development of processes for identifying risks concerning human rights issues.

Among the most important measures were the communication of the revised Bertelsmann Code of Conduct and the international employee survey, which was conducted according to schedule. Driven by the coronavirus crisis, flexible working models acquired greater importance. As a result, Bertelsmann developed and communicated a Group-wide stance on new work, and put in place a cross-divisional exchange format.

Diversity, Equity & Inclusion (DEI)

Diversity and differences in the workforce are prerequisites for creativity, innovation and Bertelsmann's long-term business success. This conviction is conveyed in the Bertelsmann Essentials and in the new DEI policy. In that policy, the Bertelsmann Executive Board emphasizes its aim of further increasing diversity of staff at all levels and in every respect, and of creating general conditions that foster a sense of appreciation, belonging and inclusion among employees.

The DEI strategy and the working program developed within the Bertelsmann CR Program (2021–2023) are implemented by the Corporate Responsibility department with support from a Group-wide working group and from other working groups in the corporate divisions. The focus in 2021 was on the following dimensions: gender, disabilities, and sexual orientation and identity. Some divisions also set their own additional priorities.

On December 31, 2021, the genders were almost evenly distributed across the entire staff (54 percent women, previous year: 54 percent; 46 percent men, previous year: 46 percent). The Group Management Committee was comprised of 18 members (previous year: 18), of which five were women (previous year: six). Two additional female executives will be appointed to the Group Management Committee effective March 1, 2022. Bertelsmann had also set itself the target of raising the ratio of women in top and senior management across all corporate divisions to one-third by the end of 2021. While the proportion of female executives in senior management was unchanged from the previous year, Bertelsmann did further increase the ratio in top management. That figure is now 30 percent in both target groups (see table below). Furthermore, the targeted proportion of women in the talent pools was set at one-third for the top and senior management pool and 50 percent for the career development pool. These target figures were met in all three pool cohorts in 2021. The Supervisory Board and the Executive Board are notified annually of progress in regard to these targets.

In 2021, the company defined strategic objectives relating to DEI as part of the Bertelsmann CR Program (2021–2023). These include the greater involvement of the Executive Board and top management into DEI engagement, the strategic further development of Diversity Management into Diversity, Equity & Inclusion Management, the professionalization of the governance structures for DEI in the corporate divisions, and awareness raising and competence development in relation to DEI.

Targeted Proportion of Women in Top and Senior Management

Target for 2021	in percent	2021	2020
One-third of positions across all divisions occupied by women	Top management [1),2)]	30	27
	Senior management [1),3)]	30	30

1) Top and senior management comprises those positions that are of particular importance because of their success-critical function and their strategic relevance for the Group's continued transformation and the achievement of its strategic targets. Top management positions comprise GMC positions but not Executive Board positions.
2) Basis: permanent and fixed-term employees as of December 31; with gender indication 2021 (100 percent), with gender indication 2020 (90 percent), limited comparability.
3) Basis: permanent and fixed-term employees as of December 31; with gender indication 2021 (91 percent), with gender indication 2020 (93 percent), limited comparability.

The Bertelsmann Executive Board's new DEI policy was communicated in this context. In addition, a number of anti-racism measures have been implemented in the company. These included Group-wide training sessions and awareness-raising communication. The Bertelsmann Action Plan for Inclusion 2019–2024 aims to improve participation for employees with disabilities in the German Bertelsmann companies. The second annual evaluation can be viewed on the Bertelsmann website: www.bertelsmann.com/disability-and-inclusion. Furthermore, the first-ever Group Inclusion Agreement, covering all Bertelsmann SE & Co. KGaA operations and group companies in Germany, was concluded. The LGBTIQ+ employee network "be.queer" has advanced international collaboration with the LGBITQ+ networks in the corporate divisions. For example, Pride Month was marked with Group-wide activities. The Bertelsmann website provides an overview of the DEI measures at Bertelsmann and in the corporate divisions at www.bertelsmann.com/diversity.

Health & Well-being

Bertelsmann aims to create a health-promoting working environment and conditions for avoiding occupational health risks.

In 2021, the topic "Health & Well-being" was confirmed as a Group-wide CR priority, defined as a Group-wide focus of the CHRO and further developed as part of the Bertelsmann CR Program (2021–2023). The Corporate Responsibility department is responsible for developing and implementing the Group-wide Health & Well-being strategy. Working with an international and cross-divisional working group, the department defines the strategic framework for health-related topics.

Due to the ongoing coronavirus pandemic, the focus in 2021 remained the immediate health protection of all employees around the world. One focus of efforts to prevent infections was vaccination against the coronavirus and the development of the necessary infrastructure in the corporate divisions (depending on the respective regional legal regulations). All employees in Germany received a vaccination offer via the regional company doctors. Vaccination centers for employees and their families were also established in the Gütersloh area and in Cologne. Further prevention and protection measures, e.g., working from home and the provision of masks, disinfectants and coronavirus test kits, were continued in accordance with basic regulatory conditions. All of these measures were accompanied by numerous support programs for maintaining mental and physical health as well as extensive internal communication activities.

In addition to the strategic and organizational further development of the Health & Well-being topic and the management of the coronavirus crisis, two other relevant areas were defined as part of the Bertelsmann CR Program (2021–2023). These include the empowerment of executives to create a healthy and safe working environment and corporate culture; and the support of employees to adopt healthy working habits and lifestyle, with measures also being taken to enhance individual resilience.

On the level of measures, the focus in 2021 was initially on strategic and organizational anchoring. In response to the employee survey results pertaining to health, communication materials were provided and workshops held with "Health Working Groups" of the German corporate divisions.

Learning

Bertelsmann aims to empower employees at all levels to adapt to the challenges of a quickly changing environment and to continuously learn from and with one another. The topic of learning ("upskilling") was highlighted as an important enabler in Bertelsmann's new strategy framework. Furthermore, great importance is attached to an open learning culture that embraces experimentation as an element of creativity in the Bertelsmann Essentials.

The Chief Learning Officer is responsible for the Group's learning strategy, which is implemented by Bertelsmann University and in Germany by the Bertelsmann vocational college. The HR Committee regularly discusses and agrees on aspects of this learning strategy, and supports its implementation in the corporate divisions. These aspects complement the central focus areas for learning with individual training initiatives. Employees around the world are thereby given access to central and division-specific training courses, and to more than 15,000 freely accessible online courses by LinkedIn Learning and almost 2,000 online courses by CreativeLive.

In 2021, the company defined strategic objectives relating to this topic as part of the Bertelsmann CR Program (2021–2023). These include developing a re- and upskilling approach, empowering and networking managers to facilitate the future-oriented design of the Bertelsmann transformation, expanding the offerings on business-critical competencies for all employees (e.g., tech & data) and promoting a learning culture.

With regard to measures, a target-actual analysis of tech & data roles was carried out in 2021 to identify qualification gaps. In addition, the company launched the digital program series "Be-Ready" for top executives with a focus on "Strategy in the Transformation." The three-year Udacity technology scholarship program was continued for the third year, providing 50,000 scholarships for which both Bertelsmann employees and external candidates are eligible to apply. A new tech & data offering was also added to the Group-wide digital peer-to-peer learning format "Your Campus."

Social Matters

Creative/Editorial Independence & Freedom of Expression

Free and critical thinking as well as exchange of varying opinions are prerequisites for creativity. Bertelsmann stands for editorial and journalistic independence in its content businesses, as well as for freedom of the press and artistic license. The company publishes a wide variety of opinions and positions. These basic principles for business activities are therefore also set forth in the Bertelsmann Code of Conduct. Bertelsmann aims to ensure this creative/editorial independence in two directions. Inside the company, it means that our management does not attempt to influence the decisions of artists, authors, editors and program managers, or to restrict their freedom. To the outside, this means that both content managers and company managers comply with existing laws regarding the separation of editorial content and commercial advertising and do not capitulate to political or economic influence in their coverage. In accordance with the Bertelsmann "Editor-in-Chief Principle," editorial decisions are the sole responsibility of the content managers.

In order to share ideas and best practices, a regular exchange also takes place in a cross-divisional working group between the representatives of the Bertelsmann corporate divisions that produce content.

In 2021, the company defined strategic objectives relating to this topic as part of the Bertelsmann CR Program (2021–2023). These include guaranteeing the safety of journalists, continuously developing high-quality news reporting output and creating an environment that supports creative/editorial independence and that reflects a diversity of perspectives and differences of people and their opinions, ideas and stories.

Measures derived from this and already implemented in 2021 include a "Violence against Journalists" checklist, which was developed by RTL Deutschland. The list is intended to help to minimize the risk of violence in the run-up to and during filming, and to find the right contact person. Under the title "JAhr zur Wahrheit. Weil's stimmen muss" (roughly: "Y[ear of Y]es to truth. Because it has to be true"), the companies in the Bertelsmann Content Alliance are advocating journalistic integrity, quality and responsibility, and campaigning against conspiracy theories and the manipulation of minds, with a cross-divisional marketing campaign on the radio, on TV and in print.

In addition, a variety of organizational measures were continued to safeguard editorial and artistic independence in the editorial and creative departments. Here the focus is primarily on complying with the "Editor-in-Chief Principle," such as duties of care and respect for privacy, and dealing with the representation of violence and the protection of minors.

Content Responsibility

Content responsibility at Bertelsmann means reflecting on the repercussions of content production and distribution, to protect the rights and interests of media users, customers and third parties as far as possible. Overriding principles and guidelines of media ethics are set by national and international laws governing the press, broadcasting and multimedia. These are underpinned by voluntary commitments to external guidelines, such as the ethics codes of national press councils, and within the company by the Bertelsmann Code of Conduct. In accordance with these principles and guidelines, Bertelsmann's editorial staff are committed to, among other things, "respecting privacy and the responsible treatment of information, opinion and images." As a result, the company expects careful research, high-quality reporting and transparency in case of errors – because thorough journalistic work is more important than ever in the face of online disinformation ("fake news"). Cross-divisional verification teams provide their expertise in discerning between authentic and manipulated photos and videos, or those taken out of context.

Furthermore, the issue of content responsibility is anchored in various ways in the divisions, companies and editorial departments. In accordance with the "Editor-in-Chief Principle," the responsibility for media content lies solely with the managers in the editorial teams and creative departments.

In 2021, the company defined strategic objectives relating to content responsibility as part of the Bertelsmann CR Program (2021–2023). These include expanding coverage of sociopolitical topics, ensuring complete youth media protection in streaming services and digital provision, and developing guidelines for publishing content.

On the level of measures, RTL launched its "Klima Update" ("Climate Update") program, which examines the topic in all its various facets. Furthermore, the news channel "ntv" covered the United Nations Climate Change Conference with a series titled "Wie schaffen wir Klimawandel" ("How can we manage climate change?"), with on-location reporting and an extensive schedule of special programs. The Gruner + Jahr magazine "Geo" is increasingly anchoring sustainability in its core business and is adapting operations and work processes accordingly. Among other topics, "Geo" covered all aspects of climate and species protection, as well as future technologies, in its "Nature and Sustainability" section, and it also launched "Wer wird Visionär?" ("Who wants to be a visionary?"), a podcast casting show searching for the best sustainable ideas Germany has to offer. Under the umbrella of the Bertelsmann Content Alliance and under the motto "Damit es auch morgen noch läuft" ("Making sure things will still work tomorrow"), RTL Deutschland, UFA, RTL Radio Deutschland, the Penguin Random House publishing group and Gruner + Jahr put the spotlight on water as a resource as part of the "Packen wir's an" ("Let's get to grips with it") themed week launched in October 2021.

The company shoulders a special responsibility when creating and distributing content for children and teenagers, who experience their living environment as digital natives. In the area of youth media protection, content is monitored in accordance with different restrictions for each medium and region to see if it could adversely affect the development of children or young people. If there are any such indications, various restrictions come into force, such as broadcasting time restrictions or content and/or product labels. Through voluntary labeling systems, Bertelsmann divisions and companies sometimes go beyond the existing EU and national regulations, particularly in the area of audiovisual media. In addition, Bertelsmann companies are active in child and youth media protection organizations.

Respect for Human Rights

Bertelsmann is committed to respecting and protecting human rights within the company and in its supply chains. This stance is anchored in the Code of Conduct and is expressed through the voluntary commitment to external guidelines, e.g., the Guiding Principles on Business and Human Rights, the Free & Equal principles of the United Nations or the OECD Guidelines for Multinational Enterprises. The goal is to minimize the risk of human rights violations and discrimination to the greatest possible extent.

For this reason, the Bertelsmann Executive Board established an Integrity & Compliance program and appointed a Corporate Compliance Committee (CCC). The CCC submits an annual Compliance Report to the Bertelsmann Executive Board and the Audit and Finance Committee. The CCC chair is the head of the Corporate Legal Department. The Integrity & Compliance (I&C) department is responsible for implementing the topic, and is subordinated to the CCC in the organization. I&C supports the CCC in fulfilling its tasks and makes suggestions for necessary improvements to the I&C program. I&C ensures that employees worldwide are made aware of the key legal provisions and internal company guidelines, including those concerning respect for human rights.

Bertelsmann is aware that its responsibility for human rights also goes beyond its own business operations. Respect for human rights within the supply chain is also expressly stipulated by the Bertelsmann Code of Conduct and the Supplier Code of Conduct. This includes a ban on coercive and child labor, the reaffirmation of the right to freedom of association and the right to engage in collective bargaining, and a ban on discrimination and intimidation. When it comes to business partners, the Supplier Code of Conduct also stipulates that

Bertelsmann does not tolerate discrimination because of any characteristic specified under applicable antidiscrimination law or company policy. Infringements of these principles can be reported by Bertelsmann employees and third parties by using the existing compliance management systems.

With regard to measures, Code of Conduct training sessions were also held in 2021 to raise awareness and deepen the general understanding of the issue of human rights among employees. In this context, measures to sensitize employees to the issue of antidiscrimination were also taken across the Group, and employees were advised of their rights. Contact persons for the German "General Equal Treatment Act" (AGG) have also been appointed at locations in Germany and employees informed of their rights through various channels. In addition, in 2021 individual subsidiaries and Bertelsmann itself issued statements in accordance with the "UK Modern Slavery Act" condemning all forms of modern slavery, coercive and child labor, and exploitation and discrimination, and presenting measures to prevent these human rights violations. The company also initiated the revision of the Supplier Code of Conduct to fulfil human-rights due diligence obligations in supply chains. The findings of the Bertelsmann Compliance Risk Analysis of 2021 show that the risks of human rights violations and discrimination are minimized to the greatest extent possible in view of the measures that have been taken.

Anti-Corruption and Bribery Matters

Bertelsmann actively combats corruption. As a participant in the United Nations Global Compact, the company is committed to taking a stance against all types of corruption, among other things. A key priority of the Bertelsmann Executive Board is to effectively counteract corruption within the organization. The goal is to reduce the risk of corruption to the greatest possible extent.

The I&C department, reporting to the CCC (see the section on "Respect for Human Rights"), continuously develops the Group's corruption prevention measures internationally.

Both the Bertelsmann Code of Conduct and the Executive Board Guideline on anti-corruption and integrity expressly prohibit all forms of corruption and bribery. This prohibition also applies to all third parties that work for, with or on behalf of Bertelsmann, as stipulated in the Supplier Code of Conduct. Along with instructions for dealing with officials, and guidelines for the granting or accepting of gifts in the context of business relations, the Anti-Corruption and Integrity Executive Board Guideline prescribes appropriate due diligence processes in dealing with third parties. A due diligence review is carried out for each individual risk profile through a corresponding risk classification. The general business partner risk and the supply chain risk are assessed annually as part of the Bertelsmann Compliance Risk Analysis. The Anti-Corruption and Integrity Executive Board Guideline also describes the channels for reporting suspected violations and seeking advice, as well as other prevention and control measures. The Executive Board guideline for dealing with alleged compliance violations anchors an obligation to report suspected violations of the prohibition of corruption to the Bertelsmann Corporate Center.

The most important measures in 2021 included publishing a new Code of Conduct as well as designing a new Code of Conduct training program that will be rolled out in 2022. Furthermore, training on the topic of "Anti-Corruption & Integrity" was provided to relevant employees across the Group and the corruption risk outlined in the annual compliance report to the Executive Board. The findings of the Bertelsmann Compliance Risk Analysis of 2021 show that the measures taken minimize the risk of corruption to the greatest extent possible.

Environmental Matters

Bertelsmann aspires to become climate-neutral by 2030. The Group aims to significantly reduce greenhouse gas emissions generated at its own sites due to business travel by its employees and in the manufacture of its products by 2030, and to offset all remaining emissions. The Group-wide target of cutting recorded greenhouse gas emissions by 50 percent compared to 2018 was validated in 2021 by the Science Based Targets initiative (SBTi). According to SBTi, the targeted reduction is in line with the Paris Climate Agreement's 1.5°C target.

In 2021, on the basis of the "Bertelsmann Climate Neutral 2030" climate strategy, individual targets were established for media and services divisions and for the education division, and relevant measures identified. The achievement of these division-specific targets is discussed as part of annual strategy meetings between Executive Board members and divisional heads. Group-wide guidelines constitute the framework for environmental and climate protection as well as energy and paper procurement. The "be green" working group with representatives from the corporate divisions again provided a platform for cross-divisional exchange on environmental

Environmental key figures

	2021	2020
Number of sites with green electricity supply	181	81
GHG emissions in tons of CO_2e Scope 1 and 2 (combined)	340,200	385,500
GHG emissions in tons of CO_2e Scope 1 and 2 (combined) per € 1 million turnover	18.2	22.3

topics in 2021. The collaboration focused on the procurement of electricity from renewable sources, Group-wide environmental data collection, the further development of accounting methods for supply chain emissions and the development of the Bertelsmann CR Program (2021–2023) for the topic of climate change.

As part of the annual environmental data survey conducted at the Group sites globally, data are collected regarding energy and materials consumption as well as fuels and employee mobility, and greenhouse gas emissions are quantified. Specific environmental footprint reports help the sites, companies and corporate divisions to evaluate opportunities and risks, and to report to customers and business partners. They are also used when processing ESG ratings.

On December 31, 2021, the number of sites using green electricity was 181, a significant rise of 100 on the previous year's figure of 81. The ongoing conversion of electricity procurement to renewable energies using certificates of origin led to a decrease in greenhouse gas (GHG) emissions (Scope 1 and 2 combined, measured in carbon dioxide equivalents CO_2e).

In 2021, further data was collected from suppliers and business partners for the quantification of indirect Scope 3 emissions. Next to data gathering from paper manufacturers and print service providers, the focus was on the analysis of film productions and digital sources of CO_2 emissions.

Further Group-wide environmental key figures are published in the second quarter of 2022 on the Bertelsmann website at https://www.bertelsmann.com/environmental.

In addition to the climate strategy "Bertelsmann Climate Neutral 2030," the company defined additional strategic objectives, and developed measures from those, as part of the Bertelsmann CR Program (2021–2023). These objectives include strengthening the governance for climate and environmental protection, and further developing environmental planning and reporting. In addition, the company intends to increase the share of renewable energy (green electricity, photovoltaics), implement new mobility concepts, and advance energy efficiency, by the development of "Green IT" and the measurement of the digital footprint. Emissions from the print and digital products supply chain are to be reduced in a joint effort with business partners.

EU Taxonomy

For the financial year 2021, the Group's EU Taxonomy reporting relates to the environmental objectives "Climate Change Mitigation" and "Climate Change Adaptation." This includes information on the proportion of Taxonomy-eligible economic activities in revenues, investments (CapEx) and operating expenses (OpEx). For the group-wide implementation of the EU Taxonomy requirements, Bertelsmann established a working group consisting of the Corporate Responsibility, Corporate Financial Reporting and Accounting departments, as well as Corporate Finance and Investor Relations. Together with the divisions, the working group defined the eligible revenues, CapEx and OpEx according to the EU Taxonomy. If revenues, CapEx and OpEx can be assigned to both environmental objectives "Climate Change Mitigation" and "Climate Change Adaptation," they are allocated in full to the environmental target "Climate Change Mitigation" in the first reporting period.

Bertelsmann is a media, services and education company that operates with a variety of business models in around 50 countries (see the section "Corporate Profile"). Bertelsmann's CO_2 emissions in the financial year 2021 were 18.2 tons of CO_2e per €1 million turnover (Scope 1 and 2). The company is pursuing a reduction target of 50 percent by 2030 compared to 2018, which has been validated by the SBTi (see the section "Environmental Matters").

So far, the company's economic activities have been covered by the EU Taxonomy to a limited extent.

With regard to the "Climate Change Mitigation" environmental objective, Bertelsmann therefore reports solely on the "Data processing, hosting and related activities" and "Data-based solutions for greenhouse gas emissions reductions" of the corporate division Arvato.

Regarding the "Climate Change Adaptation" environmental objective, the following economic activities are classified as relevant for Bertelsmann according to the EU Taxonomy: "Broadcasting activities, in particular radio and television broadcasting"; "Education"; "Production, distribution and sale of films and television programs"; and "Music publishing." These economic activities relate to the corporate divisions RTL Group, BMG and Bertelsmann Education Group. The extent to which they can make a substantial contribution to climate change adaptation is currently still interpreted differently by users. The company therefore chose not to report these economic activities in terms of the EU Taxonomy in the financial year 2021. Bertelsmann will observe the further specification of the EU Taxonomy requirements on an ongoing basis.

Revenues: The basis for the revenues are the reported revenues in the consolidated financial statements in accordance with IFRS 15. The total Taxonomy-eligible revenues in the 2021 financial year were €135 million (0.7 percent of Group revenues), thereof €125 million for "Data processing, hosting and related activities" and €10 million for "Data-driven solutions for greenhouse gas emissions reductions."

CapEx: Investments comprise the additions to intangible assets, property, plant and equipment, and right-of-use assets. Bertelsmann invests in modernizing and improving energy efficiency at its sites. In this context, investments were made, e.g., in photovoltaic systems and in electric vehicle charging stations.

For the financial year 2021, Bertelsmann reports material individual investments that were made by subsidiaries with Taxonomy-eligible investment activities. Like turnover, investments in music, film and broadcasting rights in the amount of €308 million are not classified as Taxonomy-eligible. Furthermore, purchase of assets through business combinations are not reported because the acquired assets primarily consist of brand names and customer relationships, which cannot be classified as sustainable under the EU Taxonomy.

In the financial year 2021, total Taxonomy-eligible investments of €58 million (7.3 percent of Group investments in intangible assets without goodwill and property, plant and equipment) largely involved investments in buildings (€27 million) and data centers (€14 million). Investments in building usage rights amounted to €185 million.

OpEx: For the financial year 2021, as with CapEx reporting, the company lists only operating repair and maintenance expenditures (including maintenance expenses for Taxonomy-eligible software) and expenditures arising from short-term leases that were incurred at subsidiaries with Taxonomy-eligible expenditures. Other expenses regarding the day-to-day operation of property, plant and equipment are not included in the operating expenses.

The Taxonomy-eligible operating expenses totaled €25 million in the 2021 financial year (10 percent of Group-wide repair and maintenance costs, and expenditures arising from short-term leases).

Consolidated Financial Statements

Consolidated Income Statement

in € millions	Notes	2021	2020
Revenues	1	18,696	17,289
Other operating income	2	849	682
Cost of materials	13	(5,943)	(5,133)
Royalty and license fees		(1,458)	(1,650)
Personnel costs	3	(6,011)	(5,622)
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	4	(909)	(1,040)
Other operating expenses	5	(2,789)	(2,684)
Results from investments accounted for using the equity method	11	101	86
Impairment and reversals on investments accounted for using the equity method	11	2	(62)
Results from disposals of investments		786	410
EBIT (earnings before interest and taxes)		3,324	2,276
Interest income	6	11	10
Interest expenses	6	(139)	(155)
Other financial income	7	13	8
Other financial expenses	7	(237)	(202)
Financial result		(352)	(339)
Earnings before taxes		2,972	1,937
Income tax expense	8	(662)	(478)
Group profit or loss		2,310	1,459
attributable to:			
Bertelsmann shareholders		1,800	1,152
Non-controlling interests		510	307

Consolidated Statement of Comprehensive Income

in € millions	Notes	2021	2020
Group profit or loss		2,310	1,459
Items that will not be reclassified subsequently to profit or loss			
Remeasurement component of defined benefit plans		253	(98)
Changes in fair value of equity instruments		8	1
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			
Exchange differences			
– changes recognized in other comprehensive income		358	(339)
– reclassification adjustments to profit or loss		20	(7)
Cash flow hedges			
– changes in fair value recognized in other comprehensive income		(52)	(13)
– reclassification adjustments to profit or loss		62	(2)
Share of other comprehensive income of investments accounted for using the equity method		(17)	(3)
Other comprehensive income net of tax	17	632	(461)
Group total comprehensive income		2,942	998
attributable to:			
Bertelsmann shareholders		2,406	715
Non-controlling interests		536	283

Consolidated Balance Sheet

in € millions	Notes	12/31/2021	12/31/2020
Assets			
Non-current assets			
Goodwill	9	8,179	7,868
Other intangible assets	9	2,705	2,308
Property, plant and equipment and right-of-use assets	10	2,774	2,717
Investments accounted for using the equity method	11	1,340	820
Minority stakes and other financial assets	12	1,584	1,196
Trade and other receivables	14	71	69
Other non-financial assets	15	1,047	881
Deferred tax assets	8	989	1,124
		18,689	16,983
Current assets			
Inventories	13	1,902	1,658
Trade and other receivables	14	4,594	4,570
Other financial assets	12	386	178
Other non-financial assets	15	1,068	992
Current income tax receivables		176	56
Cash and cash equivalents	16	4,645	4,571
		12,771	12,025
Assets held for sale		254	696
		13,025	12,721
		31,714	29,704
Equity and liabilities			
Equity	17		
Subscribed capital		1,000	1,000
Capital reserve		2,345	2,345
Retained earnings		8,266	5,751
Bertelsmann shareholders' equity		11,611	9,096
Non-controlling interests		1,963	1,629
		13,574	10,725
Non-current liabilities			
Provisions for pensions and similar obligations	18	1,474	2,009
Other provisions	19	198	136
Deferred tax liabilities	8	104	93
Profit participation capital	20	413	413
Financial debt	21	4,857	5,911
Lease liabilities	22	1,082	1,098
Trade and other payables	23	505	246
Other non-financial liabilities	23	397	401
		9,030	10,307
Current liabilities			
Other provisions	19	288	352
Financial debt	21	747	715
Lease liabilities	22	274	257
Trade and other payables	23	5,282	4,833
Other non-financial liabilities	23	2,294	1,926
Current income tax payables		110	216
		8,995	8,299
Liabilities related to assets held for sale		115	373
		9,110	8,672
		31,714	29,704

Consolidated Cash Flow Statement

in € millions	2021	2020
EBIT (earnings before interest and taxes)	3,324	2,276
Taxes paid	(807)	(214)
Depreciation and write-ups of non-current assets	914	1,128
Results from disposals of investments	(786)	(410)
Gains/losses from disposals of non-current assets	(10)	(234)
Change in provisions for pensions and similar obligations	(276)	(92)
Change in other provisions	(2)	94
Change in net working capital	(68)	486
Fair value measurement of investments	(483)	(59)
Other effects	(14)	19
Cash flow from operating activities	1,792	2,994
Investments in:		
– intangible assets	(482)	(313)
– property, plant and equipment	(327)	(350)
– financial assets	(890)	(216)
– purchase prices for consolidated investments (net of acquired cash)	(255)	(41)
Disposals of subsidiaries and other business units	851	337
Disposals of other fixed assets	836	320
Cash flow from investing activities	(267)	(263)
Issues of bonds and promissory notes	–	1,785
Redemption of bonds and promissory notes	(1,026)	(100)
Redemption of other financial debt	(171)	(689)
Proceeds from other financial debt	183	573
Redemption of lease liabilities	(279)	(276)
Interest paid	(249)	(298)
Interest received	28	43
Dividends to Bertelsmann shareholders	(180)	–
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18(b))	(230)	(10)
Change in equity	304	(736)
Other effects	(47)	38
Cash flow from financing activities	(1,667)	330
Change in cash and cash equivalents	(142)	3,061
Exchange rate effects and other changes in cash and cash equivalents	168	(61)
Cash and cash equivalents as of 1/1	4,643	1,643
Cash and cash equivalents as of 12/31	4,669	4,643
Less cash and cash equivalents included within assets held for sale	(24)	(72)
Cash and cash equivalents as of 12/31 (according to the consolidated balance sheet)	4,645	4,571

Changes in Net Liabilities Arising from Financing Activities

in € millions	2021	2020
Net liabilities arising from financing activities as of 1/1	(3,410)	(4,756)
Cash flow from operating activities	1,792	2,994
Cash flow from investing activities	(267)	(263)
Interest, dividends and changes in equity, additional payments (IAS 32.18(b))	(327)	(1,001)
Exchange rate effects and other changes in net liabilities arising from financing activities	(103)	(384)
Net liabilities arising from financing activities as of 12/31	(2,315)	(3,410)

Net liabilities arising from financing activities are the balance of the balance sheet positions "Cash and cash equivalents," "Financial debt" and "Lease liabilities."

Consolidated Statement of Changes in Equity

in € millions	Subscribed capital	Capital reserve[1]	Retained earnings					Bertelsmann shareholders' equity	Non-controlling interests	Total
			Other retained earnings	Accumulated other comprehensive income[2]						
				Exchange differences	Fair value reserve	Cash flow hedges	Share of other comprehensive income of investments accounted for using the equity method			
Balance as of 1/1/2020	1,000	2,345	5,496	3	8	1	1	8,854	1,591	10,445
Group profit or loss	–	–	1,152	–	–	–	–	1,152	307	1,459
Other comprehensive income	–	–	(96)	(327)	1	(12)	(3)	(437)	(24)	(461)
Group total comprehensive income	–	–	1,056	(327)	1	(12)	(3)	715	283	998
Dividend distributions	–	–	–	–	–	–	–	–	(6)	(6)
Changes in ownership interests in subsidiaries that do not result in a loss of control[3]	–	–	(465)	(7)	–	–	–	(472)	(255)	(727)
Equity transactions with shareholders	–	–	(465)	(7)	–	–	–	(472)	(261)	(733)
Other changes	–	–	(1)	–	–	–	–	(1)	16	15
Balance as of 12/31/2020	1,000	2,345	6,086	(331)	9	(11)	(2)	9,096	1,629	10,725
Balance as of 1/1/2021	1,000	2,345	6,086	(331)	9	(11)	(2)	9,096	1,629	10,725
Group profit or loss	–	–	1,800	–	–	–	–	1,800	510	2,310
Other comprehensive income	–	–	243	365	7	8	(17)	606	26	632
Group total comprehensive income	–	–	2,043	365	7	8	(17)	2,406	536	2,942
Dividend distributions	–	–	(180)	–	–	–	–	(180)	(218)	(398)
Changes in ownership interests in subsidiaries that do not result in a loss of control[3]	–	–	283	2	–	–	–	285	(5)	280
Equity transactions with shareholders	–	–	103	2	–	–	–	105	(223)	(118)
Other changes	–	–	(2)	–	–	6	–	4	21	25
Balance as of 12/31/2021	1,000	2,345	8,230	36	16	3	(19)	11,611	1,963	13,574

1) The capital reserve mainly includes share premiums received from the issue of ordinary shares in excess of their par values.
2) As of December 31, 2021, €-8 million relates to assets classified as held for sale in accordance with IFRS 5 (December 31, 2020: €8 million).
3) Changes in ownership interests in subsidiaries that do not result in a loss of control in the financial year 2021 result primarily from the decrease of shareholdings in Majorel (in the previous year, mainly from the increase of shareholdings in Penguin Random House). Further details are presented in note 11 "Interests in Other Entities."

Notes

Segment Information

in € millions	RTL Group 2021	RTL Group 2020	Penguin Random House 2021	Penguin Random House 2020	Gruner + Jahr 2021	Gruner + Jahr 2020	BMG 2021	BMG 2020	Arvato 2021	Arvato 2020
Revenues from external customers	6,533	5,939	4,029	3,801	1,032	1,102	661	599	4,960	4,315
Intersegment revenues	104	78	1	1	19	33	2	3	75	67
Divisional revenues	6,637	6,017	4,030	3,802	1,051	1,135	663	602	5,035	4,382
Operating EBITDA	1,361	1,097	755	691	134	127	144	137	825	662
EBITDA margin[1]	20.5%	18.2%	18.7%	18.2%	12.7%	11.2%	21.7%	22.7%	16.4%	15.1%
Impairment (–)/reversals (+) on intangible assets, property, plant and equipment and right-of-use assets	(1)	(16)	(5)	–	–	(77)	–	(1)	(19)	(12)
Results from investments accounted for using the equity method	27	32	7	2	14	4	–	–	9	11
Impairment (–)/reversals (+) on investments accounted for using the equity method	2	(62)	–	–	–	–	–	–	–	–
Invested capital	6,851	6,547	2,605	2,326	341	474	1,969	1,801	1,910	1,785

Further details on segment reporting are presented in note 27 "Segment Reporting."
1) Operating EBITDA as a percentage of revenues.
2) The business development of Bertelsmann Investments is presented primarily on the basis of EBIT. EBIT amounted to €316 million (previous year: €1 million).

Reconciliation to Operating EBITDA

in € millions	2021	2020
EBIT (earnings before interest and taxes)	3,324	2,276
Less special items		
Impairment on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations	–	(116)
Adjustment to carrying amounts on assets held for sale	(6)	–
Impairment (-)/reversals (+) on other financial assets at amortized cost	(1)	(26)
Impairment (-)/reversals (+) on investments accounted for using the equity method	2	(62)
Results from disposals of investments	786	410
Fair value measurement of investments	483	59
Restructuring and other special items	(301)	(214)
Less amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	(909)	(1,040)
Less adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	29	122
Operating EBITDA	3,241	3,143

	Bertelsmann Printing Group		Bertelsmann Education Group		Bertelsmann Investments[2]		Total divisions		Corporate		Consolidation		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	1,179	1,213	283	301	8	8	18,685	17,278	11	11	–	–	18,696	17,289
	140	149	–	–	–	4	341	335	35	32	(376)	(367)	–	–
	1,319	1,362	283	301	8	12	19,026	17,613	46	43	(376)	(367)	18,696	17,289
	60	55	86	89	(11)	(10)	3,354	2,848	(113)	298	–	(3)	3,241	3,143
	4.5%	4.0%	30.6%	29.5%	(133.0)%	(82.2)%	17.6%	16.2%	n/a	n/a	n/a	n/a	17.3%	18.2%
	(16)	(27)	–	(1)	(3)	(7)	(44)	(141)	–	–	–	(1)	(44)	(142)
	–	–	41	38	3	–	101	87	–	–	–	(1)	101	86
	–	–	–	–	–	–	2	(62)	–	–	–	–	2	(62)
	19	6	1,246	1,139	1,644	1,025	16,585	15,103	152	345	11	–	16,748	15,448

Information by Geographical Area

	Germany		France		United Kingdom		Other European countries		United States		Other countries		Total	
in € millions	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenues from external customers	5,720	5,334	2,063	2,053	1,307	1,117	3,842	3,342	4,359	4,294	1,405	1,149	18,696	17,289
Non-current assets[1]	3,436	3,212	1,263	1,205	1,294	1,263	3,529	3,436	3,787	3,410	349	367	13,658	12,893

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

Information on Revenue Sources

	Own products and merchandise		Services		Advertising		Rights and licenses		Total	
in € millions	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenues from external customers	4,399	4,371	7,132	6,426	4,041	3,642	3,124	2,850	18,696	17,289

General Principles

The Bertelsmann SE & Co. KGaA Consolidated Financial Statements as of December 31, 2021, 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 315e of the German Commercial Code (HGB) were also met. 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, the consolidated balance sheet and the consolidated cash flow statement 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. It is entered in the commercial register of the Gütersloh Local Court (Amtsgericht) under HRB 9194. The address of the company's registered headquarters is Carl-Bertelsmann-Strasse 270, 33311 Gütersloh.

Bertelsmann operates in the core business fields of media, services and education in around 50 countries worldwide. The geographic core markets are Western Europe – in particular, Germany, France and the United Kingdom – and the United States. In addition, Bertelsmann is strengthening its involvement in growth markets such as Brazil, India and China. As of December 31, 2021, the Bertelsmann divisions are RTL Group (entertainment), Penguin Random House (books), Gruner + Jahr (magazines), BMG (music), Arvato (services), Bertelsmann Printing Group (printing), Bertelsmann Education Group (education) and Bertelsmann Investments (funds). 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

The initial application of new financial reporting standards and interpretations had no material impact on the Bertelsmann Group.

Impact of Issued Financial Reporting Standards That Are Not Yet Effective

The Bertelsmann Group has not opted for early adoption of any additional standards, interpretations, or amendments that have been issued by the IASB or the IFRS IC but are not yet mandatory. The expected impact from the issued financial reporting requirements that are not yet effective is not material to the Bertelsmann Group.

The reform of the reference interest rates (so-called IBOR reform) is not expected to have any material impact on the financial position and financial performance. Bertelsmann is particularly affected with regard to the hedging of interest rate and currency risks insofar as derivative financial instruments reference certain reference interest rates (for example EURIBOR, USD-LIBOR). Bertelsmann will continuously monitor further developments in the context of the IBOR reform and initiate any necessary measures at an early stage.

Effects of the Coronavirus Pandemic on the Consolidated Financial Statements

The operating and accounting effects resulting from the coronavirus pandemic on the Consolidated Financial Statements of Bertelsmann SE & Co. KGaA no longer show a strong impact in the media, services, education and investments divisions. As developments in the financial year 2021 show, the broad positioning of the Bertelsmann Group continues to contribute to positive business development. The revenue and profit level are above the pre-coronavirus level in 2019 and significantly above the prior-year period.

Nevertheless, even during the ongoing coronavirus pandemic, accounting effects continue to be evaluated for the particularly relevant areas such as impairment of goodwill and individual assets, leases, authors' fees, program rights, inventories, trade receivables, government grants, deferred tax assets, contingent losses and revenues. Due to the overall significantly more stable economic situation, which is expected to remain more stable despite the ongoing coronavirus pandemic, and the ongoing recovery of the relevant markets in 2021, no significant negative effects on the Bertelsmann Group's financial position and results of operations have occurred for the accounting areas classified as vulnerable due to the coronavirus pandemic.

Furthermore, the economic uncertainties arising from the coronavirus pandemic continue to require extended discretionary judgments, estimates and assumptions. The assessment of the extent to which current and future customers will continue to be able to meet their payment obligations resulting from customer contracts is still subject to uncertainty in the current macroeconomic situation; therefore, Bertelsmann is focused on examining this criterion before and at the time of satisfying performance obligations as part of revenue recognition. In addition, the estimation of the variable consideration based on capacity utilization and the determination of transaction prices are subject to uncertainty.

Goodwill was tested for possible impairment in accordance with IAS 36 as of December 31, 2021. For this year, it should be noted that impairment tests were still subject to increased uncertainties and extended judgments in the context of forecasting cash flows. For further explanations, please refer to note 9 "Intangible Assets."

Where Group companies have applied for and received grants to address the effects of the coronavirus pandemic in various forms, grants related to income are generally deferred and recognized as income over the term of the grant. By contrast, grants related to assets reduce the cost of the acquired assets that qualify for capitalization. Due to the fact that newly created conditions are subject to interpretation ex post, the risk that the conditions for a granted subsidy may not be fulfilled cannot be completely ruled out despite intensive checks in advance.

Overall, no significant effects on the Group's financial position and financial performance are currently expected due to the coronavirus pandemic. Management is of the opinion that the additional estimates and discretionary judgments resulting from the coronavirus pandemic adequately reflect the currently foreseeable micro- and macroeconomic situation.

Consolidation

Principles of Consolidation

The Bertelsmann Consolidated Financial Statements include the financial statements of the parent company and its subsidiaries, joint ventures and associates. In addition, a special fund is included in the consolidated financial statements as a structured entity.

Subsidiaries are companies controlled by Bertelsmann SE & Co. KGaA in accordance with IFRS 10. Consolidation begins on the date on which the ability to exercise control exists, and ends when Bertelsmann loses the ability 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. Non-controlling interests are 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 identified preliminarily on the date of initial accounting, the business combination is accounted for using these preliminary values. Initial accounting is completed in accordance with IFRS 3.45, taking into account the maximum 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 10.25 in conjunction with IFRS 10.B98 f. Any investment retained in the former subsidiary, as well as 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.

Joint ventures in accordance with IFRS 11 and associates are included in the Consolidated Financial Statements using the equity method in accordance with IAS 28. Associates are companies over which Bertelsmann exercises a significant influence. This is generally the case for voting rights between 20 percent and 50 percent. Smaller shareholdings are accounted for using the equity method if there is a significant influence in accordance with IAS 28.6. When changing the accounting treatment of investments to the equity method, IFRS 3 is applied correspondingly 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 the carrying amount of the previously held interest is recognized in profit or loss. The portfolio of investments held by the Bertelsmann Investments division includes, among others, investments in associates recognized at fair value through profit or loss in accordance with IAS 28.18 in conjunction with IFRS 9. 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.

At the initiative of Bertelsmann SE & Co. KGaA, a special fund was launched in the reporting period in order to diversify the capital investment strategy. This fund is a structured entity in accordance with IFRS 10. The fund's activity is governed by the agreed investment requirements. The results generated by the fund are in general attributable to Bertelsmann SE & Co. KGaA as the sole investor.

The Bertelsmann Group recognizes immaterial investments in accordance with IFRS 9.

Scope of Consolidation

Bertelsmann is the majority shareholder of RTL Group, with an interest of 76.3 percent. Penguin Random House, Gruner + Jahr, BMG, Arvato, the Bertelsmann Printing Group, the Bertelsmann Education Group and Bertelsmann Investments are each wholly owned by Bertelsmann.

Composition of Scope of Consolidation

	Subsidiaries		Joint ventures[2]		Associates[2]		Total	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
RTL Group	264	260	9	15	22	34	295	309
Penguin Random House	118	115	–	–	1	1	119	116
Gruner + Jahr	62	72	–	–	3	2	65	74
BMG	67	65	–	–	–	–	67	65
Arvato	189	202	4	4	2	2	195	208
Bertelsmann Printing Group	35	37	1	1	–	–	36	38
Bertelsmann Education Group	20	21	–	–	4	4	24	25
Bertelsmann Investments	18	15	–	1	1	–	19	16
Corporate[1]	39	43	–	–	–	–	39	43
Total	812	830	14	21	33	43	859	894

1) Including Bertelsmann SE & Co. KGaA and the special fund.
2) The joint ventures and associates included in the table are investments accounted for using the equity method.

Changes in Scope of Consolidation

	Germany	France	United Kingdom	Other European countries	United States	Other countries	Total
Consolidated as of 12/31/2020	263	109	130	183	73	136	894
Additions	8	1	1	27	2	7	46
Disposals	21	14	7	11	8	20	81
Consolidated as of 12/31/2021	250	96	124	199	67	123	859

A total of 174 (previous year: 170) companies were excluded from the scope of consolidation. These consist of the associates in the portfolio of the Bertelsmann Investments division and entities without significant business operations and of negligible importance for the financial position and financial performance of the Bertelsmann Group. 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 (HGB) and will be available at the General Meeting.

Acquisitions and Disposals

In the financial year 2021, the cash flow from acquisition activities totaled €-255 million (previous year: €-41 million), of which €-188 million (previous year: €-33 million) related to new acquisitions during the reporting period less cash and cash equivalents acquired, €-9 million to payments in connection with acquisitions made in previous years, and €-58 million to an advance payment on the acquisition of 80 percent of the shares in Mayen Telekomünikasyon Hizmetleri A.Ş.

The consideration transferred in accordance with IFRS 3 amounted to a total of €253 million (previous year: €77 million) taking into account contingent consideration of €2 million (previous year: €2 million). Furthermore, put options in the amount of €40 million (previous year: €9 million) were recognized in connection with the acquisitions made by the RTL Group and Penguin Random House divisions, and a forward in the amount €3 million was also recognized in the previous year.

In July 2021, RTL Deutschland acquired the remaining 50 percent of the shares in Super RTL (RTL Disney Fernsehen GmbH & Co. KG). RTL Group's shareholding in Super RTL is now 100 percent. The acquisition of the full interest in Super RTL is in line with RTL Group's consolidation strategy and supports the growth plan for the RTL streaming service, RTL+. As a result of obtaining control, the investment previously accounted for using the equity method is consolidated from the date of acquisition. The consideration transferred in terms of IFRS 3 was €124 million and comprises a purchase price payment of €124 million, which was already made in June 2021. Obtaining control led to derecognition of the joint venture previously accounted for using the equity method, the fair value of which amounted to €110 million immediately before the acquisition date. The remeasurement of the investment already held resulted in other operating income of €94 million. The preliminary purchase price allocation resulted in goodwill of €101 million, mainly reflecting synergy potential with RTL Deutschland and the strengthening and growth of the market position. Goodwill is partly tax deductible and was allocated to the RTL Deutschland cash-generating unit of the RTL Group division. In 2021, transaction-related costs were immaterial and have been recognized in profit or loss. Since initial consolidation, Super RTL has contributed €95 million to revenue and €2 million to Group profit or loss. If consolidated as of January 1, 2021, Super RTL would have contributed €146 million to revenue and €7 million to Group profit or loss.

In addition, the Bertelsmann Group made several acquisitions in the financial year 2021, none of which was material on a stand-alone basis. In total, the impact of these acquisitions on the Group's financial position and financial performance was also minor. Payments net of acquired cash and cash equivalents amounted to €-65 million; the consideration transferred in accordance with IFRS 3 for these acquisitions amounted to €129 million taking into account contingent consideration of €2 million. The other acquisitions resulted in goodwill totaling €167 million, which reflects synergy potential and is not tax deductible. Transaction-related costs amounted to €1 million in the financial year 2021 and have been recognized in profit or loss.

The purchase price allocations consider all the facts and circumstances prevailing as of the respective dates of acquisition that were known prior to preparation of the Consolidated Financial Statements. In accordance with IFRS 3, should further facts and circumstances become known within the 12-month measurement period, the purchase price allocation will be adjusted accordingly.

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

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	Super RTL	Other	Total
Non-current assets			
Other intangible assets	124	49	173
Property, plant and equipment and right-of-use assets	1	19	20
Trade and other receivables	–	–	–
Other non-current assets	–	4	4
Current assets			
Inventories	12	80	92
Trade and other receivables	10	30	40
Other current assets	31	5	36
Cash and cash equivalents	1	53	54
Liabilities			
Provisions for pensions and similar obligations	–	(1)	(1)
Financial debt	–	(7)	(7)
Lease liabilities	–	(14)	(14)
Other financial and non-financial liabilities	(46)	(154)	(200)
Net assets acquired	133	64	197
Goodwill	101	167	268
Non-controlling interests	–	(20)	(20)
Fair value of pre-existing interests	(110)	(82)	(192)
Consideration transferred according to IFRS 3	124	129	253
Less earn-out consideration	–	(2)	(2)
Less other deferred consideration	–	(6)	(6)
Less fair value of contributed assets	–	(22)	(22)
Consideration paid in cash	124	99	223
Cash and cash equivalents acquired	(1)	(53)	(54)
Financial debt repaid at the acquisition date	–	19	19
Cash outflow from acquisitions in accordance with IFRS 3	123	65	188
Payments on prior year's acquisitions			9
Advance payment on acquisition of shares in Mayen Telekomünikasyon Hizmetleri A.Ş.			58
Total cash flow from acquisition activities			255

On the acquisition date, the fair value of the acquired receivables was €40 million. Of that amount, €35 million is attributable to trade receivables and €5 million to other receivables. Trade receivables were impaired in the amount of €-1 million, so that the gross amount is €36 million. The other receivables were not impaired, so that the fair value is equal to the gross amount.

Since initial consolidation, all new acquisitions made in the financial year 2021 in accordance with IFRS 3 have contributed €275 million to revenue and €9 million to Group profit or loss. If consolidated as of January 1, 2021, these would have contributed €470 million to revenue and €25 million to Group profit or loss.

In April 2021, RTL Group sold its interests held in its subsidiary SpotX to the US ad-tech company Magnite for €968 million. The purchase price was settled by the transfer of 12.4 million shares of Magnite stock, for a total of €381 million after considering the lock-up adjustment, and a cash payment of €587 million after considering closing adjustments in accordance with the sales and purchase agreement. Net of transaction-related costs, the transaction resulted in an overall gain of €717 million recognized in the item "Results from disposals of investments."

In May 2021, Gruner + Jahr sold its interests held in Prisma Media for €175 million net of cash disposed of and taking into account a shareholder loan repaid at the time of disposal. Net of transaction-related costs, the transaction resulted in a gain of €43 million, which is reported under the item "Results from disposals of investments."

In September 2021, Fremantle, which belongs to RTL Group, sold its interests held in its subsidiary Ludia Inc. for €144 million net of cash disposed of. Net of transaction-related costs, the transaction resulted in an overall gain of €56 million recognized in the item "Results from disposals of investments."

After considering the cash and cash equivalents disposed of, the Bertelsmann Group recorded cash flows in the amount of €851 million (previous year: €337 million) from all disposals. The disposals resulted in a gain from deconsolidation of €821 million (previous year: €399 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	SpotX	Prisma Media	Ludia	Other	Total
Non-current assets					
Goodwill	109	129	30	5	273
Other intangible assets	22	19	35	–	76
Property, plant and equipment and right-of-use assets	10	35	7	–	52
Other non-current assets	1	6	–	–	7
Current assets					
Inventories	–	9	–	1	10
Other current assets	170	67	21	7	265
Cash and cash equivalents	68	9	3	4	84
Liabilities					
Provisions for pensions and similar obligations	–	15	–	3	18
Financial debt	–	–	–	–	–
Lease liabilities	4	29	4	–	37
Other financial and non-financial liabilities	175	108	22	3	308

Assets Held for Sale and Liabilities Related to Assets Held for Sale

The carrying amounts of the assets classified as held for sale and related liabilities are presented in the following table:

Assets Held for Sale and Related Liabilities

in € millions	Total as of 12/31/2021	Total as of 12/31/2020
Assets		
Non-current assets		
Goodwill	77	237
Other intangible assets	7	33
Property, plant and equipment and right-of-use assets	46	43
Investments accounted for using the equity method	–	2
Other non-current assets	–	1
Deferred tax assets	4	5
Current assets		
Inventories	27	9
Trade and other receivables	64	286
Other current assets	7	8
Cash and cash equivalents	24	72
Impairment on assets held for sale	(2)	–
Assets held for sale	254	696
Equity and liabilities		
Non-current liabilities		
Provisions for pensions and similar obligations	15	14
Deferred tax liabilities	–	3
Lease liabilities	23	27
Trade and other payables	–	1
Current liabilities		
Other provisions	–	6
Lease liabilities	5	10
Trade and other payables	51	254
Other current liabilities	21	58
Liabilities related to assets held for sale	115	373

As of December 31, 2021, the carrying amounts of the assets classified as held for sale and related liabilities are mainly attributable to the RTL Group division.

In June 2021, RTL Group announced that it had signed a definitive agreement for the sale of RTL Belgium. The transaction – with an expected consideration of €215 million and after a dividend distribution of €35 million – is subject to regulatory approvals and is expected to be closed at the end of March 2022. The disposal group RTL Belgium includes not only the directly attributable goodwill of €32 million, but also the fair value proportionate share of the goodwill for the cash-generating unit "RTL Group, Group level" of €44 million attributable to the disposal.

As of December 31, 2021, further assets classified as held for sale and related liabilities are attributable to the Intervalor disposal group within the Arvato division and to individual assets classified as held for sale and related liabilities within the Penguin Random House and Arvato divisions.

As of December 31, 2020, the carrying amounts of the assets classified as held for sale and related liabilities were mainly attributable to the RTL Group and Gruner + Jahr divisions.

For disposal groups, which were measured at fair value less costs to sell, impairment losses were recognized in the amount of €6 million, which were attributable to planned or completed disposals in the Arvato division. The fair values are based on level 3 of the hierarchy of non-recurring fair values. Valuations for level 3 are based on information from contract negotiations. The impairment losses recognized in profit or loss are included in the item "Other operating expenses."

Disclosures on Transactions Not Yet Effective

In November 2020, Penguin Random House announced the acquisition of book publisher Simon & Schuster from media company Paramount Global (formerly ViacomCBS). The transaction is subject to approval by the antitrust authority. Penguin Random House has contractually agreed to pay Paramount Global a "regulatory termination fee" of US$200 million in the event that the acquisition is prohibited in its entirety or if the termination date is reached. Currently, no cash outflow is expected for the regulatory termination fee. The US Department of Justice filed suit in federal court in Washington, D.C. on November 2, 2021, seeking to enjoin the transaction and raising concerns that the acquisition of authors' rights would create a monopsony among buyers. Bertelsmann has retained experienced litigation counsel and rejects the Department of Justice's grounds for prohibition as without merit.

In May 2021, Groupe TF1, Groupe M6, Groupe Bouygues and RTL Group announced that they had signed agreements to enter into exclusive negotiations to merge the activities of Groupe TF1 and Groupe M6 and create a major French media group. The announced transaction between Groupe TF1 and Groupe M6 is subject to complex approvals and conditions precedent: (1) obtaining the required regulatory authorizations from (i) the French Competition Authority (Autorité de la Concurrence, "ADLC"), and a limited number of other national competition authorities, as well as from, (ii) the French media regulator (Autorité de Régulation de la Communication Audiovisuelle et Numérique, "ARCOM"). The transaction was formally notified to the ADLC on February 17, 2022, and is expected to be challenged by competitors. Consequently, there cannot be certainty of completion of the transaction and the probability of completion cannot be reasonably and objectively assessed at year-end; (2) completion of the transfer of selected TV channels to comply with applicable media law restrictions; and (3) obtaining of unconditional exemptions from the French stock market regulator (Autorité des marchés financiers) from the obligation to file mandatory takeover offers on Groupe TF1 and Groupe M6 shares. As a result, management has determined that Groupe M6 did not meet the necessary criteria to be classified as an asset held for sale as at December 31, 2021.

With regard to the planned merger of RTL Nederland and Talpa Network in the Netherlands, which is also not yet effective in the financial year 2021, as well as further explanations on the planned merger of Groupe TF1 and Groupe M6 in France, further explanations are presented in the Combined Management Report.

Foreign Currency Translation

Transactions denominated in a currency other than a subsidiary's functional currency are recognized in the functional currency at the exchange rate applicable on the day of their initial accounting. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are revalued into the functional currency using the closing rate applicable at that time. As a rule, gains and losses from these foreign currency translations are recognized in profit or loss. Non-monetary balance sheet items in foreign currency are carried at the historical exchange rate.

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. Foreign 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 for 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 exchange differences recognized in other comprehensive income and accumulated in a separate component of equity are reclassified from equity to profit or loss. The following euro exchange rates were used for currency translation purposes for the most significant foreign currencies for the Bertelsmann Group:

Euro Exchange Rates for Significant Foreign Currencies

		Average rates		Closing rates	
Foreign currency unit per €1		2021	2020	12/31/2021	12/31/2020
Australian dollar	AUD	1.5745	1.6524	1.5615	1.5896
Canadian dollar	CAD	1.4828	1.5313	1.4393	1.5633
Chinese renminbi	CNY	7.6272	7.8809	7.1947	8.0225
British pound	GBP	0.8596	0.8896	0.8403	0.8990
US dollar	USD	1.1827	1.1422	1.1326	1.2271

Accounting and Measurement Policies

Recognition of Income and Expense

Revenues from contracts with customers are recognized in accordance with IFRS 15. Under this standard, a contract-based five-step model is used to first identify and distinguish the relevant contracts with customers. In a next step, the separate performance obligations explicitly or implicitly stipulated in the contract are identified, and the contract is examined for fixed and variable consideration in order to use this as a basis for determining the respective transaction price. In doing so, constraining estimates of variable consideration are adequately taken into account. If more than one separate performance obligation is identified in a contract, the transaction price is then allocated to the identified performance obligations using the method of relative stand-alone selling prices, which are generally determined as prices on the markets relevant for the respective customers. Revenue recognition occurs upon satisfaction of the performance obligation either at a point in time or over time, depending on the underlying business model. If necessary, the extensive principal-agent considerations presented in IFRS 15 are also adequately taken into account in analyzing the contracts.

The prioritization of the five steps depends on the design of the underlying business model. Based on the underlying revenue sources in the Bertelsmann Group, the following key aspects are taken into consideration for revenue recognition:

- Own products and merchandise: As a rule, the revenues resulting from these contracts are recognized at a point in time when control is transferred. Depending on the underlying respective terms of sale, this is generally upon delivery to the customer. Expected returns from sales of products, mainly from physical books and magazines, are shown as liabilities in the balance sheet position "Trade and other payables." Return assets are presented in the balance sheet position "Other non-financial assets." In individual business models at Gruner + Jahr, giveaways to customers meet the criteria of a separate performance obligation. Any giveaways to an agent are capitalized as costs to obtain a contract and are amortized over the expected term of the subscription.
- Services: Services are generally rendered over a period of time, and the revenue is recognized based on an appropriate output method or input method for measuring progress.

If permissible, revenues are recognized in the amount of the invoice if this amount corresponds to the value of the performance provided. Revenue from financial services is presented separately as revenue if it results primarily from interest rate effects.

- Advertising: Advertising services are generally rendered over a period of time, and the revenue is recognized based on an appropriate output method for measuring progress. If several performance obligations are identified in an advertising contract, the transaction price is allocated on the basis of the relative stand-alone selling prices.
- Rights and licenses: The timing of revenue recognition for business models generating revenue from licenses depends on whether the license represents a right to access the intellectual property through the entire licensing period or a right to use when the license is granted. In particular, the underlying contracts are analyzed to determine whether the customer is exposed to significant changes to the intellectual property or whether the intellectual property remains in the condition defined upon entering into the contract throughout the term of the contract with regard to its content and scope. While revenues from licenses granted for a right to use are realized at the date of the transfer of control, revenues from licenses for rights to access are realized over a period of time throughout the term of the contract. The majority of licenses granted in the TV business represent a right to use the intellectual property at the date the license is granted. As a result, revenue is recognized at the point in time the license is granted to the licensee. In contrast, rights to access are used extensively in the music business, and these revenues recognized are throughout the term of the contract.

IFRS 15 stipulates some practical expedients of which the following are applied in the Bertelsmann Group:

- Costs of obtaining contracts are not capitalized if the underlying asset is amortized in no more than 12 months.
- The value of consideration is not adjusted for the effects of a material financing component if the financing component pertains to a period of no more than 12 months.
- For contracts with an original duration of not more than 12 months and for contracts for which revenue can be recognized according to the amount invoiced for simplification purposes, no disclosure of the aggregated transaction price is provided.

Payments received before satisfaction of the corresponding performance obligation are recognized as a contract liability. If contractual provisions make the invoicing of services completed to date causally dependent on the need to provide further goods or services, a contract asset is recognized. Receivables from contracts with customers are generally due in less than 12 months.

Interest income and expenses relating to financial assets measured at amortized cost are recognized on an accrual basis using the effective interest method in accordance with IFRS 9. Dividends are only recognized in profit or loss when the right to receive payment of the dividend 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 cost less accumulated impairment losses. Goodwill is subject to impairment testing at least annually in accordance with IAS 36. In the Bertelsmann Group, goodwill is tested for impairment as outlined in the section “Impairment.”

Other Intangible Assets

Non-current, internally generated intangible assets are capitalized at cost in accordance with IAS 38 if the corresponding requirements have been met. Intangible assets acquired separately are carried at acquisition cost less accumulated amortization and accumulated impairment losses, also in accordance with IAS 38. Intangible assets acquired as part of a business combination are initially recognized at fair value on 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 and reversals are determined by applying the requirements for impairment testing in accordance with IAS 36. As a rule, capitalized software has a useful life of between three and five years. Acquired customer relationships 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 entire useful life). Intangible assets with indefinite useful life are not amortized. Instead, they are subject to at least annual impairment testing in accordance with IAS 36 and, if applicable, written down to their recoverable amount.

Property, Plant and Equipment

Items of property, plant and equipment are accounted for in accordance with IAS 16 and carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined on a straight-line basis over the estimated useful life of the asset. In the financial year 2021, depreciation was generally based on the following useful lives:

- buildings: 10 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.

Impairment

Goodwill and intangible assets with indefinite useful life are tested for impairment in accordance with IAS 36 annually as of December 31 and if a triggering event occurs. Intangible assets with a finite useful life, as well as property, plant and equipment and right-of-use assets, are tested for impairment at the end of each reporting period in accordance with IAS 36 only if there are any indications of impairment. An impairment loss in accordance with IAS 36 has occurred when the carrying amount of an asset or cash-generating unit 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 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. Corresponding to the consideration of the right-of-use assets recognized in the balance sheet for determining the carrying amount, the lease payments are not deducted when determining the recoverable amount. The model also takes into account reinvestment requirements in the right-of-use assets. In addition, there are effects on the cost of capital as a result of an IFRS 16-related change in the level of indebtedness of the peer companies used. For assets held for sale, only the fair value less costs to sell is used as a basis for comparison.

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. If an active market exists, the market price or, if applicable, the price in the most recent comparable transaction, is used for fair value measurement. If there is no active market, the 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 detailed planning periods. Generally, two further detailed planning periods are applied in addition. For periods beyond this detailed horizon, a perpetual annuity is recognized, taking into account individual business-specific growth rates. 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. The Bertelsmann Group performs sensitivity analyses on the cash-generating units, especially on those where the headroom between the recoverable amount and the carrying amount is low.

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. The impairment loss and reversals of impairment losses are both recognized immediately in profit or loss.

Leases

Generally, for all leases with the Bertelsmann Group as a lessee the related contractual rights and obligations are recognized on the balance sheet as a right-of-use asset and a lease liability. On the date of initial accounting, lease liabilities are recognized at the present value of the outstanding lease payments. The lease payments include fixed payments less any lease incentives due from the lessor, variable lease payments linked to an index or a rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if the exercise is reasonably certain and penalty payments for terminating the lease if the lease term reflects the exercise of the termination option. Variable lease payments linked to sales are recognized in profit or loss in the period when the conditions for the payments have been met. The present value is determined using maturity-, currency- and risk-specific incremental borrowing rates. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. Right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses. Cost comprises the amount of lease liabilities recognized, the initial direct costs and the lease payments made at or before the commencement date of the lease, less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life or lease term. Short-term leases with a lease term of up to one year, and leases for low-value assets for which the Bertelsmann Group does not recognize right-of-use assets or lease liabilities, constitute an exception. For such leases, the payments are recognized on a straight-line basis as expenses in the income statement under “Other operating expenses.” If, in the context of sale-and-leaseback transactions, control of an underlying asset is transferred as defined in IFRS 15, the Bertelsmann Group as the seller and lessee recognizes the asset in the amount of the proportional right of use retained. The gain or loss from the sales transaction as the proportional amount of the rights transferred to the lessor is recognized through profit or loss in the item “Other operating income” or “Other operating expenses.”

Financial Assets

In accordance with the IFRS 9 classification and measurement approach for financial assets, there are three classification categories for financial assets in the Bertelsmann Group:
- at amortized cost,
- at fair value with changes in fair value through other comprehensive income (FVOCI), and
- at fair value with changes in fair value through profit or loss (FVTPL).

The allocation to the respective classification categories is based on the following criteria:
- the entity’s business model for managing the financial assets and
- contractual cash flow characteristics of the financial asset.

Financial assets (with the exception of trade receivables without a significant financing component) are recognized initially at fair value, taking into account transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets are recognized on the settlement date of the transaction. Transaction costs of financial assets recognized at fair value through profit or loss are immediately expensed in profit or loss. Trade receivables without a significant financing component are initially recognized at their transaction price.

Subsequent measurement of financial instruments depends on the classification categories:
- At amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on the principal amount outstanding are measured at amortized cost. This category mainly comprises trade receivables and other financial receivables. Any gain or loss arising

on derecognition and impairment losses are recognized directly in profit or loss.
- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding, are measured at fair value with changes in fair value through other comprehensive income. The Bertelsmann Group held no debt instruments measured at fair value through other comprehensive income. Bertelsmann exercises the option for measurement of equity instruments at fair value through other comprehensive income mainly for individual immaterial investments. With deferred taxes taken into consideration, the gains and losses resulting from fluctuations in the fair value of these equity instruments are recognized through other comprehensive income. Gains and losses from the fair value are not reclassified to profit or loss after derecognition of the equity instruments. Dividends from such equity instruments continue to be recognized in profit or loss.
- FVTPL: Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. Gains and losses resulting from fluctuations in fair value are recognized in profit or loss.

Impairment and measurement of expected credit losses: Bertelsmann applies the expected credit loss (ECL) model in accordance with IFRS 9 for debt instruments at amortized cost and for contract assets. Accordingly, the amount of expected credit losses recognized as a loss allowance depends on the extent to which the default risk has increased since initial recognition. According to the so-called general approach, a distinction is made between the following two measurement bases:
- 12-month ECL: At initial recognition and if the default risk has not increased significantly from the initial recognition of the debt instrument, a loss allowance is recognized for expected credit losses within the next 12 months.
- Lifetime ECL: If the default risk has increased significantly, a loss allowance for expected credit losses is recognized for the entire life of the debt instrument.

Appropriate quantitative and qualitative information and analyses based on the Group's historical experience and reasonable assessments, including forward-looking information such as customer-specific information and forecasts of future economic conditions, are taken into consideration when determining the credit risk. When a financial asset is more than 30 days past due, its credit risk is assumed to have increased significantly. A default of a financial asset is assumed at the latest when the counterparty fails to make contractual payments within 90 days of when they fall due, unless reasonable and supportable information is available that justifies a different time of overdue payment. The Group assesses whether a financial asset is credit-impaired at the end of each reporting period. This is the case when one or more events that have a detrimental impact on the expected future cash flows of that financial asset have occurred. A financial asset is written off when it is no longer reasonably expected to be fully or partially recoverable.

For trade receivables and contract assets, Bertelsmann uses a simplified approach to measure expected credit losses. According to this, the loss allowance is measured using lifetime expected credit losses. For this purpose, impairment matrices based on historic bad debt losses, maturity bands and expected credit losses are prepared. The impairment matrices are created for division-specific or business unit-specific groups of receivables, each with similar default patterns. In addition, separate risk assessments are performed. Contract assets have substantially the same risk characteristics as trade receivables for the same types of contracts, so that the expected loss rates for trade receivables are also a reasonable approximation of the loss rates for contract assets.

Measurement at Fair Value

In the case of financial assets and 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 measurement (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 or on the basis of observable prices obtained as part of the most recently implemented qualified financing rounds, taking into account the life and developmental cycle of the respective entity (level 3).

Inventories

Inventories – including raw materials and supplies, finished goods, work in progress and merchandise – are accounted for in accordance with IAS 2 and recognized at the lower of historical cost or 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. In addition, 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 on the number of planned broadcasts. 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:
  - Blockbusters, mini-series, other films, series, TV movies and (co-)productions are consumed, run by run, over a maximum of four transmissions mainly following a degressive approach for amortization depending on the agreed total number of transmissions.
  - Soaps, in-house productions, quiz and game shows, sports and other events, documentaries and music shows are fully consumed upon the first transmission.
  - Children's programs and cartoons are consumed over the license period on a linear basis as there is a very slow saturation and a very high number of repetitions for the target group kids (three- to 13-year-olds).
- Pay television channels: program rights are consumed on a straight-line basis over the license period

The consumption of inventories and current film and television rights, changes in inventories of work in progress and finished goods, as well as own costs capitalized, are recognized in the income statement in the position "Cost of materials."

Income Taxes

In accordance with IAS 12, income taxes include both current taxes on income and deferred taxes. Current income taxes are calculated on the taxable income of the financial year and on all adjustments to taxable income of previous financial years, taking into account the tax rates applicable in each case. For the calculation of current and deferred taxes, the applicable tax laws and tax jurisdictions of the respective country in which the consolidated Group companies are registered are considered.

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 reviewed at each balance sheet date and recognized to the extent it is probable that taxable income will be available against which the deductible temporary differences, tax loss carryforwards and tax credits 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 taxes are not recognized for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither earnings before taxes nor taxable income
- temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future
- taxable temporary differences on initial recognition of goodwill

The tax rates applied for computation are those expected as of the date of reversal of temporary differences and use of tax loss carryforwards or tax credits, respectively. As a rule, current and deferred taxes are recognized in profit or loss unless they relate to items recognized in other comprehensive income. In this case, current and deferred taxes are recognized in other comprehensive income.

Current and deferred income tax items are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and the tax assets and tax liabilities relate to income taxes levied by the same taxation authority.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income includes net exchange differences and gains and losses from the fair value measurement of equity instruments with changes through other comprehensive income (IFRS 9 classification category FVOCI) and of derivatives used to hedge future cash flows (cash flow hedges) in accordance with IFRS 9.

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 returns implied by the net interest cost on the plan assets, and effects of the asset ceiling) are recognized in the other retained earnings in the year in which these gains and losses are 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. 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 returns 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 other provisions are recognized in accordance with IAS 37. Provisions are measured in the amount of the most likely outcome. Non-current 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.

Financial 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, unless the financial liability is classified as initially recognized at fair value through profit or loss. Future payments related to put options issued by the Bertelsmann Group on the equity interests of subsidiaries are accounted for as a financial liability. The liability is initially recognized at the present value of the redemption amount, with a corresponding charge directly to equity. In the case of a business combination with the transfer of the risks and rewards of the non-controlling interests underlying the put option to the Bertelsmann Group, the goodwill increases by a corresponding amount upon initial recognition. Subsequent measurement of liabilities from put options is recognized in profit or loss.

Derivative Financial Instruments

As set out in IFRS 9, all derivative financial instruments are recognized at fair value on the balance sheet. Derivative financial instruments are recognized as of the trade date of the transaction. When a contract involving a derivative is entered into, it is initially determined whether it serves to hedge a balance sheet item (fair value hedge) or to hedge future cash flows (cash flow hedge). Some derivatives do not meet the requirements set out in IFRS 9 for recognition as hedges, despite this being their economic purpose (stand-alone hedge).

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

- 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.
- 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. Upon receiving an underlying non-financial asset or a non-financial liability, the amount is reclassified from accumulated other comprehensive income to the respective item. 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.
- Stand-alone hedge: Changes in the fair value of derivatives that do not meet the criteria for recognition as hedges are recognized in profit or loss.

In the financial year 2021, no hedge transactions were recognized with fair value hedges. Likewise, no hedge of net investment in foreign operations was made.

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 arising under 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 balance sheet positions in accordance with IFRS 5. They are measured at the lower of the carrying amount or 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. All 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 the reporting periods shown.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the 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. The transaction prices to be determined using the contract-based five-step model defined in IFRS 15 often include both fixed and variable consideration. The variable components are determined on the basis of estimates, which are made and updated in accordance with constraint conditions. For various business models, qualitative estimates must be made as part of principal-agent considerations as to who is to be regarded as a customer of a Bertelsmann company and whether a Bertelsmann company is to be regarded as principal or agent in a transaction.
- Control of entities in which the Bertelsmann Group holds less than half of the voting rights: Management considers that the Bertelsmann Group has 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 major 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. In addition, the Bertelsmann Group has a majority in relevant governing bodies and the decision-making rights over the relevant activities of Groupe M6 resulting from this majority. Furthermore, management believes that the Bertelsmann Group continues to control the customer experience company Majorel, which belongs to the Arvato division, even though it holds less than 50 percent of the share voting rights (December 31, 2020: 50 percent). The control is founded on the Group's contractually secured majority in the Supervisory Board of Majorel, allowing the Bertelsmann Group to direct Majorel's relevant activities even after the initial public offering (IPO). Majorel is therefore still a consolidated Bertelsmann company. Further details on the IPO are presented in note 11 "Interests in Other Entities."

- Significant influence although the Bertelsmann Group holds less than 20 percent of the equity shares in another entity: Although the Bertelsmann Group holds less than 20 percent of the equity shares of Atresmedia, management considers that the Group exercises a significant influence on Atresmedia in view of the representation of RTL Group on the Board of Directors and other governing bodies of Atresmedia.
- Investments in equity instruments: The measurement of various investments in equity instruments (December 31, 2021: €1,145 million; December 31, 2020: €802 million) recognized at fair value that are not based on prices quoted on active markets is based on observable prices obtained as part of the most recently implemented qualified financing rounds, taking into account the life and developmental cycle of the respective entity, or on valuations obtained on the basis of established financial methods using risk-adjusted discount rates. Further adjustments are made for financial instruments with contractual lockups.
- Trade and other receivables: Calculation of loss allowance for accounts receivable is based on historical credit loss rates for groups of financial assets with similar credit risk characteristics and on forward-looking information, including customer-specific information and forecasts of future economic conditions.
- Advance payments: Sales estimates and assumptions on future sales success are made in connection with advances paid to authors to secure exploitation rights for their publications.
- Impairment: The management's estimates of cash flow, on which impairment tests are based, 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. A combination of long-term trends, industry forecasts and in-house knowledge, with special emphasis on recent experience, is used in forming the assumptions about the development of the various relevant markets in which the Bertelsmann Group operates. The relevant markets are an area highly exposed to the general economic conditions. The development of the relevant markets is just one of the key operational drivers used by the Bertelsmann Group to assess individual business models. The most important assumptions include estimated growth rates, the weighted average cost of capital and tax rates. All these different elements are variable, interrelated and difficult to isolate as the main drivers 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 growth rates applied are based on long-term real growth rates 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. Details on impairment testing for intangible assets (including goodwill) in the Bertelsmann Group are presented in note 9 "Intangible Assets." In addition, in the case of sports and film rights, estimates are made with regard to anticipated revenues.
- 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. As a result of the increase in the discount rate for measuring provisions for pensions, actuarial gains amounting to €202 million before related tax effects were recognized in the item "Remeasurement component of defined benefit plans." Details on the assumptions made in pension accounting are presented in note 18 "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 financial 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 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. Contingent liabilities from litigation that were of subordinate significance from a Group perspective existed at the end of the reporting period. Management regularly reviews the recognition, measurement and use of provisions along with the disclosure requirements for contingent liabilities.

- Leases: Some real estate lease contracts include extension or termination options. Payments from these optional periods are included in the lease liability, provided it is reasonably certain that the lease will be extended beyond the non-cancellable lease period or that a termination option will not be exercised. In assessing whether an option to extend or terminate will be exercised, management considers all facts and circumstances that are associated with an economic incentive to exercise the option or not to exercise it. These include, in particular, the amount of lease payments compared to market prices in the optional period, completed or expected leasehold improvements, and the importance of the underlying asset to the Bertelsmann Group's operations.

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 uniformly useful lives within the Group is based on management's assumptions. General information on useful lives is presented in the sections "Other Intangible Assets" and "Property, Plant and Equipment."

The determination of the fair value less costs of disposal requires management judgement as it relates to estimates of proceeds of the disposal, residual obligations and direct disposal costs. The classification as assets held for sale and discontinued operations also requires management judgement.

The activities of the Group companies are subject to the respective applicable tax laws and pronouncements. Assumptions and estimates also form the basis for judgments regarding the ability to realize uncertain tax positions and future tax benefits that may arise from the interpretation of tax regulations. Recognition of an asset or liability from an uncertain tax position is performed in accordance with IAS 12 if payment or refund in respect of the legal uncertainty is probable. Measurement of the uncertain tax assets and tax liabilities is at its most likely amount in accordance with IFRIC 23. 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 planning strategies and loss carryforward periods. Information relating to the ability to realize tax benefits is presented in note 8 "Income Taxes."

Assumptions are also made for fair value measurement of other 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 market data where possible, but where these are not available, fair value measurement is based on assumptions by management. These assumptions relate to inputs such as cash flows, discount rate, liquidity risk and default risks. If a right to early termination or repayment exists for financial debt, the determination of the remaining term takes into account whether there is actually an intention to exercise such right.

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 section "Share-Based Payments" in note 17 "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.

Notes to the Income Statement and the Balance Sheet

1 Revenues

In the financial year 2021, Group revenues of €18,381 million were generated from contracts with customers in accordance with IFRS 15 (previous year: €17,007 million). The other revenues amounting to €315 million (previous year: €282 million) not in the scope of IFRS 15 resulted almost entirely from financial services in the Arvato division.

The following table only shows the revenues from contracts with customers in accordance with IFRS 15 by division and broken down by revenue source, geographical area and timing of revenue recognition. The categorization of revenue sources and geographical areas shown corresponds to that used in segment reporting.

Revenue from Contracts with Customers

	2021							
in € millions	RTL Group	Penguin Random House	Gruner + Jahr	BMG	Arvato	Bertelsmann Printing Group	Bertelsmann Education Group	Total divisions[1]
Revenue Sources								
Own products and merchandise	48	3,841	362	63	59	25	–	4,398
Services	300	130	365	2	4,586	1,133	283	6,799
Advertising	3,732	–	288	–	–	21	–	4,041
Rights and licenses	2,453	58	17	596	–	–	–	3,124
	6,533	4,029	1,032	661	4,645	1,179	283	18,362
Geographical Areas								
Germany	2,142	280	735	40	1,606	728	3	5,534
France	1,392	12	101	63	437	58	–	2,063
United Kingdom	232	476	30	78	394	96	1	1,307
Other European countries	1,649	368	76	79	1,394	135	–	3,701
United States	898	2,275	23	349	393	149	272	4,359
Other countries	220	618	67	52	421	13	7	1,398
	6,533	4,029	1,032	661	4,645	1,179	283	18,362
Timing								
Point in time	1,936	3,896	530	175	60	39	–	6,636
Over time	4,597	133	502	486	4,585	1,140	283	11,726
	6,533	4,029	1,032	661	4,645	1,179	283	18,362

in € millions	RTL Group	Penguin Random House	Gruner + Jahr	BMG	Arvato	Bertelsmann Printing Group	Bertelsmann Education Group	Total divisions[1]
				2020				
Revenue Sources								
Own products and merchandise	89	3,647	496	43	75	20	–	4,370
Services	332	104	258	–	3,958	1,173	301	6,126
Advertising	3,289	–	333	–	–	20	–	3,642
Rights and licenses	2,229	50	15	556	–	–	–	2,850
	5,939	3,801	1,102	599	4,033	1,213	301	16,988
Geographical Areas								
Germany	1,885	277	735	45	1,440	775	2	5,159
France	1,242	10	239	50	462	50	–	2,053
United Kingdom	195	454	29	82	233	122	1	1,116
Other European countries	1,430	325	67	71	1,184	148	–	3,225
United States	1,035	2,208	16	299	337	108	291	4,294
Other countries	152	527	16	52	377	10	7	1,141
	5,939	3,801	1,102	599	4,033	1,213	301	16,988
Timing								
Point in time	1,855	3,695	716	143	101	35	–	6,545
Over time	4,084	106	386	456	3,932	1,178	301	10,443
	5,939	3,801	1,102	599	4,033	1,213	301	16,988

1) Excluding Bertelsmann Investments and Corporate activities.

During the reporting period, the revenues from contracts with customers comprise performance obligations fulfilled at a certain point in time of €6,636 million (previous year: €6,545 million) and performance obligations fulfilled over a certain period of time of €11,726 million (previous year: €10,443 million). If revenue is recognized at a point in time, the respective timing of revenue recognition is determined by the contractually agreed terms of sale. For performance obligations satisfied over time, a sufficient measure of progress is determined generally based on output methods to recognize revenue accordingly. Input methods are used to determine revenue recognition in business models for which they more accurately measure progress. Revenues amounting to €1 million (previous year: €4 million) result from performance obligations already satisfied in previous periods. Bertelsmann makes use of practical expedients set out in IFRS 15 and does not disclose any unsatisfied performance obligations for contracts with an original duration of no more than 12 months, or for contracts for which revenue can be recognized according to the amount invoiced for simplification purposes. As of December 31, 2021, Bertelsmann expects future revenues from existing long-term service level agreements of €974 million (previous year: €996 million), which will be attributable to unsatisfied (or partially unsatisfied) performance obligations as of the end of the reporting period and is expected to be recognized in the amount of €400 million (previous year: €408 million) in the next financial year and in the amount of €574 million (previous year: €588 million) in the following years.

2 Other Operating Income

in € millions	2021	2020
Fair value measurement of investments	483	59
Income from reimbursements	94	67
Income from sideline operations	43	47
Gains from disposals of non-current assets	19	246
Sundry operating income	210	263
	849	682

The item "Fair value measurement of investments" mainly comprises effects from the valuation of financial instruments held in the portfolio of the Bertelsmann Investments division and from the valuation of RTL Group's minority stakes. Bertelsmann Investments assigns its minority stakes in start-ups and fund-of-fund investments to the fair value through profit or loss category in accordance with IFRS 9. Further details are presented in note 12 "Minority Stakes and Other Financial Assets." The item "Sundry operating income" consists of a number of individually immaterial matters in the subsidiaries.

The gains from disposals of non-current assets in the financial year 2020 mainly resulted from sale-and-leaseback transactions in the total amount of €235 million. In the previous year, the item "Sundry operating income" included €147 million from the sale of an office space. This was acquired under a purchase option, immediately resold and subsequently leased back.

3 Personnel Costs

in € millions	2021	2020
Wages and salaries	4,832	4,510
Statutory social security contributions	736	693
Expenses for pensions and similar obligations	158	149
Profit sharing	89	88
Other employee benefits	196	182
	6,011	5,622

The contributions paid by the employer to state pension plans amounted to €367 million (previous year: €320 million) in the financial year 2021.

4 Amortization/Depreciation, Impairment and Reversals on Intangible Assets, Property, Plant and Equipment and Right-of-Use Assets

in € millions	2021	2020
Amortization/depreciation, impairment and reversals on		
– intangible assets	365	487
– property, plant and equipment and right-of-use assets	544	553
	909	1,040

Further details on amortization/depreciation, impairment and reversals shown are presented in note 9 "Intangible Assets" and note 10 "Property, Plant and Equipment and Right-of-Use Assets."

5 Other Operating Expenses

in € millions	2021	2020
Administrative expenses	1,107	998
Selling and transmission expenses	592	608
Advertising costs	351	311
Loss allowances on receivables, loans and non-financial assets	259	340
Consulting and audit fees	219	169
Operating taxes	97	93
Losses on disposals of non-current assets	9	11
Adjustment to carrying amounts on assets held for sale	6	–
Foreign exchange losses	3	1
Sundry operating expenses	146	153
	2,789	2,684

The item "Administrative expenses" includes repair and maintenance costs of €214 million (previous year: €190 million) and costs for IT services of €285 million (previous year: €218 million). In the financial year 2021, expenses from short-term leases in the amount of €30 million (previous year: €32 million) and expenses from leases for low-value assets in the amount of €13 million are also included in this item (previous year: €11 million). The item "Loss allowances on receivables, loans and non-financial assets" comprises mainly loss allowances on advance payments for royalties and licenses of the Penguin Random House division amounting to €205 million (previous year: €230 million). The item "Sundry operating expenses" consists of a number of individually immaterial matters in the subsidiaries.

6 Interest Income and Interest Expenses

in € millions	2021	2020
Interest income		
Interest income on cash and cash equivalents	3	3
Other interest income	8	7
	11	10
Interest expenses		
Interest expenses on financial debt	(125)	(134)
Interest expenses on interest rate derivatives	(2)	(1)
Other interest expenses	(12)	(20)
	(139)	(155)

7 Other Financial Income and Expenses

in € millions	2021	2020
Other financial income		
Sundry financial income	13	8
	13	8
Other financial expenses		
Net interest on defined benefit plans	(20)	(24)
Interest expenses on lease liabilities	(36)	(41)
Dividend entitlement on profit participation certificates	(45)	(44)
Financial expenses from put/call options	(40)	(1)
Minority interests in partnerships	(9)	(10)
Non-operating foreign exchange losses	(8)	(6)
Other non-operating expenses from derivatives	(30)	(48)
Sundry financial expenses	(49)	(28)
	(237)	(202)

To better reflect the economic content, income and expenses from non-operating foreign currency, hedging transactions are offset against the results from the measurement of the economically hedged items in foreign currency, and are recognized as non-operating foreign exchange gains or losses. In the financial year 2021, the net results from these non-operating foreign currency transactions of €175 million (previous year: €-193 million) were offset against the net results from hedged foreign currency transactions amounting to €-183 million (previous year: €187 million).

8 Income Taxes

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

Income Taxes

in € millions	2021	2020
Earnings before income taxes	2,972	1,937
Current income taxes	(583)	(489)
Deferred income	(79)	11
Total income taxes	(662)	(478)
Net income after income taxes	2,310	1,459

Tax loss carryforwards of €200 million (previous year: €397 million) were utilized in the financial year 2021, reducing current tax expenses by €45 million (previous year: €83 million). Of the tax loss carryforwards utilized, €7 million (previous year: €10 million) was due to German corporate income tax, €6 million (previous year: €11 million) was due to German trade tax and €187 million (previous year: €376 million) was due to foreign income taxes. These amounts include €61 million (previous year: €66 million) for tax loss carryforwards for which no deferred tax assets were recognized in the past. These relate in the amount of €1 million to German corporate tax (previous year: €9 million), in the amount of €1 million to German trade tax (previous year: €10 million) and to foreign income taxes in the amount of €59 million (previous year: €47 million). As a result of this utilization, current tax expense decreased by €14 million (previous year: €13 million).

The recognition of previously unrecognized tax loss carryforwards, deductible temporary differences and tax credits resulted in a reduction in deferred tax expense of €13 million (previous year: €15 million). The write-down or reversal of a previous write-down of deferred tax assets resulted in a net deferred tax expense of €9 million (previous year: €41 million).

Deferred tax assets and liabilities resulted from the following items and factors:

Deferred Taxes

in € millions	12/31/2021 Assets	12/31/2021 Equity and liabilities	12/31/2021 Recognized in profit or loss in the financial year	12/31/2020 Assets	12/31/2020 Equity and liabilities	12/31/2020 Recognized in profit or loss in the financial year
Goodwill	30	143	(52)	35	91	(5)
Other intangible assets	118	340	(2)	117	297	17
Property, plant and equipment and right-of-use assets	63	389	(6)	58	369	31
Investments accounted for using the equity method	1	–	(1)	1	–	1
Minority stakes and other financial assets	34	60	(67)	61	47	39
Inventories	225	4	(27)	240	8	13
Trade and other receivables	159	53	(119)	313	96	43
Other non-financial assets	81	122	(16)	65	91	28
Cash and cash equivalents	–	4	(1)	–	3	2
Provisions for pensions and similar obligations	1,003	479	(29)	1,005	389	(12)
Other provisions	147	53	26	112	51	2
Financial debt	1	15	121	1	137	(10)
Lease liabilities	404	5	(2)	393	5	(13)
Trade and other payables	146	46	17	113	32	11
Other non-financial liabilities	32	10	6	23	9	8
Loss carryforwards/tax credits	164		73	119		(144)
Total	2,608	1,723	(79)	2,656	1,625	11
Offset	(1,619)	(1,619)		(1,532)	(1,532)	
Carrying amount	989	104		1,124	93	

The item "Property, plant and equipment and right-of-use assets" includes deferred tax assets of €12 million (previous year: €11 million) and deferred tax liabilities of €336 million (previous year: €331 million) in connection with right-of-use assets in accordance with IFRS 16.

No deferred tax liabilities were recognized for temporary differences in connection with investments in subsidiaries in the amount of €640 million (previous year: €501 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.

Deferred tax assets in other comprehensive income amount to €529 million (previous year: €595 million).

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	12/31/2021	12/31/2020
Temporary differences (unlimited carryforward period)	54	99
Tax loss carryforwards		
Unlimited carryforward period	5,665	5,644
To be carried forward for more than 5 years	75	132
To be carried forward for up to 5 years	104	279
Tax credits		
Unlimited carryforward period	–	–
To be carried forward for more than 5 years	2	2
To be carried forward for up to 5 years	–	–

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

Reconciliation to Actual Tax Expense

in € millions	2021	2020
Earnings before income taxes	2,972	1,937
Income tax rate applicable to Bertelsmann SE & Co. KGaA	31.10%	31.10%
Expected tax expense	(924)	(602)
The tax effects of the following items led to differences between the expected and actual tax expense:		
Adjustment to different national tax rates	176	59
Effect of changes in tax rate and tax law	(14)	(9)
Non-tax-deductible impairment on goodwill	–	(35)
Tax effects in respect of results from disposals of investments	15	126
Current income taxes for previous years	26	5
Deferred income taxes for previous years	8	(10)
Effects of measurements of deferred tax assets	14	(20)
Permanent differences	101	24
Other adjustments	(64)	(16)
Total of adjustments	262	124
Actual tax expense	(662)	(478)

In the financial year 2021, income taxes include, in particular, positive effects from favorably taxed gains on disposal of investments. The positive effects from tax rate differences mainly result from the Group companies in the United States, the Netherlands, France and the United Kingdom. Permanent differences mainly include effects from tax-free income and fair value measurement effects. Other adjustments result from deferred tax effects from outside basis differences and withholding taxes.

Effective Income Tax Rate

	2021	2020
Corporate income tax including solidarity surcharge	15.83%	15.83%
Trade tax	15.27%	15.27%
Effective income tax rate	31.10%	31.10%

The effective tax rate is based on the tax rate of the German Group parent entity Bertelsmann SE & Co. KGaA and includes corporate income tax, the solidarity surcharge and trade tax. In addition, the Group operates mainly in the United States with a tax rate from 21.00 percent to 26.00 percent and in France with a tax rate of 27.50 percent to 28.41 percent.

9 Intangible Assets

in € millions	Goodwill	Other intangible assets: Music and film rights	Other rights and licenses	Internally generated intangible assets	Advance payments	Total	Total
Cost							
Balance as of 1/1/2020	8,991	3,099	2,391	1,125	17	6,632	15,623
Exchange differences	(206)	(114)	(106)	(43)	(1)	(264)	(470)
Acquisitions through business combinations	68	2	19	2	–	23	91
Other additions	–	89	211	36	19	355	355
Reductions through disposal of investments	(181)	–	(109)	(35)	–	(144)	(325)
Other disposals	–	(48)	(35)	(9)	–	(92)	(92)
Reclassifications in accordance with IFRS 5	(348)	–	(57)	(22)	(1)	(80)	(428)
Reclassifications and other changes	(1)	(115)	(32)	23	(21)	(145)	(146)
Balance as of 12/31/2020	8,323	2,913	2,282	1,077	13	6,285	14,608
Exchange differences	162	123	83	31	1	238	400
Acquisitions through business combinations	268	7	165	–	1	173	441
Other additions	–	326	140	31	35	532	532
Reductions through disposal of investments	(35)	–	(85)	–	–	(85)	(120)
Other disposals	–	(31)	(71)	(2)	–	(104)	(104)
Reclassifications in accordance with IFRS 5	(77)	–	(19)	(8)	(3)	(30)	(107)
Reclassifications and other changes	–	17	(39)	37	(19)	(4)	(4)
Balance as of 12/31/2021	8,641	3,355	2,456	1,166	28	7,005	15,646
Accumulated amortization							
Balance as of 1/1/2020	521	1,691	1,410	1,031	–	4,132	4,653
Exchange differences	(22)	(32)	(59)	(40)	–	(131)	(153)
Amortization	–	150	168	45	–	363	363
Impairment losses	116	3	5	4	1	13	129
Reversals of impairment losses	–	(3)	–	(1)	(1)	(5)	(5)
Reductions through disposal of investments	(49)	–	(97)	(26)	–	(123)	(172)
Other disposals	–	(46)	(32)	(8)	–	(86)	(86)
Reclassifications in accordance with IFRS 5	(111)	–	(36)	(11)	–	(47)	(158)
Reclassifications and other changes	–	(132)	(4)	(3)	–	(139)	(139)
Balance as of 12/31/2020	455	1,631	1,355	991	–	3,977	4,432
Exchange differences	7	33	47	30	–	110	117
Amortization	–	154	151	42	–	347	347
Impairment losses	–	–	13	5	–	18	18
Reversals of impairment losses	–	–	–	–	–	–	–
Reductions through disposal of investments	–	–	(50)	–	–	(50)	(50)
Other disposals	–	(20)	(67)	(1)	–	(88)	(88)
Reclassifications in accordance with IFRS 5	–	–	(13)	(1)	–	(14)	(14)
Reclassifications and other changes	–	–	–	–	–	–	–
Balance as of 12/31/2021	462	1,798	1,436	1,066	–	4,300	4,762
Carrying amount as of 12/31/2021	8,179	1,557	1,020	100	28	2,705	10,884
Carrying amount as of 12/31/2020	7,868	1,282	927	86	13	2,308	10,176

Other rights and licenses include brands and publishing rights, acquired customer relationships along with acquired software, and other licenses. In the financial year, BMG acquired music catalogs in the amount of €281 million, €191 million of which related to various music catalogs in the United States, €72 million to various music catalogs in Germany and Switzerland, €17 million to various music catalogs in the United Kingdom and €1 million for various music catalogs in other countries. Additionally, the increase in the financial year 2021 is due to the recognition of the Toggo brand belonging to RTL Group in connection with the acquisition of Super RTL. As of December 31, 2021, the carrying amount of the Toggo brand was €99 million. Internally generated intangible assets mostly include own film and TV productions and internally generated software. As in the previous year, no intangible assets were subject to restrictions on disposal as of the end of the reporting period.

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 Unit

	Goodwill		Other intangible assets with indefinite useful life	
in € millions	12/31/2021	12/31/2020	12/31/2021	12/31/2020
RTL Group	5,122	4,994	164	164
RTL Group, Group level	2,079	2,123	–	–
Fremantle	1,122	1,046	–	–
RTL Deutschland	1,079	971	–	–
Groupe M6	647	592	164	164
RTL Nederland	159	159	–	–
Yospace (2020)	–	8	–	–
Other	36	95	–	–
Penguin Random House	1,045	946	–	–
Gruner + Jahr	240	244	–	–
Magazines and digital business Germany	223	227	–	–
Newspapers	17	17	–	–
BMG	368	365	–	–
Arvato	494	482	–	–
Financial Solutions	368	360	–	–
Other	126	122	–	–
Bertelsmann Printing Group	18	17	–	–
Print US	8	8	–	–
Other	10	9	–	–
Bertelsmann Education Group	888	820	–	–
Online Learning	882	814	–	–
University	6	6	–	–
Bertelsmann Investments	4	–	–	–
	8,179	7,868	164	164

The decrease in goodwill within "RTL Group, Group level" and "Other" is due to the classification of RTL Belgium as a disposal group. Further details are presented in the section "Assets Held for Sale and Liabilities Related to Assets Held for Sale."

Intangible assets with indefinite useful life primarily concern Groupe M6 trademark rights in France (€120 million; previous year: €120 million) and brands related to Gulli (€38 million; previous year: €38 million), which also belong to Groupe M6. In determining that the M6 brand has an indefinite useful life, management has considered various factors such as the historical and expected longevity of the brand, the impact of possible changes in broadcasting technologies, the impact of possible evolutions of the regulatory environment in the French television industry, the current and expected audience share of the M6 channel, and management's strategy to maintain and strengthen the trademark "M6." As of December 31, 2021, based on the analysis of these factors, there is no foreseeable limit to the period of time over which the M6 brand is expected to generate cash inflows. Given their positioning, the market's awareness of the brands and their history, Gulli-related brands are considered to also have an indefinite useful life.

For the purpose of impairment testing in accordance with 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. The recoverable amount of the impairment test for RTL Group's goodwill recognized at Group level was determined on the basis of the market price, which is based on level 1 of the fair value hierarchy. As of December 31, 2021, the market price of RTL Group S.A. shares on the Frankfurt Stock Exchange was €46.62 (previous year: €39.74). No impairment was identified for goodwill carried. In addition, the value in use was calculated using a discounted cash flow method (level 3) based on a WACC of 6.6 percent (previous year: 6.7 percent) and a long-term growth rate of 0.5 percent (previous year: 0.5 percent). The value in use determined exceeded the fair value determined from the stock market price. The fair value of the cash-generating units Groupe M6 and Majorel was determined on the basis of the market price, which is based on level 1 of the fair value hierarchy. As of December 31, 2021, the market price of Métropole Télévision shares on the Paris Stock Exchange was €17.16 (previous year: €13.26) and of Majorel shares on the Amsterdam Stock Exchange was €27.88.

For the other cash-generating units, 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, as a rule, two further detailed planning periods were applied. For periods after this detailed horizon, a perpetual annuity was applied, taking into account individual business-specific growth rates.

The cash flow forecasts underlying the impairment testing of the individual cash-generating units bearing material goodwill are based on the following assumptions relating to the market development for the beginning of the detailed planning period:

- In 2022, the TV advertising markets in Germany and France are expected to be stable, while significant growth is expected in Hungary and a slight decline in the Netherlands. The streaming markets in Germany and the Netherlands are expected to continue growing strongly.
- The book markets are expected to remain stable overall.
- In the relevant music market, the publishing market segment is expected to grow strongly, while significant growth is projected for the recordings market segment.
- The services markets are predicted to show significant growth in 2022.
- The European printing markets are expected to record a moderate (offset) to strong (gravure) decline, while the book printing market in North America is expected to remain stable.
- Overall, sustained moderate to strong growth is anticipated for the relevant US education markets.

In addition, fair values based on discounted cash flows 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		Discount rate in % for the year	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
RTL Group				
Fremantle	1.8	1.8	8.2	8.2
RTL Deutschland	0.5	0.5	6.3	6.5
RTL Nederland	0.0	0.0	6.1	6.0
Yospace (2020)		2.0		10.2
Other	0.0–2.0	0.0–2.0	6.8–10.0	5.8–9.2
Penguin Random House	0.5	0.5	7.5	7.6
Gruner + Jahr				
Magazines and digital business Germany	0.8	0.0	7.9	6.1
Newspapers	0.0	0.0	6.8	5.6
BMG	2.0	2.0	6.4	6.8
Arvato				
Financial Solutions	1.5	1.5	7.0	6.7
Other	1.0–1.5	1.0–1.5	7.3–9.9	6.9–10.5
Bertelsmann Printing Group				
Print US	0.0	0.0	7.1	6.6
Other	0.0	0.0	6.1	5.1–6.1
Bertelsmann Education Group				
Online Learning	2.5	2.5	8.0	9.3
University	2.0	2.0	8.4	8.3
Bertelsmann Investments	n/a	3.0	n/a	14.5

In the financial year 2021, no impairment loss was recognized on goodwill (previous year: €116 million). Impairment losses on goodwill and other intangible assets with indefinite useful lives are recognized in the income statement under "Amortization/ depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets."

For the cash-generating unit We Are Era, which belongs to the RTL Group and is recognized in the item "Other," in the event of an increase in the discount rate by 0.4 percentage points, a decrease in the long-term growth rate by 0.7 percentage points or a decrease in the EBITA margin by 0.3 percentage points, the recoverable amount would fall below the carrying amount.

For the cash-generating unit Mohn Media, which belongs to the Bertelsmann Printing Group and is recognized in the item "Other," in the event of a reduction in the EBITDA margin by 0.9 percentage points the recoverable amount would fall below the carrying amount.

Other material goodwill was not subject to impairment, even given a change by one of the three most important factors: discount rate (increase of 1.0 percentage point), long-term growth rate (decrease of 1.0 percentage point) or EBITDA margin (decrease of 1.0 percentage point).

10 Property, Plant and Equipment and Right-of-Use Assets

Right-of-use assets from leased property, plant and equipment are capitalized as set out in IFRS 16. The balance sheet position "Property, plant and equipment and right-of-use assets" comprises property, plant and equipment owned by the Bertelsmann Group and right-of-use assets from leased property, plant and equipment.

Property, Plant and Equipment and Right-of-Use Assets

in € millions	2021	2020
Owned property, plant and equipment	1,641	1,594
Right-of-use assets from leased property, plant and equipment	1,133	1,123
	2,774	2,717

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 1/1/2020	1,824	2,478	1,424	68	5,794
Exchange differences	(22)	(43)	(38)	(2)	(105)
Acquisitions through business combinations	8	2	1	–	11
Other additions	39	43	129	134	345
Reductions through disposal of investments	(1)	(1)	(7)	–	(9)
Other disposals	(201)	(100)	(114)	(1)	(416)
Reclassifications in accordance with IFRS 5	9	(2)	(43)	–	(36)
Reclassifications and other changes	13	47	18	(85)	(7)
Balance as of 12/31/2020	1,669	2,424	1,370	114	5,577
Exchange differences	18	35	25	3	81
Acquisitions through business combinations	–	1	4	–	5
Other additions	22	54	151	110	337
Reductions through disposal of investments	(3)	–	(11)	–	(14)
Other disposals	(74)	(355)	(108)	(4)	(541)
Reclassifications in accordance with IFRS 5	(11)	(56)	(25)	(4)	(96)
Reclassifications and other changes	46	30	33	(101)	8
Balance as of 12/31/2021	1,667	2,133	1,439	118	5,357
Accumulated depreciation					
Balance as of 1/1/2020	1,006	2,140	994	–	4,140
Exchange differences	(12)	(35)	(23)	–	(70)
Depreciation	54	83	134	–	271
Impairment losses	–	4	3	–	7
Reversals of impairment losses	–	–	–	–	–
Reductions through disposal of investments	(1)	(1)	(12)	–	(14)
Other disposals	(123)	(91)	(108)	–	(322)
Reclassifications in accordance with IFRS 5	3	(1)	(36)	–	(34)
Reclassifications and other changes	(2)	1	6	–	5
Balance as of 12/31/2020	925	2,100	958	–	3,983
Exchange differences	11	29	17	–	57
Depreciation	52	77	134	–	263
Impairment losses	8	6	7	–	21
Reversals of impairment losses	–	–	–	–	–
Reductions through disposal of investments	(1)	–	(9)	–	(10)
Other disposals	(72)	(352)	(105)	–	(529)
Reclassifications in accordance with IFRS 5	(5)	(50)	(21)	–	(76)
Reclassifications and other changes	8	1	(2)	–	7
Balance as of 12/31/2021	926	1,811	979	–	3,716
Carrying amount as of 12/31/2021	741	322	460	118	1,641
Carrying amount as of 12/31/2020	744	324	412	114	1,594

As of the end of the reporting period, property, plant and equipment totaling €6 million (previous year: €8 million) were subject to restrictions on disposals. Impairment testing of cash-generating units in the "Other" item of the Bertelsmann Printing Group division identified imputed shortfalls. Subsequent impairment testing of property, plant and equipment amounting to €49 million (previous year: €67 million) at the individual asset level resulted in an impairment of €14 million (previous year: €3 million), which is mainly attributable to buildings and technical equipment and machinery. External assessments and appraisals were also used in the impairment testing of property, plant and equipment.

Impairment losses totaling €21 million were recognized for property, plant and equipment (previous year: €7 million).

Right-of-Use Assets

The vast majority of leases concern rental properties in the RTL Group, Penguin Random House and Arvato divisions. In addition, leases also exist for technical equipment and machinery, vehicles and other fixtures, furniture and office equipment. The existing lease contracts have different terms, and a number of property leases include extension or termination options in order to maximize operational flexibility in terms of managing the assets used in the Group's operations. Details on the corresponding lease liabilities are presented in note 22 "Lease Liabilities."

The following table shows depreciation and impairment, additions and other changes to the right-of-use assets in the financial year 2021 as well as the carrying amounts of the right-of-use assets from leased property, plant and equipment as of December 31, 2021:

Change in Right-of-Use Assets

in € millions	Land, rights equivalent to land and buildings	Technical equipment and machinery	Other equipment, fixtures, furniture and office equipment	Total
Carrying amount of leased property, plant and equipment as of 1/1/2021	1,083	6	34	1,123
Additions	185	3	13	201
Depreciation and impairment	(239)	(3)	(18)	(260)
Other changes	72	0	(3)	69
Carrying amount of leased property, plant and equipment as of 12/31/2021	1,101	6	26	1,133

in € millions	Land, rights equivalent to land and buildings	Technical equipment and machinery	Other equipment, fixtures, furniture and office equipment	Total
Carrying amount of leased property, plant and equipment as of 1/1/2020	1,240	6	35	1,281
Additions	235	6	19	260
Depreciation and impairment	(252)	(4)	(19)	(275)
Other changes	(140)	(2)	(1)	(143)
Carrying amount of leased property, plant and equipment as of 12/31/2020	1,083	6	34	1,123

The Bertelsmann Group made several sale-and-leaseback transactions in the previous year. These were in line with Bertelsmann's real estate strategy, according to which office spaces are to be leased where economically viable. Sale-and-leaseback transactions release tied-up capital and generate a more appropriate return on invested capital when reinvested in the operating business. In the previous year, lease liabilities of €134 million and right-of-use assets of €22 million were recognized in connection with sale-and-leaseback transactions.

11 Interests in Other Entities

Subsidiaries with Material Non-Controlling Interests

In the Group's view, material non-controlling interests relate to RTL Group and the company Majorel. The proportion of ownership interests held by non-controlling interests in RTL Group, based in Luxembourg, is 23.7 percent (previous year: 23.7 percent). At RTL Group itself, material non-controlling interests relate to the subsidiary Groupe M6, based in Paris, France. The RTL Group has a 48.2 percent interest (previous year: 48.4 percent) in Groupe M6. Of the non-controlling interests of RTL Group, €701 million (previous year: €634 million) is attributable to Groupe M6. As of December 31, 2021, the proportion of ownership interests held by non-controlling interests in Majorel, a company belonging to the Arvato division, is 60.5 percent (previous year: 50.0 percent).

Change in Bertelsmann Shareholders' Equity

In September 2021, Bertelsmann reduced its investment in Majorel to 39.5 percent (December 31, 2020: 50.0 percent). On September 24, 2021, a total of 23 million existing shares, including an overallotment option of 3 million shares which was exercised to the extent of 0.1 million shares, were listed under a private placement on Euronext Amsterdam. The share price was €33. Including the overallotment, Bertelsmann received funds in a total amount of €347 million from the private placement. In addition, expenses of €12 million and income of €2 million were incurred in connection with the transaction. Of this amount, €6 million was recognized in shareholders' equity and €4 million in other operating expenses. The transaction was accounted for as an equity transaction in accordance with IFRS 10 and resulted in an increase of Bertelsmann shareholders' equity of €310 million.

in € millions	Change in Bertelsmann shareholders' equity
Fair value of consideration received	347
Expenses and income incurred in connection with the transaction	(6)
Derecognized shares in Majorel businesses	(31)
Increase in Bertelsmann shareholders' equity	310
– thereof increase in other retained earnings	308
– thereof increase in the reserve of exchange differences	2

Management believes that the Bertelsmann Group continues to control Majorel even though it holds less than 50 percent of the share voting rights (December 31, 2020: 50 percent). The control is founded on the Group's contractually secured majority in the Supervisory Board of Majorel, allowing the Bertelsmann Group to direct Majorel's relevant activities even after the initial public offering (IPO). Majorel is therefore still a consolidated Bertelsmann company.

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

Financial Information for Subsidiaries with Material Non-Controlling Interests

	RTL Group		Majorel	
in € millions	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Non-current assets	6,978	6,829	356	269
Current assets	5,626	4,355	802	570
Non-current liabilities	1,613	1,603	202	135
Current liabilities	3,603	3,114	600	389
Bertelsmann shareholders' equity	5,663	5,028	140	155
Non-controlling interests	1,725	1,439	216	160
in € millions	2021	2020	2021	2020
Revenues	6,637	6,017	1,811	1,375
Profit or loss	1,454	636	81	84
– thereof of non-controlling interests	461	250	44	42
Total comprehensive income	1,513	577	102	71
– thereof of non-controlling interests	476	237	55	35
Dividends to non-controlling interests	215	4	–	–
Cash flow from operating activities	939	928	185	223
Cash flow from investing activities	100	(86)	(174)	(45)
Cash flow from financing activities	(980)	(702)	26	(58)
Increase/(decrease) in cash and cash equivalents	59	140	37	120

Investments Accounted for Using the Equity Method

The investments accounted for using the equity method relate to joint ventures in the amount of €19 million (previous year: €40 million) and to associates in the amount of €1,321 million (previous year: €780 million).

Investments in Joint Ventures

As of December 31, 2021, investments in 14 (previous year: 21) individually immaterial joint ventures were accounted for in the Consolidated Financial Statements. 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	12/31/2021	12/31/2020
Non-current assets	38	43
Current assets	34	74
Non-current liabilities	46	20
Current liabilities	42	63

in € millions	2021	2020
Earnings after taxes from continuing operations	(15)	12
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	1	–
Total comprehensive income	(14)	12

Investments in Associates

As of December 31, 2021, investments in 33 (previous year: 43) associates were accounted for in the Consolidated Financial Statements. 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. As of December 31, 2021, the ownership is 18.7 percent (previous year: 18.7 percent). As of December 31, 2021, the stock market value of Atresmedia, which is listed on the Madrid Stock Exchange, amounted to €753 million (previous year: €650 million) with a share price of €3.34 (December 31, 2020: €2.88). As of December 31, 2021, the fair value less costs of disposal amounted to €138 million (previous year: €119 million), which is assigned to level 1 fair value measurement.

As of December 31, 2021, the investment in Atresmedia was tested for impairment in accordance with IAS 36. The recoverable amount of Atresmedia on December 31, 2021, was based on the value in use determined using a discounted cash flow model, as management considered the share price of Atresmedia did not fully reflect its earning potential, which is expected to include new digital and platform revenue streams and further content and channel exploitation opportunities. Despite the recovery of the share price of Atresmedia, and the indicated increase in TV advertising spend for the upcoming months, the ongoing challenging economic environment in Spain due to the coronavirus pandemic combined with strong competition, changing viewing preferences and continued dependence on linear television still leads to high uncertainty in terms of forecasts. As of December 31, 2021, neither an additional impairment loss nor a reversal of impairment loss had to be recognized on the at equity investment in Atresmedia. The value in use was measured on the basis of the following assumptions: a discount rate of 8.1 percent (December 31, 2020: 9.0 percent) and a long-term growth rate of 0.0 percent (December 31, 2020: 0.0 percent). In the event of an increase in the discount rate by 0.5 percentage points, a decrease in the long-term growth rate of 0.7 percentage points or a decrease in the EBITA margin of 0.4 percentage points, the recoverable amount would fall below the carrying amount.

The following table shows summarized financial information for Atresmedia. The information presented represents 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 12/31/2021	Atresmedia 12/31/2020
Non-current assets	549	556
Current assets	853	762
Non-current liabilities	381	357
Current liabilities	478	495
Equity	543	466

in € millions	2021	2020
Revenues	963	866
Earnings after taxes from continuing operations	118	24
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	(2)	3
Total comprehensive income	116	27
Dividends received from the associate	8	–

The reconciliation of the summarized financial information shown to the carrying amount of the interest in Atresmedia in the Consolidated Financial Statements is shown in the following table:

Reconciliation to Carrying Amount

in € millions	12/31/2021	12/31/2020
Equity	543	466
Proportionate equity	101	87
Goodwill	166	166
Impairment on investments accounted for using the equity method	(110)	(110)
Carrying amount	157	143

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

Financial Information on Individually Immaterial Associates

in € millions	12/31/2021	12/31/2020
Non-current assets	1,267	639
Current assets	297	223
Non-current liabilities	196	52
Current liabilities	219	170

in € millions	2021	2020
Earnings after taxes from continuing operations	94	70
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	(17)	(4)
Total comprehensive income	77	66

The total carrying amount of the investments in all individually immaterial associates amounts to €1,164 million (previous year: €637 million) as of December 31, 2021. Of that amount, €479 million is attributable to the investment in Afya and €90 million is attributable to the investment in Udacity (previous year: €94 million). The share of earnings of both investments is of minor importance for Bertelsmann in the financial year 2021. In August 2021, Bertelsmann completed the acquisition of a direct investment in Afya, a leading provider of medical education and training in Brazil. As of December 31, 2021, Bertelsmann held 25.1 percent of the capital shares and 45.8 percent of the voting rights in Afya. Bertelsmann holds a share of 17.6 percent (previous year: 18.9 percent) in the online learning platform Udacity. Although the shareholding in Udacity is less than 20 percent, the Bertelsmann Group exercises a significant influence in Udacity due to the presence and special rights within the Board of Directors. No impairment loss was required to be recognized for Afya or for Udacity.

Of the total carrying amount of the investments in all individually immaterial associates, an additional €205 million (previous year: €148 million) is attributable to the three University Venture Funds, which invest in high-growth companies in the education sector. Bertelsmann holds between 47.3 percent and 100.0 percent of the shares in these funds. As operational management and investment decisions in particular are the responsibilities of the respective fund managers, there is significant influence, but control as defined by IFRS 10 does not exist despite an ownership interest of over 50 percent in some cases.

Results from Investments Accounted for Using the Equity Method

in € millions	2021	2020
Income from investments accounted for using the equity method	149	109
– joint ventures	14	23
– associates	135	86
Expenses from investments accounted for using the equity method	(48)	(23)
– joint ventures	(29)	(12)
– associates	(19)	(11)
Results from investments accounted for using the equity method	101	86
– joint ventures	(15)	11
– associates	116	75

In the financial year 2021, dividends received from investments accounted for using the equity method amounted to €79 million (previous year: €56 million).

12 Minority Stakes and Other Financial Assets

	Current		Non-current	
in € millions	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Loans	60	37	56	57
Fund-of-fund investments	–	98	183	118
Minority stakes in start-ups	16	–	1,018	812
Financial instruments of the consolidated special fund	–	–	102	–
Other financial assets	285	9	213	149
Derivative financial instruments	25	34	12	60
	386	178	1,584	1,196

The item "Minority stakes in start-ups" includes minority stakes purchased by the Bertelsmann Investments division. The fair value of its listed investments is measured on the basis of their market values and of its unlisted investments, if possible, on the basis of observable prices obtained as part of the most recently implemented qualified financing rounds which meet the minimum requirements for volume and participants, taking into account life and development cycles of the entity. Fund-of-fund investments, which are also held by the Bertelsmann Investments division, are measured at fair value through profit or loss. The measurement of their fair values is based on the valuations of the external management as presented in regular reporting and taking into account a fungibility discount. The gains and losses resulting from changes in the fair value are recognized as other operating income in the item "Fair value measurement of investments" for both minority stakes in start-ups and fund-of-fund investments. The changes in carrying amounts recognized in profit or loss of the financial instruments held by the Bertelsmann Investments division amounted to €400 million during the reporting period (previous year: €48 million).

A major part of the portfolio shown in the item "Financial instruments of the consolidated special fund" is invested in instruments with a very high credit rating. The current trading volume of the existing investments of the special fund enables the liquidation of the entire special fund within a few days.

Bertelsmann exercises the option granted by IFRS 9 to measure equity instruments at fair value through other comprehensive income mainly for individually immaterial investments and investments in affiliates and recognizes these investments in "Other financial assets." RTL Group's minority stakes in Magnite (€190 million) and VideoAmp (€81 million) measured at fair value through profit or loss are also included in this item.

As in the previous year, no other financial assets were subject to restrictions on disposal as of the end of the reporting period.

13 Inventories

in € millions	12/31/2021	12/31/2020
Program rights	1,115	1,090
Raw materials and supplies	126	91
Work in progress	119	97
Finished goods and merchandise	355	259
Advance payments	187	121
	1,902	1,658

In the financial year 2021, write-downs on inventories were recognized in the amount of €-118 million (previous year: €-111 million). In addition, reversals of write-downs on inventories were recognized in the amount of €103 million (previous year: €121 million). Inventories totaling €1 million were subject to restrictions on disposal as of the end of the reporting period (previous year: none).

In the financial year 2021, the broadcast-based consumption of program rights recognized in profit or loss amounted to €2,507 million (previous year: €2,083 million). Expenses for raw materials and supplies amounting to €706 million (previous year: €753 million) were recognized, and the cost for merchandise amounted to €104 million (previous year: €126 million). Changes in inventories of work in progress and finished goods amounted to €16 million (previous year: €98 million). In addition, other own costs capitalized of €66 million (previous year: €63 million) were recognized.

14 Trade and Other Receivables

in € millions	12/31/2021	12/31/2020
Non-current		
Trade receivables	35	35
Contract assets	2	–
Other receivables	34	34
Current		
Trade receivables	3,577	3,398
Contract assets	27	23
Receivables from participations	30	45
Other receivables	960	1,104

Trade receivables are due for payment generally within 12 months. The item "Contract assets" covers the conditional right to consideration for completely satisfied performance obligations in accordance with IFRS 15. As of January 1, 2020, this item amounted to €40 million. The item "Other receivables" includes, among other things, receivables of €487 million (previous year: €480 million) from the Arvato Financial Solutions business unit, which were recognized in relation to the receivables management service provided. In addition, the item comprises receivables in the amount of €191 million (previous year: €131 million), relating to accounts receivables sold, which are acquired by Arvato Financial Solutions from third parties in the course of conducting its financial services and then resold. As of the end of the reporting period, trade and other receivables totaling €14 million (previous year: €8 million) were subject to restrictions on disposals.

15 Other Non-Financial Assets

in € millions	12/31/2021	12/31/2020
Non-current		
Other non-financial assets	1,047	881
Current		
Other non-financial assets	1,068	992
– advance payments	559	503
– deferred items	195	222
– other tax receivables	131	84
– sundry non-financial assets	183	183

The non-current other non-financial assets relate to advance payments for royalties and licenses in the amount of €951 million (previous year: €832 million). Loss allowances are generally recognized for advance payments for royalties and licenses if no recoupment is expected. The amount of these allowances is based on management estimates of future sales volumes and price changes using historical data. Costs for obtaining and fulfilling contracts with customers are recognized and are immaterial, both individually and in total. The same applies to the amount of amortization and impairment losses recognized for these costs in the reporting period.

16 Cash and Cash Equivalents

in € millions	12/31/2021	12/31/2020
Bank balances and cash on hand	1,446	1,867
Cash equivalents	3,199	2,704
	4,645	**4,571**

Cash equivalents include short-term, highly liquid securities with a term to maturity on acquisition of not more than three months. During the reporting period, short-term investments were made in diversified money market funds with the highest possible ratings. As of the end of the reporting period, cash and cash equivalents in the amount of €74 million (previous year: €83 million) were subject to restrictions on disposals, mainly relating to payments received as part of Arvato Financial Solutions' receivables management service provided. A further €4 million (previous year: €3 million) with restrictions on disposals relates to numerous immaterial items.

17 Equity
Subscribed capital

Number of shares	12/31/2021	12/31/2020
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, 2021, foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) indirectly 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 of the general partner Bertelsmann Management SE.

In the financial year 2021, a dividend amounting to €180 million was distributed to the shareholders (a dividend per ordinary share of €2,149; previous year: no dividend).

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

Changes to Components of Other Comprehensive Income after Taxes

in € millions	2021				
	Before-tax amount	Taxes	Net-of-tax amount	Attributable to Bertelsmann shareholders	Attributable to non-controlling interests
Items that will not be reclassified subsequently to profit or loss					
Remeasurement component of defined benefit plans	313	(60)	253	243	10
Changes in fair value of equity instruments	8	–	8	7	1
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					
Exchange differences	378	–	378	365	13
Cash flow hedges	16	(6)	10	8	2
Share of other comprehensive income of investments accounted for using the equity method	(17)	–	(17)	(17)	–
Other comprehensive income net of tax	698	(66)	632	606	26

in € millions	2020				
	Before-tax amount	Taxes	Net-of-tax amount	Attributable to Bertelsmann shareholders	Attributable to non-controlling interests
Items that will not be reclassified subsequently to profit or loss					
Remeasurement component of defined benefit plans	(151)	53	(98)	(96)	(2)
Changes in fair value of equity instruments	2	(1)	1	1	–
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					
Exchange differences	(346)	–	(346)	(327)	(19)
Cash flow hedges	(22)	7	(15)	(12)	(3)
Share of other comprehensive income of investments accounted for using the equity method	(3)	–	(3)	(3)	–
Other comprehensive income net of tax	(520)	59	(461)	(437)	(24)

Share-Based Payments

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

There are various free share plans at Groupe M6, which belongs to RTL Group, open to directors and certain employees. The number of free shares 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 plans are settled by the physical delivery of shares:

Granting and Vesting Conditions (Groupe M6)

Free share plans	Maximum number of free shares granted[1]	Remaining options	Vesting conditions
July 2018	247,100	–	3 years of service + performance conditions
July 2019	298,167	–	2 years of service + performance conditions
July 2019	246,500	237,000	3 years of service + performance conditions
April 2021	407,200	403,700	2 years of service + performance conditions
April 2021	93,000	93,000	minimum 2 years of service + performance conditions
Total	1,291,967	733,700	

1) 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 the following performance conditions:

- The plan approved on July 30, 2019, is subject to Groupe M6 achieving its target growth in net consolidated result in 2019.
- The plans approved on July 25, 2018, and July 30, 2019 are subject to a cumulative performance requirement over three years.
- The plan approved on April 20, 2021, is subject to consolidated EBITA targets in 2021.
- The second plan approved on April 20, 2021, is subject to cumulative performance requirements over at least two years.

During the financial year, the balance of shares granted changed as follows:

	Number of shares
Balance as of 12/31/2020	612,964
Change based on performance	149,547
Granted	500,200
Delivered	(511,111)
Forfeited	(17,900)
Balance as of 12/31/2021	733,700

Free share plans outstanding at the end of the year have the following terms:

Conditions for Free Share Plans (Groupe M6)

Expiry date	Number of shares 2021	Number of shares 2020
Free share plans		
2021	–	525,511
2022	237,000	87,453
2023	496,700	–
	733,700	612,964

As of December 31, 2021, the market price of Métropole Télévision shares on the Paris Stock Exchange was €17.16 (previous year: €13.26).

The fair value of services received in return for share options granted is measured by reference to the fair value of share 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 future expected dividends, which employees are not entitled to receive during the vesting period.

Fair Values of Free Share Plans (Groupe M6)

						Personnel costs in € millions	
Grant date	Share price	Risk-free interest rate	Expected return	Fair value	Vesting period	2021	2020
Free share plans							
7/27/2017	–	–	–	–	–	–	0.5
10/2/2017	–	–	–	–	–	–	–
7/25/2018 (2 plans)	16.92	(0.10)%	5.66%	14.97	2 years	0.9	2.1
7/30/2019 (2 plans)	15.35	(0.30)%	6.97%	13.23	2 years	2.6	2.2
4/20/2021 (2 plans)	18.38	(0.64)%	n/a	14.34	min. 2 years	2.3	–
Total						5.8	4.8

There are additional share-based payments within the Bertelsmann Group that are immaterial on a stand-alone basis and in total.

18 Provisions for Pensions and Similar Obligations

in € millions	12/31/2021	12/31/2020
Defined benefit obligation	1,410	1,951
Obligations similar to pensions	64	58
	1,474	2,009

in € millions	12/31/2021	12/31/2020
Balance as of 1/1	2,009	1,967
Income and expenses recognized in profit or loss		
– Additions	167	162
– Reversal	(4)	(4)
Usage	(188)	(193)
Actuarial gains (-)/losses (+) recognized in other comprehensive income	(277)	126
Net contributions to plan assets	(221)	(23)
Other effects	(12)	(26)
Balance as of 12/31	1,474	2,009

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 €60 million were recognized in the financial year 2021 (previous year: €54 million).

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 the retirement benefit plans, a distinction must be made as to whether or not these are financed through an external investment fund.

Net Defined Benefit Liability Recognized in the Balance Sheet

in € millions	12/31/2021	12/31/2020
Present value of defined benefit obligation of unfunded plans	960	997
Present value of defined benefit obligation of funded plans	3,592	3,774
Total present value of defined benefit obligation	4,552	4,771
Fair value of plan assets	(3,212)	(2,843)
Impact from asset ceiling	2	–
Net defined benefit liability recognized in the balance sheet	1,342	1,928
– thereof provisions for pensions	1,410	1,951
– thereof other assets	68	23

Provisions are recognized for these defined benefit plans. The following tables show the breakdown of the benefit by plan beneficiary and by type of benefit plan:

Plan Beneficiaries

	Number of employees		in € millions	
	2021	2020	2021	2020
Active members	31,579	30,621	1,373	1,542
Deferred member	11,081	11,570	966	952
Pensioners	17,395	17,311	2,213	2,277
Total	60,055	59,502	4,552	4,771
– thereof vested			4,485	4,698

Benefit Plans

in € millions	12/31/2021	12/31/2020
Flat salary plans	2,281	2,459
Final salary plans	1,502	1,567
Career average plans	510	516
Other commitments given	197	173
Medical care plans	62	56
Present value of defined benefit obligation	4,552	4,771
– thereof capital commitments	215	273

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. A Group-wide pension guideline was introduced in 2004 to substantially minimize these risks. 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 the 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 to have a fully funded pension plan so that the annual contributions to the plan assets are limited to the pension entitlements 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 the United Kingdom.

Furthermore, one Group company participated in a multi-employer 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, the withdrawal from the plan with retrospective effect from January 1, 2015, was declared. As of December 31, 2021, the related provision in the balance sheet position "Other provisions" under other employee benefits amounts to €15 million. According to the notification of April 2017, the company has been making monthly contribution payments, which are expected to amount to €1 million in the financial year 2022.

The provisions are determined using actuarial reports in accordance with IAS 19. The amount of provisions depends on the 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. Biometric calculations of domestic plans are based on the 2018 G mortality tables of Heubeck-Richttafeln-GmbH. Comparable country-specific calculation methods are used for foreign plans.

Further significant actuarial assumptions based on a weighted average were made as follows:

Actuarial Assumptions

	12/31/2021				12/31/2020			
	Germany	United Kingdom	United States	Other countries	Germany	United Kingdom	United States	Other countries
Discount rate	1.36%	1.80%	2.66%	1.53%	1.08%	1.40%	2.33%	1.05%
Rate of salary increase	2.25%	2.64%	3.50%	3.28%	2.25%	2.22%	3.50%	3.57%
Rate of pension increase	1.61%	3.05%	n/a	1.88%	1.59%	2.62%	n/a	1.61%

An increase or decrease in the assumptions set out above compared to the assumptions actually applied would have had the following effects on the present value of the defined benefit obligation as of December 31, 2021:

Effect of Actuarial Assumptions

in € millions	Increase	Decrease
Effect of 0.5 percentage point change in discount rate	(339)	386
Effect of 0.5 percentage point change in rate of salary increase	34	(31)
Effect of 0.5 percentage point change in rate of pension increase	177	(159)
Effect of change in average life expectancy by 1 year	194	(192)

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:

Development of the Defined Benefit Plans

	Defined benefit obligation (I)		Fair value of plan assets (II)		Net defined benefit balance (I)-(II)[1]	
in € millions	2021	2020	2021	2020	2021	2020
Balance as of 1/1	4,771	4,628	2,843	2,786	1,928	1,842
Current service cost	66	64	–	–	66	64
Interest expenses	56	68	–	–	56	68
Interest income	–	–	36	44	(36)	(44)
Past service cost	1	(5)	–	–	1	(5)
Income and expenses for defined benefit plans recognized in the consolidated income statement	**123**	**127**	**36**	**44**	**87**	**83**
Income/expense on plan assets excluding amounts included in net interest income and net interest expenses	–	–	119	92	(119)	(92)
Actuarial gains (-) and losses (+)						
– changes in financial assumptions	(175)	255	–	–	(175)	255
– changes in demographic assumptions	(5)	1	–	–	(5)	1
– experience adjustments	(15)	(13)	–	–	(15)	(13)
Remeasurements for defined benefit plans recognized in the consolidated statement of comprehensive income	**(195)**	**243**	**119**	**92**	**(314)**	**151**
Contributions to plan assets by employer	–	–	221	23	(221)	(23)
Contributions to plan assets by employees	3	2	3	2	–	–
Pension payments	(159)	(181)	(31)	(55)	(128)	(126)
Cash effects from settlements	(1)	–	(1)	–	–	–
Change of consolidation scope	(16)	(4)	1	–	(17)	(4)
Changes associated with assets held for sale	(39)	–	(39)	–	–	–
Changes in foreign exchange rates	64	(55)	60	(52)	4	(3)
Other changes	1	11	–	3	3	8
Other reconciling items	**(147)**	**(227)**	**214**	**(79)**	**(359)**	**(148)**
Balance as of 12/31	4,552	4,771	3,212	2,843	1,342	1,928
thereof						
Germany	3,501	3,704	2,287	1,980	1,214	1,724
United Kingdom	678	635	728	636	(50)	(1)
United States	189	183	153	151	36	32
Other European countries	155	218	29	64	128	154
Other countries	29	31	15	12	14	19

1) In the financial year 2021, for calculating the "Net defined benefit balance," the effects of the asset ceiling in accordance with IAS 19 amounting to €2 million were taken into account in the item "Other changes." No effects from the asset ceiling were recognized in the previous year.

Of the contributions to plan assets, €202 million (previous year: €9 million) pertains to Germany. Employer contributions to plan assets are expected to amount to €16 million in the next financial year. Reimbursement rights for defined benefit obligations in Germany amount to €29 million (previous year: €30 million) and are recognized in the balance sheet position "Trade and other receivables."

The expenses for defined benefit plans are broken down as follows:

Expenses for Defined Benefit Plans

in € millions	2021	2020
Current service cost	66	64
Past service cost and impact from settlement	1	(5)
Net interest expenses	20	24
Net pension expenses	87	83

The portfolio structure of plan assets is composed as follows:

Portfolio Structure of Plan Assets

in € millions	12/31/2021	12/31/2020
Debt instruments[1]	2,182	1,892
Equity instruments[1]	681	571
Cash and cash equivalents	55	75
Qualifying insurance policies	144	178
Other funds	139	106
Derivatives	3	13
Property	8	8
Fair value of plan assets	3,212	2,843

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

The plan assets in the Bertelsmann Group are used exclusively for the fulfillment of benefit obligations. 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 net contribution of €200 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.

The weighted average duration of the pension obligations as of December 31, 2021, is as follows:

Weighted Average Duration

in years	2021	2020
Germany	16	16
United Kingdom	21	21
United States	14	14
Other countries	15	14

The maturity profile of the anticipated undiscounted pension payments is presented in the following table:

Maturity Profile of Pension Payments

in € millions	Expected pension payments
2022	161
2023	162
2024	170
2025	175
2026	181
2027–2031	931

Obligations similar to pensions relate to provisions for bonuses for employee service anniversaries, amounts due but not yet paid to defined contribution plans, partial retirement 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 partial retirement schemes. The partial retirement phase lasts two to six years.

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

Breakdown of Obligations Similar to Pensions

in € millions	12/31/2021	12/31/2020
Provisions for employee service anniversaries	31	30
Provisions for old-age part-time schemes	15	13
Other	18	15
Obligations similar to pensions	**64**	58

19 Other Provisions

in € millions	12/31/2020	of which > 1 year	Additions	Reversal	Usage	Other effects	Change of consolida-tion scope	Accrued interest	12/31/2021	of which > 1 year
Onerous contracts	115	9	83	(23)	(56)	(1)	2	1	**121**	**22**
Litigation	83	58	31	(13)	(12)	–	4	–	**93**	**69**
Restructuring	167	18	84	(18)	(99)	(16)	–	–	**118**	**53**
Other employee benefits	26	15	16	(2)	(4)	9	–	–	**45**	**14**
Other	97	36	43	(16)	(12)	(3)	–	–	**109**	**40**
	488	136	257	(72)	(183)	(11)	6	1	**486**	**198**

The provisions for onerous contracts concern RTL Group in the amount of €85 million (previous year: €84 million) and were recognized mainly for program rights. Of that amount, a total of €82 million (previous year: €68 million) relates to RTL Deutschland.

Provisions for litigation totaling €67 million (previous year: €63 million) 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. In accordance with IAS 37, restructuring provisions include termination benefits and other costs relating to market-related restructuring measures. Provisions in the amount of €118 million (previous year: €167 million) are recognized for various restructuring programs within the Bertelsmann Group. The additions relate mainly to Bertelsmann Printing Group (€36 million), the RTL Group (€24 million) and Arvato (€13 million) divisions.

The provisions for other employee benefits in the amount of €15 million (previous year: €15 million) relate to an obligation in connection with the withdrawal from a multi-employer plan. Further details are presented in note 18 "Provisions for Pensions and Similar Obligations." The item "Other" includes, among other things, a provision in the amount of €18 million (previous year: €20 million) for compensation obligations from pension entitlements for employees at the Prinovis location in Ahrensburg toward Axel Springer SE.

20 Profit Participation Capital

in € millions	12/31/2021	12/31/2020
Profit participation capital 1992	23	23
Profit participation capital 2001	390	390
	413	413

The market value of the 2001 profit participation certificates with a closing rate of 359.20 percent on the last day of trading in the past financial year on the Frankfurt Stock Exchange was €1,021 million (previous year: €935 million with a rate of 328.66 percent) and, correspondingly, €33 million for the 1992 profit participation certificates with a rate of 195.12 percent (previous year: €31 million with a rate of 183.00 percent). The market values are based on level 1 of the fair value hierarchy. Further information on profit participation capital is presented in detail in the Combined Management Report.

21 Financial Debt

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

Current and Non-Current Financial Debt

	Current		Non-current	
in € millions	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Bonds	597	500	4,450	5,468
Promissory notes	–	–	325	424
Liabilities to banks	97	113	77	13
Other financial debt	53	102	5	6
	747	715	4,857	5,911

The Bertelsmann Group has access to floating-rate and fixed-rate funds through various contractual arrangements. Financial debt is generally unsecured.

In January 2021, Bertelsmann terminated a floating-rate promissory note of €100 million due in April 2023. The promissory note was repaid ahead of schedule in April 2021. In addition, a €500 million bond due in May 2021 was terminated early in March 2021. The repayment took place in April 2021, one month before the original maturity date. Furthermore, in May 2021, early repayments of parts of the bonds due in August 2022, October 2024 and September 2025 totaling a nominal amount of €428 million were made as part of a public repurchase offer. At the end of the reporting period, the Group had bonds, private placements and promissory notes outstanding with a nominal volume of €5,397 million (previous year: €6,425 million).

The differences in carrying amount versus nominal amount in the table below result from transaction costs, premiums and discounts. In addition, early repayments of €153 million were taken into account in calculating the carrying amount of the €750 million bond maturing in August 2022. Furthermore, an early repayment in the nominal amount of €60 million was taken into account for the calculation of the carrying amount of the bond maturing in October 2024. An early repayment in the nominal amount of €215 million was taken into account for the calculation of the carrying amount of the bond maturing in September 2025.

Bonds and Promissory Notes

		in € millions			
	Nominal	Carrying amount		Fair value	
Interest rate; emission; maturity; fixed interest	amount	12/31/2021	12/31/2020	12/31/2021	12/31/2020
0.250%; 2017; 2021; fixed-interest bond[1]	500	–	500	–	501
2.625%; 2012; 2022; fixed-interest bond[1]	750	597	748	608	785
6-mon. EURIBOR + 125 bp.; 2020; 2023; floating-rate promissory note	100	–	100	–	104
1.500%; 2017; 2024; fixed-interest bond	50	50	50	52	53
1.750%; 2014; 2024; fixed-interest bond[1]	500	439	498	460	536
1.250%; 2018; 2025; fixed-interest bond[1]	750	532	745	557	800
1.787%; 2015; 2025; fixed-interest promissory note	150	150	150	160	164
1.125%; 2016; 2026; fixed-interest bond[1]	500	497	497	520	534
1.000%; 2019; 2026; floating- and fixed-interest promissory note[2]	75	75	75	78	79
1.600%; 2020; 2027; fixed-interest promissory note	100	100	100	107	110
1.000%; 2020; 2027; fixed-interest bond	100	100	99	104	106
2.000%; 2020; 2028; fixed-interest bond[1]	750	744	743	821	844
1.500%; 2020; 2030; fixed-interest bond[1]	750	743	742	799	825
3.700%; 2012; 2032; fixed-interest bond	100	99	99	129	131
3.000%; 2015; 2075; fixed-interest hybrid bond[1]	650	649	649	667	673
3.500%; 2015; 2075; fixed-interest hybrid bond[1]	600	597	597	641	648
		5,372	6,392	5,703	6,893

1) Listed.
2) €10 million floating rate (6-month EURIBOR + 100 bp).

The documentation of the bonds from Bertelsmann SE & Co. KGaA in 2012, 2014, 2016, 2017, 2018 and 2020 is within the framework of a base documentation for debt issuance programs. The hybrid bonds and promissory notes as well as the unlisted bond of 2017 were issued on the basis of separate documentation. The bonds mainly have a rating of "Baa2" (Moody's) and "BBB" (Standard & Poor's). The debt issuance program was last renewed in March 2020. Transaction costs and agreed discounts or premiums are taken into account in the interest result over the term, impacting the carrying amount of the bonds and promissory notes. This led to a difference to the nominal volume of €25 million (previous year: €33 million) at the end of the year.

As a rule, the quoted prices at the end of the reporting period are used to determine the fair value of the bonds issued. On December 31, 2021, the cumulative fair value of the listed bonds totaled €5,073 million (previous year: €6,146 million), with a nominal volume of €4,822 million (previous year: €5,750 million) and a carrying amount of €4,798 million (previous year: €5,719 million). The stock market prices are based on level 1 of the fair value hierarchy.

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. The interest premium 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 -0.50 percent to 0.84 percent. The fair values of the private placements and promissory notes are based on level 2 of the fair value hierarchy.

Credit Facilities

The Bertelsmann Group has access to a syndicated loan agreement entered into with major international banks in the amount of €1,200 million (previous year: €1,200 million), which was extended in June 2021 for a further year until 2026. Bertelsmann SE & Co. KGaA can draw down this credit facility using floating-rate loans in euros and US dollars, based on EURIBOR or LIBOR, on a revolving basis.

In addition, Bertelsmann has access to further bilateral credit facilities in the amount of €330 million (previous year: €232 million), which can also mainly be drawn down using floating-rate loans, based on EURIBOR, on a revolving basis. As of December 31, 2021, the credit facilities were drawn down in the amount of €70 million (previous year: €0 million).

22 Lease Liabilities

The maturities of lease liabilities are presented in the table below.

Maturity Analysis for Lease Liabilities

		Undiscounted cash flows			
in € millions	Carrying amount	Up to 1 year	1 to 5 years	Over 5 years	Total
Balance as of 12/31/2021	1,356	311	763	452	1,526
Balance as of 12/31/2020	1,355	297	737	499	1,533

As of December 31, 2021, potential future cash outflows of €436 million (previous year: €436 million) were not included in the lease liabilities, as it could not be assumed with reasonable certainty that the leases would be extended (or would not be terminated). Future payments arising from short-term leases and leases for low-value assets are not recognized as right-of-use assets and lease liabilities. For such leases, the payments are recognized on straight-line basis as expenses (further explanations are presented in note 5 "Other Operating Expenses"). Expenses from variable lease payments not included in the lease liability were immaterial, as in the previous year. The same applies for income from subleasing right-of-use assets and the resulting lease payments expected in the future. Details on the corresponding right-of-use assets are presented in note 10 "Property, Plant and Equipment and Right-of-Use Assets."

23 Liabilities

in € millions	12/31/2021	12/31/2020
Non-current		
Trade payables	160	133
Derivative financial instruments	89	7
Sundry financial payables	256	106
Contract liabilities	34	39
Sundry non-financial payables	363	362
Current		
Trade payables	3,902	3,583
Refund liabilities	483	455
Derivative financial instruments	64	32
Sundry financial payables	833	763
Contract liabilities	861	655
Sundry non-financial payables	1,433	1,271
– personnel-related liabilities	792	655
– tax liabilities	203	226
– social security liabilities	136	119
– deferred items	34	35
– other	268	236

The item “Contract liabilities” includes payments received by Bertelsmann in advance; that is, prior to satisfaction of the contractual obligations in accordance with IFRS 15. They are recognized as revenue as soon as the contractual obligation has been rendered. Accordingly, revenues amounting to €657 million were recognized in the financial year 2021 (previous year: €523 million) which were included in the balance of contract liabilities at the beginning of the financial year. As in the previous year, as of the end of the reporting period, the contract liabilities are primarily attributable to services to be provided by the Arvato division, as a rule in the following period. As of January 1, 2020, contract liabilities amounted to €611 million.

In accordance with IFRS 15, the item “Refund liabilities” mainly comprises liabilities for expected returns of the Penguin Random House and Gruner + Jahr divisions of €305 million (previous year: €306 million). Correspondingly, in the balance sheet position “Other non-financial assets,” an asset for an immaterial amount is recognized for the customers’ right to recover products from customers upon settling the refund liability. The item “Sundry financial payables” includes, among other things, payables of €97 million (previous year: €118 million) from the Arvato Financial Solutions business unit, which were recognized in relation to the receivables management service provided. In addition, the item comprises payables in the amount of €177 million (previous year: €133 million) relating to accounts receivables sold, which are acquired by Arvato Financial Solutions from third parties in the course of conducting its financial services and then resold. Non-current sundry financial payables also include liabilities from put options relating to shareholders with non-controlling interests of €131 million (previous year: €17 million), minority interests in partnerships of €34 million (previous year: €33 million) and liabilities from the acquisition of assets in the amount of €85 million (previous year: €44 million). Current sundry financial payables also comprise liabilities from the acquisition of assets in the amount of €147 million (previous year: €110 million) and liabilities to participations in the amount of €29 million (previous year: €29 million).

24 Off-Balance-Sheet Liabilities

Off-balance-sheet liabilities break down as follows at the end of the financial year:

Contingent Liabilities and Other Commitments

in € millions	12/31/2021	12/31/2020
Commitments from agreements for productions and co-productions, contracts for TV licenses and broadcasting rights, as well as other rights and licenses	1,544	1,428
Commitments from royalty agreements	1,197	1,017
Commitments from assets under construction and lease contracts not recognized on the balance sheet	73	121
Purchase commitments for inventories	51	28
Commitments for the acquisition of intangible assets and property, plant and equipment	5	17
Guarantees	53	30
Other	439	256
	3,362	2,897

Of the commitments from agreements for productions and co-productions, contracts for TV licenses and broadcasting rights, as well as other rights and licenses, €1,544 million (previous year: €1,428 million) pertains to RTL Group. Commitments from royalty agreements relate to Penguin Random House in the amount of €1,094 million (previous year: €888 million) and to BMG in the amount of €103 million (previous year: €116 million). Commitments from assets under construction and not recognized lease contracts comprise leases not yet commenced, but to which the lessee is committed.

25 Additional Disclosures on Financial Instruments

Both of the following tables show the carrying amounts and measurement categories of financial assets and financial liabilities in accordance with IFRS 9 as of December 31, 2021:

Carrying Amounts and Measurement Categories of Financial Assets

in € millions	Balance sheet position	12/31/2021	12/31/2020
Financial assets measured at amortized cost			
– loans	Minority stakes and other financial assets	91	54
– trade receivables	Trade and other receivables	3,612	3,433
– receivables from participations	Trade and other receivables	30	45
– sundry financial receivables	Trade and other receivables	861	1,045
– bank balances and cash on hand	Cash and cash equivalents	1,446	1,867
– cash equivalents	Cash and cash equivalents	135	2,698
Financial assets measured at fair value through other comprehensive income			
– other financial assets	Minority stakes and other financial assets	78	67
Primary financial assets measured at fair value through profit or loss			
– loans	Minority stakes and other financial assets	25	40
– fund-of-fund investments	Minority stakes and other financial assets	183	216
– minority stakes in start-ups	Minority stakes and other financial assets	1,034	812
– sundry financial receivables	Trade and other receivables	7	9
– financial instruments of the consolidated special fund	Minority stakes and other financial assets	102	–
– other financial assets	Minority stakes and other financial assets	420	91
– cash equivalents	Cash and cash equivalents	3,064	6
Derivative financial instruments	Minority stakes and other financial assets	37	94
Continuing involvement	Trade and other receivables	126	84
		11,251	10,561

Carrying Amounts and Measurement Categories of Financial Liabilities

in € millions	Balance sheet position	12/31/2021	12/31/2020
Financial liabilities measured at amortized cost			
– profit participation capital	Profit participation capital	413	413
– bonds and promissory notes	Financial debt	5,372	6,392
– liabilities to banks	Financial debt	174	126
– other financial debt	Financial debt	58	108
– trade payables	Trade and other payables	4,062	3,716
– liabilities to participations	Trade and other payables	29	29
– other	Trade and other payables	1,398	1,194
Primary financial liabilities measured at fair value through profit or loss	Trade and other payables	19	17
Derivative financial instruments	Trade and other payables	153	39
Continuing involvement	Trade and other payables	126	84
		11,804	12,118

The fair values of the bonds and promissory notes are presented in note 21 "Financial Debt." The carrying amounts of the other financial assets and liabilities measured at amortized cost represent a reasonable approximation of fair value.

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

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Total on 12/31/2021
Financial assets measured at fair value	382	3,169	1,362	4,913
Primary and derivative financial assets held for trading	–	27	–	27
Derivatives with hedge relation	–	10	–	10
	382	3,206	1,362	4,950

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Total on 12/31/2020
Financial assets measured at fair value	165	9	1,067	1,241
Primary and derivative financial assets held for trading	–	86	–	86
Derivatives with hedge relation	–	8	–	8
	165	103	1,067	1,335

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 showing carrying amounts and measurement categories for the respective financial year. The financial assets of levels 1 and 3 mainly pertain to investments held by the Bertelsmann Investments division, which were recognized at fair value.

Financial Assets Measured at Fair Value Based on Level 3

in € millions	Financial assets measured at fair value	Primary and derivative financial assets held for trading	Total
Balance as of 1/1/2021	1,067	–	1,067
Total gain (+) or loss (-)	433	–	433
– in profit or loss	424	–	424
– in other comprehensive income	9	–	9
Purchases	656	–	656
Transfers out of level 3	(363)	–	(363)
Sales/settlements	(431)	–	(431)
Balance as of 12/31/2021	1,362	–	1,362
Gain (+) or loss (-) for assets still held at the end of the reporting period	445	–	445

in € millions	Financial assets measured at fair value	Primary and derivative financial assets held for trading	Total
Balance as of 1/1/2020	1,118	–	1,118
Total gain (+) or loss (-)	(77)	–	(77)
– in profit or loss	(27)	–	(27)
– in other comprehensive income	(50)	–	(50)
Purchases	309	–	309
Sales/settlements	(283)	–	(283)
Balance as of 12/31/2020	1,067	–	1,067
Gain (+) or loss (-) for assets still held at the end of the reporting period	(32)	–	(32)

The purchases relate in the amount of €381 million mainly to the Magnite shares that RTL Group received as a part of the non-cash consideration from the sale of SpotX. Due to the contractual lockup, the Magnite shares were assigned to level 3. After expiration of the lockup period, the listed Magnite shares were classified as level 1. The effect from remeasurement of these shares prior to reclassification from level 3 amounted to €-61 million and is disclosed in the item "in profit or loss." The item "Purchases" also includes various new and follow-on investments by the Bertelsmann Investments division, none of which was material on a stand-alone basis. In the financial year 2021, the major portion of the sales relates to the liquidation of the Crescera Educacional II fund (€137 million) in the run-up to the direct acquisition of the investment in Afya and the partial sale of Eruditus (€101 million). Transfers out of Level 3 were made in the current financial year at Bertelsmann Investments as a result of expiring lock-up periods and at RTL Group for the listed Magnite shares (previous year: none). There were no transfers into Level 3 in either the financial year 2021 or the previous year.

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	Total on 12/31/2021
Financial liabilities measured at fair value through profit or loss	–	–	19	19
Primary and derivative financial liabilities held for trading	–	77	–	77
Derivatives with hedge relation	–	76	–	76
	–	153	19	172

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Total on 12/31/2020
Financial liabilities measured at fair value through profit or loss	–	–	17	17
Primary and derivative financial liabilities held for trading	–	29	–	29
Derivatives with hedge relation	–	10	–	10
	–	39	17	56

Financial Liabilities Measured at Fair Value Based on Level 3

in € millions	Financial liabilities measured at fair value through profit or loss	Total
Balance as of 1/1/2021	17	17
Total gain (-) or loss (+)	6	6
– in profit or loss	5	5
– in other comprehensive income	1	1
Purchases	3	3
Settlements	(7)	(7)
Transfers out of/into level 3	–	–
Balance as of 12/31/2021	19	19
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	6	6

in € millions	Financial liabilities measured at fair value through profit or loss	Total
Balance as of 1/1/2020	32	32
Total gain (-) or loss (+)	(16)	(16)
– in profit or loss	(15)	(15)
– in other comprehensive income	(1)	(1)
Purchases	4	4
Settlements	(3)	(3)
Transfers out of/into level 3	–	–
Balance as of 12/31/2020	17	17
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	(1)	(1)

Level 1:
The fair value of the listed 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 yield 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 yield 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 mismatches to the standardized stock exchange contracts are reflected through interpolation or additions.

Level 3:
If no observable market data is available, fair value measurement is based primarily on cash flow-based valuation techniques. As a rule, so-called qualified financing rounds are used for minority stakes in the Bertelsmann Investments division. Listed financial instruments with contractual lockups are also based on level 3.

The measurement 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, as well as the life and development cycle of start-up investments. Transfers between levels of the fair value hierarchy are recognized at the date of the event or change in circumstances that caused the transfer.

Financial assets and liabilities are offset on the balance sheet if 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 in the event of payment default by one of the parties. In addition, Bertelsmann enters into transactions in financial derivatives that do not meet the criteria for offsetting on the balance sheet, as future events determine the right to offset. As in the previous year, no on-balance-sheet offsetting was performed, nor was there any significant non-recognized offsetting potential as of December 31, 2021.

Credit Risk

In accordance with IFRS 9, Bertelsmann uses a simplified approach to measure expected credit losses on trade receivables and contract assets. According to this, the loss allowance is measured using lifetime expected credit losses. For this purpose, impairment matrices based on historic bad debt losses, maturity bands and expected credit losses are prepared. The impairment matrices are created for division-specific or business unit-specific groups of receivables, each with similar default patterns. In addition, separate risk assessments are performed. Bertelsmann also considers other quantitative and qualitative information and analyses based on the Group's historical experience and reasonable assessments, including forward-looking information such as customer-specific information and forecasts of future economic conditions. Contract assets have substantially the same risk characteristics as trade receivables for the same types of contracts, so that the expected loss rates for trade receivables are also a reasonable approximation of the loss rates for contract assets.

Based on this, the loss allowance as of December 31, 2021, was determined as follows for both trade receivables and contract assets:

Credit Risk for Trade Receivables and Contract Assets

in € millions	Not credit-impaired Not overdue	Overdue 1 to 30 days	Overdue 31 to 90 days	Overdue more than 90 days	Credit-impaired
Expected loss rate	0.72%	1.01%	3.00%	8.65%	n/a
Trade receivables and contract assets	2,346	396	100	104	867
Loss allowance for expected credit losses	(17)	(4)	(3)	(9)	(109)
Balance as of 12/31/2021	2,329	392	97	95	758

in € millions	Not credit-impaired Not overdue	Overdue 1 to 30 days	Overdue 31 to 90 days	Overdue more than 90 days	Credit-impaired
Expected loss rate	0.70%	0.78%	2.48%	11.76%	n/a
Trade receivables and contract assets	2,130	383	121	119	910
Loss allowance for expected credit losses	(15)	(3)	(3)	(14)	(129)
Balance as of 12/31/2020	2,115	380	118	105	781

The expected loss rates correspond to the average rates for the respective division-specific or business unit-specific groups of receivables. In the financial year 2021, impairment losses and reversals amounting to €-4 million (previous year: €-50 million) were recognized on trade receivables and contract assets. The following table shows a reconciliation from the opening balance to the closing balance of loss allowances for trade receivables and contract assets in the financial year 2021:

Reconciliation of Loss Allowance for Trade Receivables and Contract Assets

in € millions	2021	2020
Balance as of 1/1	(164)	(179)
Additions	(44)	(108)
Usage	31	22
Reversal	40	58
Change of consolidation scope	–	35
Exchange rate effect	(5)	8
Balance as of 12/31	(142)	(164)

Bertelsmann applies the general approach for all other financial assets that are subject to the expected credit loss model. The following table shows a reconciliation from the opening balances to the closing balances of loss allowances for the corresponding financial instruments:

Reconciliation of Loss Allowance for Other Financial Assets

in € millions	Loans	Sundry financial receivables	Purchased or originated financial assets which are credit impaired	Total
Balance as of 1/1/2021	(11)	(95)	(20)	(126)
Additions	(1)	(35)	(15)	(51)
Usage	2	4	–	6
Reversal	1	9	9	19
Change of consolidation scope	–	1	–	1
Exchange rate effect	(1)	(1)	–	(2)
Balance as of 12/31/2021	(10)	(117)	(26)	(153)
– thereof 12-month expected credit loss	(2)	(49)	n/a	(51)
– thereof lifetime expected credit loss but not credit-impaired	–	(57)	n/a	(57)
– thereof lifetime expected credit loss and credit-impaired	(8)	(11)	n/a	(19)

in € millions	Loans	Sundry financial receivables	Purchased or originated financial assets which are credit impaired	Total
Balance as of 1/1/2020	(30)	(75)	(16)	(121)
Additions	(26)	(25)	(15)	(66)
Usage	27	5	1	33
Reversal	1	8	10	19
Change of consolidation scope	16	(9)	–	7
Exchange rate effect	1	1	–	2
Balance as of 12/31/2020	(11)	(95)	(20)	(126)
– thereof 12-month expected credit loss	(2)	(33)	n/a	(35)
– thereof lifetime expected credit loss but not credit-impaired	–	(57)	n/a	(57)
– thereof lifetime expected credit loss and credit-impaired	(9)	(5)	n/a	(14)

The impairment loss identified for cash and cash equivalents was immaterial in both the financial year 2021 and the previous year.

As in the previous year, the carrying amount of all receivables, loans and securities constitutes the Bertelsmann Group's maximum default risk as of the end of the reporting period.

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

Maturity Analysis for Non-Derivative Financial Liabilities

in € millions	Carrying amount	Undiscounted cash flows Up to 1 year	1 to 5 years	Over 5 years	Total
Profit participation capital	413	–	–	413	413
Fixed-interest bonds and promissory notes	5,362	597	1,740	3,050	5,387
Floating-rate bonds and promissory notes	10	–	10	–	10
Liabilities to banks	174	97	8	70	175
Other financial debt	58	52	1	5	58
Trade payables	4,062	3,902	160	2	4,064
Liabilities to participations	29	29	–	–	29
Other	1,543	1,303	251	1	1,555
Balance as of 12/31/2021	11,651	5,980	2,170	3,541	11,691
Profit participation capital	413	–	413	–	413
Fixed-interest bonds and promissory notes	6,282	500	2,200	3,615	6,315
Floating-rate bonds and promissory notes	110	–	100	10	110
Liabilities to banks	126	113	13	–	126
Other financial debt	108	102	1	5	108
Trade payables	3,716	3,583	130	3	3,716
Liabilities to participations	29	29	–	–	29
Other	1,295	1,190	110	–	1,300
Balance as of 12/31/2020	12,079	5,517	2,967	3,633	12,117

Current cash outflows from financial liabilities 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 cash and cash equivalents and unutilized credit facilities existing at the end of the reporting period.

The maturity analysis for lease liabilities as of December 31, 2021, is presented in note 22 "Lease Liabilities."

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 Interest Payments

	Undiscounted interest payments			
in € millions	Up to 1 year	1 to 5 years	Over 5 years	Total
Profit participation capital	45	181	45	271
Bonds and promissory notes	113	304	121	538
Liabilities to banks	4	2	–	6
Other financial debt	–	–	–	–
Balance as of 12/31/2021	162	487	166	815
Profit participation capital	45	45	–	90
Bonds and promissory notes	123	377	181	681
Liabilities to banks	2	–	–	2
Other financial debt	1	1	–	2
Balance as of 12/31/2020	171	423	181	775

Financial Services Related to Receivables Acquired and Sold

In certain individual cases, Bertelsmann sells receivables purchased from third parties to financial intermediaries. The receivables sold relate primarily to short-term receivables, some covered by credit insurance, that Arvato Financial Solutions acquires from third parties in the course of conducting its financial services, and some of which it resells to financial intermediaries on an ongoing basis. This business can be changed at any time during the year. As part of the contractual agreements on the sale of receivables, substantially neither all rewards nor all risks that are associated with the receivables were transferred or retained. This relates in particular to possible defaults and late payments of receivables sold, so that a receivable was accounted for in the amount of the continuing involvement of €126 million (previous year: €84 million). The carrying amount of the associated liability is €137 million (previous year: €93 million). The underlying volume of receivables sold amounts to €673 million as of the end of the reporting period (previous year: €437 million).

Risk Management of 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 changes in foreign exchange rates and interest rates. 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 Central Financial 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. They report their hedge transactions to the Central Finance Department each quarter. Further information on financial market risks and financial risk management is presented in the Combined Management Report.

Currency Risk

Bertelsmann is exposed to exchange rate risk in various foreign currencies. Its subsidiaries are advised, but not obliged, to hedge themselves against foreign currency 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 currency risk are hedged using derivatives. If foreign currency transactions designated as hedged items adequately meet effectiveness requirements, hedge accounting as defined by IFRS 9 is applied under the cash flow hedge model. 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 economic debt and results of operations for each currency area. 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 rates 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 financial instruments for control.

Liquidity Risk

Liquidity risks may arise through a lack of rollover financing (liquidity risk in a narrow 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 narrow 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 with banks are also maintained for unplanned expenditures.

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 of the derivatives in its portfolio. The drawdown of limits is monitored on a regular basis. Funds are invested in very short-term portfolios in some cases to preserve flexibility in the event of credit rating changes. Furthermore, cash and cash equivalents are held in money market funds with high credit ratings for risk diversification purposes. Default risks arising from trade receivables are partially mitigated through credit insurance coverage. The Bertelsmann Group has obtained credit collateralization in the amount of €654 million for these receivables (previous year: €576 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 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 a maximum leverage factor of 2.5. On December 31, 2021, the leverage factor was 1.3 (previous year: 1.9). In addition, the coverage ratio is to remain above four. The coverage ratio amounted to 8.3 on December 31, 2021 (previous year: 8.3). 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 2021, the equity ratio was 42.8 percent (previous year: 36.1 percent), meeting the internal financial target set by the Group.

Interest Rate and Currency 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 derivatives 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. 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 immediately to other comprehensive income.

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 plus or minus 1 percent is assumed for all significant 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 underlying total risk position amounts to €3,916 million (previous year: €3,791 million). The results are shown in the following table:

Sensitivity Analysis of Cash Flow and Present Value Risks

	12/31/2021		12/31/2020	
in € millions	Shift +1%	Shift (1)%	Shift +1%	Shift (1)%
Cash flow risks (income statement)	30	(30)	28	(28)
Present value risks (income statement)	–	–	–	–
Present value risks (equity)	–	–	–	–

The analysis of foreign currency sensitivity includes the Group's financial debt and operating transactions at the end of the reporting period and the hedging relationships entered into. The calculation is performed for the unsecured net exposure on the basis of an assumed 10 percent appreciation of the euro versus all foreign currencies, and is presented after tax. Based on a total risk position of €184 million (previous year: €210 million), a uniform devaluation of foreign currencies would have resulted in a change in the carrying amount recognized in profit or loss of €-13 million (previous year: €-15 million). Thereof, €-5 million (previous year: €-7 million) relates to fluctuations in the US dollar exchange rate with a net exposure of US$74 million (previous year: US$118 million). Shareholders' equity would have changed by €6 million (previous year: €-15 million) as a result of fluctuations in the fair values of documented cash flow hedges. Thereof, €6 million (previous year: €-16 million) relates to fluctuations in the US dollar exchange rate on the basis of a documented cash flow hedge volume of US$-96 million (previous year: US$282 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.

Other Price Risks and Sensitivity

The valuation model for the minority stakes in the Bertelsmann Investments division comprises an extensive portfolio of around 300 investments in companies and other funds, the vast majority of which are classified in level 3 of the fair value hierarchy. Due to the numerous inputs, some of which are only relevant for subsets of the portfolio, developing a meaningfully interpretable sensitivity indication for the model addressing the specifics of the valuation objects in the venture capital environment is only possible to a limited extent – in contrast to traditional discounted cashflow or multiplier-based models. This, together with the fragmented size structure and the fact that no meaningful and feasible alternative assumptions can be derived for a variety of inputs - such as the maturity structure underlying the life-cycle model - necessitates a restriction of sensitivity information in quantitative terms to the fungibility discounts for fund-in-fund investments and to the effects of contractual lockups for listed instruments: As of December 31, 2021, the valuation of fund-of-fund investments would have been €57 million (previous year: €75 million) higher excluding fungibility discounts. Excluding fungibility discounts due to contractual lockups would have increased the valuation of listed instruments by €8 million (previous year: €1 million) as of December 31, 2021.

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 with a gross nominal volume of €6,291 million (previous year: €7,347 million) are used to hedge currency rate risks from intercompany financing activities. These financial derivatives account for a total of €3,624 million or 58 percent (previous year: €5,007 million or 68 percent) as of the end of the reporting period. A total of €2,335 million or 37 percent (previous year: €1,860 million or 25 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 interest-bearing receivables and liabilities. Financial derivatives are used exclusively for hedging purposes.

All relationships between hedging instruments and hedged items are documented, in addition to 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 derivatives used as hedging instruments, both when the hedges are initiated and on an ongoing basis.

Nominal Volume and Fair Values of Financial Derivatives

	12/31/2021				
	Nominal volume				
in € millions	< 1 year	1 to 5 years	> 5 years	Total	Fair values
Currency derivatives					
Forward contracts and currency swaps	3,879	1,586	596	6,061	(119)
Interest rate derivatives					
Interest rate swaps	–	230	–	230	3
Other derivative financial instruments	–	–	–	–	–
	3,879	1,816	596	6,291	(116)

	12/31/2020				
	Nominal volume				
in € millions	< 1 year	1 to 5 years	> 5 years	Total	Fair values
Currency derivatives					
Forward contracts and currency swaps	4,605	1,508	754	6,867	49
Interest rate derivatives					
Interest rate swaps	250	230	–	480	6
Other derivative financial instruments	–	–	–	–	–
	4,855	1,738	754	7,347	55

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows, particularly in connection with foreign currency risk relating to the purchase and sale of program rights and output deals for the TV business. Bertelsmann hedges between 80 percent and 100 percent of the short-term (within one year) future cash flows, and between 10 percent and 80 percent of the longer-term (two to five years) future cash flows. As a rule, the derivatives used are recognized as hedging instruments in connection with cash flow hedges, taking into account the volume of the cash flows to be hedged. In individual cases, the Group also hedges certain foreign currency risks arising from intercompany monetary items.

The effective portion of changes in the fair value of cash flow hedges is recognized in accumulated other comprehensive income until the effects of the hedged underlying transaction affect profit or loss, or until a basis adjustment occurs. The total nominal volume designated as a cash flow hedge amounts to US$1,131 million (previous year: US$1,339 million). The amount of €81 million relating to cash flow hedges (previous year: €-2 million) was reclassified from accumulated other comprehensive income to the income statement. These are amounts before tax. The portion remaining in accumulated other comprehensive income as of December 31, 2021, will thus mainly impact the income statement in the years to come. As in the previous year, no ineffective portion of the cash flow hedges existed.

The following table provides an overview of the carrying amounts of the 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 IFRS 9 and those that are not.

Derivative Financial Instruments

in € millions	Carrying amount on 12/31/2021	Carrying amount on 12/31/2020
Assets		
Forward contracts and currency swaps		
– without hedge relation	24	80
– in connection with cash flow hedges	10	8
Interest rate swaps		
– without hedge relation	3	6
– in connection with cash flow hedges	–	–
Other derivative financial instruments without hedge relation	–	–
Equity and liabilities		
Forward contracts and currency swaps		
– without hedge relation	77	29
– in connection with cash flow hedges	76	10
Interest rate swaps		
– without hedge relation	–	–
– in connection with cash flow hedges	–	–
Other derivative financial instruments without hedge relation	–	–

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

Liabilities from Derivatives with Gross Settlement

	Remaining term of liabilities		
in € millions	Up to 1 year	1 to 5 years	Over 5 years
Cash outflow	(2,080)	(1,415)	(712)
Cash inflow	2,015	1,304	641
Balance as of 12/31/2021	(65)	(111)	(71)
Cash outflow	(2,327)	(383)	–
Cash inflow	2,297	374	–
Balance as of 12/31/2020	(30)	(9)	–

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, whereby EBIT is adjusted for the effects of a non-cash nature, any deferrals or accruals of past or future operating receipts or payments, and items of income or expenses associated with investing cash flows. In addition, cash flows arising from income taxes are classified as cash flows from operating activities as well as other cash flows that are neither investing nor financing.

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

The change in provisions for pensions and similar obligations represents the balance of personnel costs for pensions and similar obligations and company payments for these obligations (further explanations are presented in note 18 "Provisions for Pensions and Similar Obligations"). Contributions to pension plans totaling €-221 million (previous year: €-23 million) were also included in this item. "Other effects" of the cash flow from operating activities include the adjustments of results from investments accounted for using the equity method, taking into account dividends received from these investments, and adjustments in connection with non-cash income and expenses.

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 reconciled with changes in items reported on the consolidated balance sheet. Investing activities include payments for investments in non-current assets and purchase price payments for acquisitions as well as proceeds from the disposal of non-current assets and investments. Further explanations concerning acquisitions made during the financial year are presented in the section "Acquisitions and Disposals." Disposals made during the financial year are also presented separately in that section. Financial debt of €7 million (previous year: €54 million) was assumed during the reporting period. As in the previous year, losing control of subsidiaries or other businesses resulted in the disposal of financial debt of an immaterial amount. The amount recognized under "Disposals of other fixed assets" is mainly attributable to several exits conducted in the Bertelsmann Investments division (further details are presented in note 25 "Additional Disclosures on Financial Instruments").

Cash flow from financing activities includes changes in equity, financial debt, lease liabilities and dividend distributions affecting cash, as well as interest received (mainly interest payments from derivatives) and interest paid (including interest paid due to leases). In the 2021 financial year, €25 million of the item "Other effects" is attributable to the costs of the early repurchase of bonds. Total cash outflows from leases amounted to €-317 million (previous year: €-316 million) in the financial year 2021. The item "Change in equity" amounts to €304 million, which relates mainly to the sale of the Majorel shares in the course of the IPO. In the previous year, the item "Change in equity" amounted to €-736 million and resulted mainly from the transaction in connection with Penguin Random House.

The following tables show the cash changes and non-cash changes of liabilities arising from financing activities:

Changes in Liabilities Arising from Financing Activities

in € millions	1/1/2021	Cash changes	Non-cash changes: Acquisitions through business combinations	Non-cash changes: Disposals through business combinations	Non-cash changes: Exchange rate effects	Non-cash changes: Other changes	12/31/2021
Bonds	5,968	(927)	–	–	–	6	5,047
Promissory notes	424	(99)	–	–	–	–	325
Liabilities to banks	126	40	7	–	1	–	174
Lease liabilities	1,355	(317)	14	(37)	49	292	1,356
Other financial debt	108	(28)	–	–	–	(22)	58
Liabilities arising from financing activities	7,981	(1,331)	21	(37)	50	276	6,960

in € millions	1/1/2020	Cash changes	Non-cash changes: Acquisitions through business combinations	Non-cash changes: Disposals through business combinations	Non-cash changes: Exchange rate effects	Non-cash changes: Other changes	12/31/2020
Bonds	4,377	1,585	–	–	–	6	5,968
Promissory notes	325	100	–	–	–	(1)	424
Liabilities to banks	138	(58)	50	–	(4)	–	126
Lease liabilities	1,392	(316)	2	(8)	(58)	343	1,355
Other financial debt	160	(58)	4	(2)	5	(1)	108
Liabilities arising from financing activities	6,392	1,253	56	(10)	(57)	347	7,981

As of December 31, 2021, the other non-cash changes in lease liabilities mainly relate to lease contracts newly concluded in the financial year 2021. Analogously, as of December 31, 2020, the other non-cash changes in lease liabilities mainly related to lease contracts newly concluded in the financial year 2020.

27 Segment Reporting

IFRS 8 Operating Segments requires that external segment reporting must be based on the internal organizational and management structure, and on management and reporting indicators used internally. The Bertelsmann Group comprises eight operating reportable segments (RTL Group, Penguin Random House, Gruner + Jahr, BMG, Arvato, Bertelsmann Printing Group, Bertelsmann Education Group and Bertelsmann Investments), differentiated according to the type of products and services offered and which are reported by segment managers to the Executive Board of Bertelsmann Management SE in its role as the chief operating decision-maker in accordance with IFRS 8. Corporate is mainly responsible for activities in the areas of taxes, legal, human resources, information technology, internal audit, accounting and reporting, corporate communications and management, internal control and strategic development of the Group, securing the required financing, risk management and optimization of the Group's investment portfolio. In the financial year 2020, the effects of sale-and-leaseback transactions recognized in profit or loss were allocated to Corporate.

Intersegment eliminations are included 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. Invested capital is calculated on the basis of the Group's operating assets less non-interest-bearing operating liabilities. Intercompany revenues are recognized using the same arm's-length conditions applied to transactions with third parties.

Operating EBITDA serves as a key performance indicator for a sustainable determination of operating result. Assessment of the operating segments' performance is also based on this performance indicator. Operating EBITDA represents the operating earnings generated by the respective segment management before interest and taxes, as well as amortization/depreciation, impairment and reversals, and it is adjusted for special items. Elimination of these special items allows the determination of a normalized performance indicator, thus simplifying forecasting and comparability. Segment amortization/depreciation, impairment and reversals relate to property, plant and equipment and right-of-use assets, and to intangible assets as set out in notes 9 "Intangible Assets" and 10 "Property, Plant and Equipment and Right-of-Use Assets." For segment reporting, intercompany leases are presented as operating leases with income and expenses recognized using the straight-line method in accordance with IFRS 8, in line with internal management. The business development of Bertelsmann Investments is presented primarily on the basis of EBIT.

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. 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 segment information is presented on page 58 f.

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

Reconciliation of Segment Information to Group Profit or Loss

in € millions	2021	2020
Operating EBITDA	3,241	3,143
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	(909)	(1,040)
Adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	29	122
Special items	963	51
EBIT	3,324	2,276
Financial result	(352)	(339)
Earnings before taxes	2,972	1,937
Income tax expense	(662)	(478)
Group profit or loss	2,310	1,459

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, and 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 general partner, and the Supervisory Board of Bertelsmann SE & Co. KGaA, including close members of their families and including the companies that are controlled or jointly managed by them, and the joint ventures and associates forming part of the Bertelsmann Group and their subsidiaries, are defined as related parties. Furthermore, Bertelsmann Pension Trust e.V. is considered a related party (further details on this are presented in note 18 "Provisions for Pensions and Similar Obligations").

Bertelsmann Verwaltungsgesellschaft mbH (BVG), Gütersloh, a holding company with no operating activities, has control of the Bertelsmann Group. Johannes Mohn GmbH has informed Bertelsmann SE & Co. KGaA that it directly owns more than 50 percent of the shares in Bertelsmann Management SE and of Bertelsmann SE & Co. KGaA. Reinhard Mohn Verwaltungsgesellschaft mbH continues to own more than one quarter of the shares in Bertelsmann Management SE and in Bertelsmann SE & Co. KGaA, respectively.

In the legal form of a KGaA, the business is managed by a general 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 at 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 the following:

Remuneration for Key Management Personnel

in € millions	2021	2020
Short-term employee and termination benefits	20	19
Post-employment benefits	2	2
Other long-term benefits	8	10

The remuneration shown also includes remuneration for activities by the members of the Supervisory Board of Bertelsmann SE & Co. KGaA on 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
2021					
Goods delivered and services provided	–	1	52	71	–
Goods and services received	–	(1)	(21)	(50)	(1)
Receivables against	–	–	17	58	–
Amounts owed to	–	56	13	30	27
2020					
Goods delivered and services provided	–	1	75	47	–
Goods and services received	–	(2)	(29)	(34)	(1)
Receivables against	–	–	28	37	–
Amounts owed to	–	60	74	24	27

The amounts owed to key members of management include pension obligations, variable remuneration components and long-term incentives. The item "Other related parties" primarily includes transactions with the general partner Bertelsmann Management SE. The obligations as of the end of the reporting period result from expenses passed on by Bertelsmann Management SE.

As of December 31, 2021, no guarantees for associates exist (previous year: €3 million). Contingent liabilities from associates amounted to €10 million as of December 31, 2021 (previous year: none). Contribution obligations of €4 million (previous year: €4 million) exist to University Ventures Funds as of December 31, 2021. Capital contributions to associates of €2 million (previous year: €5 million) were made in the financial year 2021. In addition, capital distributions from associates amounting to €4 million were made in the financial year 2021, which were fully attributable to University Ventures Funds (previous year: €3 million). As of December 31, 2021, loans amounting to €33 million were granted to associates (previous year: €1 million). In the financial year 2021, loans of €1 million were received from associates (previous year: none). As in the previous year, no significant expenses were recognized for bad or doubtful debts due from associates in the financial year 2021.

Contingent liabilities from joint ventures amounted to €14 million as of December 31, 2021 (previous year: €25 million). As of the end of the reporting period, no commitments for RTL Group joint ventures existed (previous year: immaterial). As in the previous year, no expenses were recognized for bad or doubtful debts due from joint ventures in the financial year 2021. As of December 31, 2021, loans of €30 million were granted to joint ventures (previous year: €11 million). Loans were received from joint ventures in the amount of €1 million (previous year: €3 million). No capital contributions were made to joint ventures in the financial year 2021 (previous year: immaterial).

29 Events after the Reporting Period

In August 2021, Bertelsmann announced that RTL Deutschland was taking over Gruner + Jahr's German magazine businesses and brands. The transaction closed on January 1, 2022. As of the beginning of the financial year 2022, Gruner + Jahr is no longer designated as an independent division. Going forward, the other Gruner + Jahr activities will be allocated to Bertelsmann Investments in the future.

In November 2021, Majorel signed an agreement for the acquisition of 80 percent of the shares in Mayen Telekomünikasyon Hizmetleri A.Ş., a company based in Turkey. An advance payment of €58 million was already made as of December 31, 2021. In accordance with IFRS 3, the acquisition date is January 1, 2022. The transaction will be accounted for as a business combination in accordance with IFRS 3. At the time the Consolidated Financial Statements were prepared, the purchase price allocation was at a very preliminary stage. In particular, the valuations have not yet been finalized.

In January 2022, Bertelsmann made early repayments of parts of the bonds maturing in August 2022, October 2024, September 2025 and April 2026 in the total nominal amount of €146 million as part of a public repurchase offer.

In January 2022, RTL Group sold its entire investment in VideoAmp, a US software and data company for media measurement, for US$104 million (€92 million) in cash. The transaction was carried out as a share buyback by VideoAmp.

In February 2022, RTL Group announced that it has signed a definitive agreement for the sale of RTL Croatia. The transaction is subject to regulatory approvals and is expected to be closed in the second quarter of 2022. The expected total consideration amounts to €50 million. In addition, RTL Group has agreed to a long-term trademark licensing agreement with the buyer.

In March 2022, Bertelsmann announced the entry into a term sheet with the main co-investors, the Esteves family and NRE Capital Ventures Ltd., regarding an offer by the Esteves family and NRE to acquire 6 million additional Class B shares of the investment in Afya Ltd. held by the Bertelsmann Investments division as an associate. This binding offer, Bertelsmann's acceptance of which is subject to due diligence and approval by the relevant boards, is based on a price per share of US$26.90 and valid until April 15, 2022.

In March 2022, Fremantle acquired 70 percent of Lux Vide, Italy's leading independent television production company. The acquisition of Lux Vide forms part of Fremantle's wider international growth strategy to invest in premium production companies, content creators and talent from around the world – developing and securing original formats and unmissable IP. The transaction will be accounted for as a business combination in accordance with IFRS 3. At the time the Consolidated Financial Statements were prepared, the purchase price allocation was at a very preliminary stage.

The negative effects of the Russian invasion of Ukraine and the impact of the resulting further rise in geopolitical tensions on the global economy are not yet fully foreseeable.

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, and the requirements for audit of and publication by limited liability companies for the financial year ended December 31, 2021.

Name of the entity	Place
"I 2 I" Musikproduktions- und Musikverlagsgesellschaft mbH	Cologne
99 pro media GmbH	Leipzig
adality GmbH	Gütersloh
Ad Alliance GmbH	Cologne
adjoe GmbH	Hamburg
AppLike Group GmbH	Hamburg
arvato CRM Healthcare GmbH	Berlin
arvato direct services GmbH	Gütersloh
arvato distribution GmbH	Harsewinkel
arvato eCommerce Beteiligungsgesellschaft mbH	Gütersloh
arvato eCommerce Verwaltungsgesellschaft mbH	Gütersloh
arvato infoscore GmbH	Baden-Baden
arvato Logistics, Corporate Real Estate & Transport GmbH	Gütersloh
arvato media GmbH	Gütersloh
Arvato Payment Solutions GmbH	Verl
Arvato SCM Kamen GmbH	Gütersloh
arvato services Dresden GmbH	Dresden
arvato services Gera GmbH	Gera
arvato services Leipzig GmbH	Leipzig
Arvato Supply Chain Solutions SE	Gütersloh
Arvato Systems Digital GmbH	Leipzig
arvato systems GmbH	Gütersloh
arvato Systems S4M GmbH	Cologne
AVE Gesellschaft für Hörfunkbeteiligungen mbH	Berlin
AZ Direct Beteiligungs GmbH	Gütersloh
AZ Direct GmbH	Gütersloh
BAG Business Information Beteiligungs GmbH	Gütersloh
BAI GmbH	Gütersloh
BDMI GmbH	Gütersloh
BePeople GmbH	Gütersloh
Bertelsmann Accounting Services GmbH	Gütersloh
Bertelsmann Accounting Services Schwerin GmbH	Schwerin
Bertelsmann Aviation GmbH	Gütersloh
Bertelsmann Capital Holding GmbH	Gütersloh
Bertelsmann China Holding GmbH	Gütersloh
Bertelsmann Data Services GmbH	Gütersloh
Bertelsmann Investments Digital Health GmbH	Gütersloh
Bertelsmann Transfer GmbH	Gütersloh
Bertelsmann Treuhand- und Anlagegesellschaft mit beschränkter Haftung	Gütersloh
BFS finance GmbH	Verl
BFS finance Münster GmbH	Münster

Name of the entity	Place
BFS health finance GmbH	Dortmund
BMG Production Music (Germany) GmbH	Berlin
BMG RIGHTS MANAGEMENT (Europe) GmbH	Berlin
BMG RIGHTS MANAGEMENT GmbH	Berlin
Campaign Services Neckarsulm GmbH	Neckarsulm
Campaign Services Offenbach GmbH	Frankfurt am Main
CBC Cologne Broadcasting Center GmbH	Cologne
Checkout Charlie GmbH	Berlin
Chefkoch GmbH	Bonn
COUNTDOWN MEDIA GmbH	Hamburg
Der Audio Verlag GmbH	Berlin
DeutschlandCard GmbH	Munich
Digital Media Hub GmbH	Cologne
Direct Analytics GmbH	Gütersloh
direct services Gütersloh GmbH	Gütersloh
Dorling Kindersley Verlag GmbH	Munich
DPV Deutscher Pressevertrieb GmbH	Hamburg
Eat the World GmbH	Berlin
Erste TD Gütersloh GmbH	Gütersloh
Erste WV Gütersloh GmbH	Gütersloh
European SCM Services GmbH	Gütersloh
frechverlag GmbH	Stuttgart
GGP Media GmbH	Pößneck
G+J Digital Ventures GmbH	Berlin
G+J Electronic Media Sales GmbH	Hamburg
G+J LIVING Digital GmbH	Hamburg
G+J Medien GmbH	Hamburg
G+J Vermietungsgesellschaft Sächsischer Verlag mbH	Dresden
G+J Zweite Grundstücksbeteiligungsgesellschaft München mbH	Munich
Global Assekuranz Vermittlungsgesellschaft mit beschränkter Haftung	Gütersloh
Grundstücksgesellschaft Vorsetzen 2 mbH	Hamburg
Gruner + Jahr Communication GmbH	Hamburg
Gruner + Jahr Deutschland GmbH	Hamburg
Henri-Nannen-Schule Gruner+Jahr/ DIE ZEIT GmbH	Hamburg
Honey GmbH	Hamburg
infoscore Business Support GmbH	Baden-Baden
infoscore Finance GmbH	Baden-Baden
infoscore Portfolio Management International GmbH	Gütersloh
inmediaONE] GmbH	Gütersloh
justDice GmbH	Hamburg

Name of the entity	Place
Like to KNOW GmbH	Cologne
Majorel Chemnitz GmbH[1]	Chemnitz
Majorel Neubrandenburg GmbH[1]	Neubrandenburg
Majorel Schwerin GmbH[1]	Schwerin
mbs Nürnberg GmbH	Nuremberg
Mohn Media Energy GmbH	Gütersloh
Mohn Media Mohndruck GmbH	Gütersloh
MSP Medien-Service und Promotion GmbH	Hamburg
Next Level Integration GmbH	Cologne
Paigo GmbH	Verl
Penguin Books Deutschland Gesellschaft mit beschränkter Haftung	Munich
Penguin Random House Verlagsgruppe GmbH	Gütersloh
Prinovis Ahrensburg Weiterverarbeitung und Logistik GmbH	Hamburg
Prinovis Klebebindung GmbH	Nuremberg
PRINOVIS Service GmbH	Hamburg
Prinovis Verwaltungs GmbH	Gütersloh
Probind Mohn media Binding GmbH	Gütersloh
PSC Print Service Center GmbH	Oppurg
Random House Audio GmbH	Cologne
Reinhard Mohn GmbH	Gütersloh
Relias Learning GmbH	Berlin
rewards arvato services GmbH	Munich
RM 9 Beteiligungsverwaltungs GmbH	Gütersloh
RM Buch und Medien Vertrieb GmbH	Gütersloh
RM Elfte Beteiligungsverwaltungs GmbH	Gütersloh
RM Hamburg Holding GmbH	Hamburg
Rote Liste Service GmbH	Frankfurt am Main
RTL Audio Center Berlin GmbH	Berlin
RTL Audio Vermarktung GmbH	Berlin
RTL Deutschland GmbH	Cologne
RTL Group Central & Eastern Europe GmbH	Cologne
RTL Group Financial Services GmbH	Cologne
RTL Group GmbH	Cologne

1) The financial year of this subsidiary started on November 1, 2021.

Name of the entity	Place
RTL Group Markenverwaltungs GmbH	Cologne
RTL Group Vermögensverwaltung GmbH	Cologne
RTL Hessen GmbH	Frankfurt am Main
RTL interactive GmbH	Cologne
RTL Journalistenschule GmbH	Cologne
RTL NEWS GmbH	Cologne
RTL Nord GmbH	Hamburg
RTL Radio Berlin GmbH	Berlin
RTL Radio Deutschland GmbH	Berlin
RTL Radio Luxemburg GmbH	Cologne
RTL STUDIOS GmbH	Cologne
RTL West GmbH	Cologne
rtv media group GmbH	Nuremberg
smartclip Deutschland GmbH	Cologne
smartclip Europe GmbH	Düsseldorf
Sonopress GmbH	Gütersloh
SSB Software Service und Beratung GmbH	Munich
SUNDAY GmbH	Hamburg
TERRITORY EMBRACE GmbH	Bochum
TERRITORY GmbH	Hamburg
TERRITORY Influence GmbH	Munich
TERRITORY MEDIA GmbH	Munich
trndnxt GmbH	Munich
trndsphere blue GmbH	Munich
UFA Film und Fernseh GmbH	Cologne
Ufa Radio-Programmgesellschaft in Bayern mbH	Ismaning
Undercover GmbH	Schwülper
Verlag RM GmbH	Gütersloh
Verlegerdienst München GmbH	Gilching
versorgung.plus GmbH	Dortmund
VIVENO Group GmbH	Gütersloh
Vogel Druck und Medienservice GmbH	Höchberg
VOX Holding GmbH	Cologne
VSG Schwerin - Verlagsservicegesellschaft mbH	Schwerin
we are era GmbH	Berlin

In addition, the exemption regulations set out in section 264b of the German Commercial Code (HGB) were used by the following companies for the financial year ended December 31, 2021:

Name of the entity	Place
11 Freunde Verlag GmbH & Co KG	Berlin
AVE II Vermögensverwaltungsgesellschaft mbH & Co. KG	Cologne
AZ fundraising services GmbH & Co. KG	Gütersloh
DDV Mediengruppe GmbH & Co. KG	Dresden

Name of the entity	Place
Deutsche Medien-Manufaktur GmbH & Co. KG	Münster
infoscore Portfolio Management GmbH & Co. KG	Verl
infoscore Portfolio Management II GmbH & Co. KG	Baden-Baden
Prinovis GmbH & Co. KG	Gütersloh
Sellwell GmbH & Co. KG	Hamburg

The consolidated subsidiary Arvato SCM Ireland Limited in Dublin, Ireland, has used the exemption option offered in section 357 of the "Republic of Ireland Companies Act 2014" for publication requirements for its annual financial statements.

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

The compensation of the Supervisory Board of Bertelsmann SE & Co. KGaA for the financial year 2021 amounted to €2 million plus statutory value-added tax. Members of the Executive Board received total remuneration in the reporting period of €26 million, including €19 million from Bertelsmann Management SE. Former members of the Executive Board of Bertelsmann Management SE and Bertelsmann AG and their surviving dependents received compensation of €4 million, including €4 million 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 €83 million. The members of the Executive Board and Supervisory Board are listed on pages 160 ff.

The following fees were incurred in the financial year for the services of the auditor of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft:

in € millions	12/31/2021
Audit services	4.6
Other audit-related services	1.6
Tax advisory services	0.2
Other services	1.0
Total	7.4

The audit services include the fees for the audit of the consolidated financial statements, the review of the interim consolidated financial statements and the audit of the statutory financial statements of Bertelsmann SE & Co. KGaA and its subsidiaries. Other audit-related services include services performed in connection with the issuance of a comfort letter, audits required by law or contract, such as audits under the German Renewable Energies Act (EEG), voluntarily commissioned assurance services in connection with information technology, compliance management, internal control systems and other contractually agreed assurance services. The tax advisory services related to support services in connection with reporting obligations and advice on individual matters. Other services related to quality assurance support and analysis services.

The following table shows the number of employees as of December 31, 2021, and on an annual average:

Number of Employees

	Number of employees (closing date)	Number of employees (average)
RTL Group	17,377	17,060
Penguin Random House	11,979	11,637
Gruner + Jahr	7,166	7,166
BMG	1,025	1,015
Arvato	96,824	94,877
Bertelsmann Printing Group	6,804	6,850
Bertelsmann Education Group	1,915	1,772
Bertelsmann Investments	396	393
Corporate	1,541	1,558
Total	145,027	142,328

32 Proposal for the Appropriation of Net Retained Profits

The general 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 €944 million be appropriated as follows:

Net Retained Profits for Bertelsmann SE & Co. KGaA

in € millions	
Net retained profits	944
Dividends to shareholders	(220)
Carried forward to new financial year	724

The dividend per ordinary share thus amounts to €2,627.

The general partner Bertelsmann Management SE approved the Consolidated Financial Statements for submission to the Supervisory Board of Bertelsmann SE & Co. KGaA on March 16, 2022. The Supervisory Board's task is to review the Consolidated Financial Statements and declare whether it approves these.

Gütersloh, March 16, 2022

Bertelsmann SE & Co. KGaA
Represented by:
Bertelsmann Management SE, the general partner
Executive Board

Thomas Rabe	Markus Dohle
Rolf Hellermann	Immanuel Hermreck

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Combined Management Report includes a fair review of the development and performance of the business and the position of the Bertelsmann Group and Bertelsmann SE & Co. KGaA, together with a description of the material opportunities and risks associated with the expected development of the Bertelsmann Group and Bertelsmann SE & Co. KGaA.

Gütersloh, March 16, 2022

Bertelsmann SE & Co. KGaA
Represented by:
Bertelsmann Management SE, the general partner
Executive Board

Thomas Rabe	Markus Dohle
Rolf Hellermann	Immanuel Hermreck

Independent Auditor's Report

To Bertelsmann SE & Co. KGaA, Gütersloh

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Bertelsmann SE & Co. KGaA, Gütersloh, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report for the Company and the Group (hereinafter: the "combined management report") of Bertelsmann SE & Co. KGaA, including the combined non-financial statement pursuant to Sections 315b (1) and 315c HGB for the financial year from 1 January to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report.

We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of goodwill

Please refer to the general principles set out in the notes to the consolidated financial statements for information on the accounting policies applied. Please also refer to Section 9 of the notes to the consolidated financial statements concerning the assumptions used.

The financial statement risk

Goodwill amounted to €8,179 million as at 31 December 2021 and, at 25.8% of total assets and 60.3% of group equity, has a significant impact on the financial position.

Goodwill is tested for impairment annually at the level of the cash-generating units to which the relevant goodwill is allocated, without this requiring a specific cause. If impairment triggers arise during the financial year, an event-driven impairment test is also carried out during the year. For goodwill impairment testing, the carrying amount is compared with the recoverable amount of each cash-generating unit. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher amount of fair value less costs to sell and value in use of the cash-generating unit. The reporting date for impairment testing is 31 December 2021.

For the listed cash-generating units RTL Group, Majorel and Groupe M6, market capitalization is compared to the carrying amount of the cash-generating unit. For the impairment tests of the remaining cash-generating units, the recoverable amount is determined on the basis of future expected cash flows using a DCF method and compared with the carrying amount of the cash-generating unit. There was no requirement to recognize an impairment loss on goodwill.

Impairment testing of goodwill is complex and based on a number of assumptions requiring judgement. These include the expected business and earnings development of the cash-generating units in the detailed planning period, the long-term growth rates that are assumed and the discount rate that is used.

There is the risk for the consolidated financial statements that any existing impairment as at the reporting date was not identified. There is also the risk that the related disclosures in the notes are not appropriate.

Our audit approach

With the involvement of our valuation experts, we also assessed the appropriateness of key assumptions and the calculation method of the Company. To this end, we discussed the expected business and earnings development in the detailed planning period as well as the assumed long-term growth rates with those responsible for planning. We also carried out reconciliation with the 2022 budget prepared by the Executive Board and approved by the Supervisory Board as well as the medium-term business plan (2022 to 2024) and made an assessment of planning updates into the detailed planning period as well as the termination period.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analyzing deviations. We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation method used, we verified the Company's calculations on the basis of selected risk-based elements and on the basis of our own calculations.

In order to take existing forecast uncertainty into account, we investigated the effects of potential changes in the discount rate, in the earnings performance and in the long-term growth rate on the recoverable amount by verifying the sensitivity analyzes performed by the Company and comparing them with the valuation results.

Finally, we assessed whether the disclosures in the notes regarding impairment testing of goodwill are appropriate. This also included an assessment of the appropriateness of disclosures in the notes according to IAS 36.134(f) on sensitivity in the event of a reasonably possible change in the key assumptions used for measurement.

Our observations

The calculation method used for impairment testing of goodwill is appropriate and in line with the applicable accounting policies.

The Company's assumptions and data used for measurement are appropriate.

The related disclosures in the notes are appropriate.

Measurement of the non-controlling interests in start-ups and fund-in-fund investments

Please refer to Section 2 and Section 25 in the notes to the consolidated financial statements for information on the accounting policies applied and the assumptions used. Disclosures on the amount of the non-controlling interests in start-ups and fund-in-fund investments can be found in Section 12 in the notes to the consolidated financial statements. Disclosures on the amount of the changes in fair value recognized in profit or loss can be found in Section 2.

The financial statement risk

The non-controlling interests in start-ups and fund-in-fund investments totaled €1,216 million as at 31 December 2021 and, at 9.0% of the group equity, are significant for assets and liabilities.

In terms of measurement, the non-controlling interests in start-ups and fund-in-fund investments are allocated to the fair value through profit or loss category in accordance with IFRS 9. Investments in associates that are measured at fair value through profit or loss in application of IAS 28.18 are also included here. The majority of the fair values of non-controlling interests in start-ups and fund-in-fund investments calculated as at 31 December 2021 are based on unobservable measurement inputs (level 3). As no observable market data is available in this case, the fair values are calculated primarily on the basis of different complex valuation models. If no observable data is available, the valuation for acquired non-controlling interests in start-ups in the Bertelsmann Investments division for unlisted investments is generally based on observable achievable prices from recent qualifying financing rounds that fulfil the minimum requirements in terms of volume and group of participants, taking into consideration the entity's life and development cycle. In determining the fair values of listed financial instruments with contractual trading restrictions (lock-ups), market prices incorporating further adjustments are used. Furthermore, the calculation of the fair values of fund-in-fund investments is based on valuations of the external fund management pursuant to regular reporting and taking a fungibility discount into consideration.

The determination of the valuation of the non-controlling interests in start-ups and fund-in-fund investments is complex and based for unlisted investments on a number of assumptions requiring judgement. These include the investment-specific assumptions about credit risks as well as life/development cycles of the start-up investments and fungibility discounts, which are required for the inputs of the model.

There is the risk for the consolidated financial statements that the fair values as at the reporting date are not calculated in an appropriate way and that the changes in value resulting from this are not recognized in the appropriate amount.

Our audit approach

We have assessed the appropriateness, setup and effectiveness of controls that the Company has set up to ensure that the data for the inputs for measuring the non-controlling interests in start-ups and fund-in-fund investments is determined correctly and in full.

With the support of our valuation specialists, we assessed, among other things, the appropriateness of the Company's key assumptions and valuation models. If the measurement was performed by external fund management, we assessed the measurements made by external management as well as the assessment carried out in this respect by the Company. To ensure the computational accuracy of the valuation model used, we verified the Company's calculations on the basis of selected risk-based elements and compared them with contractual information as well as publicly available data.

Our observations

The valuation models underlying the calculation of the non-controlling interests in start-ups and fund-to-fund investments are appropriate and consistent with the applicable accounting policies. The Company's assumptions and data used for measurement are appropriate.

Recoverability of the investments in associates and joint ventures

Please refer to the sections "General principles" and "Principles of consolidation" in the notes to the consolidated financial statements for information on the accounting policies applied. The Company's disclosures on the investments in associates are included in Section 11 of the notes to the consolidated financial statements.

The financial statement risk

Investments accounted for using the equity method of €1,340 million are reported under the non-current assets in the consolidated financial statements of Bertelsmann SE & Co. KGaA as at 31 December 2021.

The investments in associates are recognized using the equity method pursuant to IAS 28. The recoverability of the investments in associates is assessed on the basis of specific causes where there are indications that the carrying amount of the relevant investment in the associate may be impaired. To this end, the carrying amount is compared with the relevant recoverable amount. If the carrying amount exceeds the recoverable amount, an impairment is recognized. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the relevant investment in the associate.

The cash flows used for the discounted cash flow model are based on plans for individual investments for the next three and five years, which are adjusted using assumptions for long-term growth rates. The relevant discount rate is measured at the weighted average cost of capital.

The calculation of the fair value using the income discounted cash flow model is complex and, with regard to the assumptions that are made, dependent to a great extent on the Company's estimates and judgements. This is particularly true for the estimate of the future cash flows and long-term growth rates, the determination of the discount rate and other assumptions relating to the business performance of the individual investments in associates.

There is the risk for the consolidated financial statements that any existing impairment as at the reporting date was not identified. There is also the risk that the related disclosures in the notes are not appropriate.

Our audit approach

First, we used the information obtained in the course of our audit to assess which investments in associates could indicate a need for impairment. With the involvement of our valuation experts, we then assessed the appropriateness of key assumptions and the valuation method used by the Company. To this end, we discussed the expected cash flows and the assumed long-term growth rates with those responsible for planning. We also carried out reconciliations regarding the planning for the associates. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analyzing deviations.

We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta factor, with our own assumptions and publicly available data. In order to take existing forecast uncertainty into account, we investigated the effects of potential changes in the discount rate, in the earnings performance and in the long-term growth rate on the recoverable amount by verifying the sensitivity analyzes performed by the Company and comparing them with the valuation results.

Finally, we assessed whether the disclosures in the notes regarding the impairment of the investments in associates were appropriate. This also included an assessment of the appropriateness of disclosures in the notes according to IAS 36.134(f) on sensitivity in the event of a reasonably possible change in the key assumptions used for measurement.

Our observations

The procedure underlying impairment testing of the investments in associates is appropriate and consistent with the accounting policies. The Company's assumptions and data are appropriate.

The related disclosures in the notes are appropriate.

Other information

The Executive Board and/or the Supervisory Board are/is responsible for the other information.

The other information comprises the annual report. The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Executive Board is responsible for the preparation of consolidated financial statements that comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Executive Board is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Executive Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Executive Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.
- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Executive Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Executive Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Note on emphasis of matter of inherent risk due to uncertainties regarding the legal conformity of the interpretation of the EU Taxonomy Regulation

Please refer to the comments of the Executive Board in the "EU Taxonomy" section of the combined non-financial statement pursuant to Section 315b (1) HGB contained in the "combined non-financial statement" section of the combined management report. This section describes that the EU Taxonomy Regulation and the delegated acts issued in this regard contain formulations and terms that are still subject to considerable uncertainty regarding interpretation and for which clarifications have not yet been published in each case. The Executive Board presents how it made the necessary interpretations of the EU Taxonomy Regulation and the delegated acts adopted in this regard. Due to the inherent risk that undefined legal terms can be interpreted differently, the legal conformity of the interpretation is subject to uncertainty. We have not modified our opinion on the combined management report in respect of this matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "Bertelsmann_KA+LB+2021_ESEF-2021-03-14.zip" (SHA256 hash value: a81f3eff3c6d84221de2cdb6a1a1009dd a71bf58837db7e79e1cef5cd7b5c3b3) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (10.2021)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's Executive Board is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's Executive Board is responsible for such internal control that it has considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in

the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL), in accordance with the requirements of Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the Annual General Meeting on 6 May 2021. We were engaged by the Supervisory Board on 7 July 2021. We have been the group auditor of Bertelsmann SE & Co. KGaA since financial year 2020.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the German Federal Gazette (Bundesanzeiger) – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the audit is Frank Thiele.

Bielefeld, 17 March 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Tonne	Thiele
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Corporate Governance at Bertelsmann

The pursuit of responsible corporate governance is part of the Bertelsmann identity, and an important element of its corporate culture.

Bertelsmann SE & Co. KGaA is a capital market-oriented but unlisted company. The corporate governance of Bertelsmann SE & Co. KGaA largely follows the recommendations and suggestions contained in the German Corporate Governance Code ("Code"). Due to Bertelsmann's specific shareholder structure, the company essentially deviates from the recommendations and suggestions of the Code that are primarily aimed at publicly traded companies with a larger group of shareholders. Bertelsmann is not required to issue a declaration pursuant to section 161 of the German Stock Corporation Act stating that it complies with the recommendations of the Code.

Statutory Bodies of the Company

Bertelsmann's legal form is that of a Kommanditgesellschaft auf Aktien (KGaA) (partnership limited by shares). The statutory bodies of the KGaA are the General Meeting, the Supervisory Board and the general partner. The general partner serves as the management and representative body of the KGaA. In the case of Bertelsmann, this is Bertelsmann Management SE, a European stock corporation (Societas Europaea), represented by its Executive Board. Bertelsmann SE & Co. KGaA and Bertelsmann Management SE each have their own Supervisory Boards. The members of the Executive Board of Bertelsmann Management SE are appointed and monitored by the Supervisory Board of Bertelsmann Management SE (dual leadership structure). The Supervisory Board of Bertelsmann Management SE & Co. KGaA supervises the management of the business by Bertelsmann Management SE. The duties and responsibilities of the individual bodies are clearly defined in each case and are strictly separated from each other. Simultaneous membership in the Executive Board of Bertelsmann Management SE and the Supervisory Board of Bertelsmann Management SE & Co. KGaA is not permitted. The Bertelsmann boards are obliged to secure the continuity and independence of the company and to enhance the enterprise value in the long term through responsible and sustainable corporate management.

Closed Group of Shareholders

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

Corporate Management

Transparent structures and clear decision-making processes are characteristic for Bertelsmann's corporate management. The general partner, Bertelsmann Management SE, represented by its Executive Board, is responsible for independently managing the company. Its duties consist of determining the corporate objectives, the strategic direction of the Group, Group management, management training, and corporate planning and financing. The Executive Board provides the respective Supervisory Boards with regular, prompt and comprehensive reports on all matters that are relevant to business development and strategy implementation, planning, financial position and results of operations, and the risk situation and risk management. It ensures compliance with the provisions of law and corporate guidelines within the Group. The members of the Executive Board bear joint responsibility for the overall management. Matters of fundamental or material significance and matters concerning the spheres of responsibility of multiple Executive Board members are addressed by the overall Executive Board. Notwithstanding this overall responsibility, the individual members of the Executive Board manage their departments as part of the duties stipulated by the overall Executive Board. The Executive Board Chairman coordinates the cooperation within the Executive Board and between the Executive Board and the Supervisory Boards, and has regular consultation meetings with the chairs of the two Supervisory Boards. In addition, the Executive Board has established the Group Management Committee (GMC), which advises on important corporate strategy and development matters, and other issues that affect the Group as a whole. This committee had 18 members at the end of the 2021 financial year and includes the Executive Board as well as executives representing key businesses, countries, regions and select Group-wide functions.

The Supervisory Board of Bertelsmann SE & Co. KGaA supervises the management of the business by the general partner and uses its extensive information and control rights for this purpose. In addition, the Supervisory Boards advise the Executive Board on strategic matters and significant transactions. The Executive and Supervisory Boards work in close, trusting cooperation and are able to reconcile the demands of effective corporate governance with the need for rapid decision-making processes. The organization and duties of the Supervisory Board of Bertelsmann SE & Co. KGaA are described in greater detail in the Report of the Supervisory Board on pages 154 ff. The work of the Supervisory Board in the 2021 financial year is also covered in the report. The members of the Executive and Supervisory Boards are obliged to serve the company's best interests in their work.

The Bertelsmann SE & Co. KGaA and Bertelsmann Management SE shareholders exercise their rights and vote at the respective General Meetings. The General Meetings vote on matters such as amendments to the articles of association and the appropriation of net income, and elect the members of the respective Supervisory Boards.

Diversity in Practice

At a global company like Bertelsmann, diversity within the workforce is a prerequisite for creativity and entrepreneurship, and therefore for the Group's long-term economic success. The Bertelsmann Executive Board's new Diversity, Equity & Inclusion Policy reaffirms the aim to create appropriate framework conditions that further increase the diversity of staff at all levels and in every respect.

An interdivisional and international working group has been tasked with consistently promoting diversity at all levels of the company (see "Combined Non-Financial Statement" within the Combined Management Report, p. 44 ff.). The focus in 2021 – in addition to measures addressing disabilities as well as sexual orientation and identity – continued to be on increasing gender diversity. As of December 31, 2021, in the GMC, in which six nationalities are represented, five of the 18 members were women. Two additional women in management were appointed to the GMC on March 1, 2022. Bertelsmann had set a goal to have one-third of its top and senior management positions across all divisions occupied by women by the end of 2021. While the percentage of women managers in senior management remained unchanged from the previous year, Bertelsmann was able to increase the percentage in top management. This is now at 30 percent for both groups. Through development measures within the talent pools and standardized talent management processes, Bertelsmann promotes the sustainable structure of a diverse talent pipeline. Targets were accordingly set for the talent pools – one-third for the top and senior management pool, and 50 percent in the career development pool. These targets were again successfully reached in 2021. The Supervisory Board and the Executive Board are notified annually of progress in regard to these targets. The Supervisory Board supports the goal of having equal representation of women and men in management positions.

Bertelsmann SE & Co. KGaA is an unlisted company and is not subject to parity codetermination. The "Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act" does not apply to the two Supervisory Board bodies. Nevertheless, Bertelsmann supports the goal of this legislation. Four of the 14 Supervisory Board members are women. Even though the Supervisory Board will not be setting a target quota for women on the Supervisory Board for the time being, the share of women in new appointments should not go down. When candidates are nominated for election as new members of the Supervisory Board, consideration is always given to the aim of increasing the proportion of female members or members from other countries.

Integrity & Compliance

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

To ensure compliance, the Executive Board has established a compliance organization and the Integrity & Compliance program. It oversees this program and ensures that it is continuously improved. The Supervisory Board Audit and Finance Committee monitors the effectiveness and proper functioning of the compliance organization. The Executive Board established the Corporate Compliance Committee (CCC). Each year, the CCC submits an extensive report about compliance within the Group to the Executive and Supervisory Boards. It also provides ad hoc reports to the Executive and Supervisory Boards in the event of any significant compliance violations. The CCC is responsible for the effectiveness of measures designed to ensure compliance, and for promoting a culture of integrity and compliant conduct within the Bertelsmann Group. In particular, the CCC monitors investigations into compliance violations and the measures taken to prevent violations. The Integrity & Compliance department is responsible for the day-to-day work to ensure compliance, implementing Board-mandated compliance initiatives and managing the whistleblowing systems.

The Bertelsmann Integrity & Compliance program is based on the relevant standards for compliance management systems and helps mitigate risks in various ways. Its basic elements include, in particular, the Bertelsmann Code of Conduct, risk analysis, advice on compliance topics, and communication and training measures, whistleblowing systems that give not only employees but also third parties the opportunity to report misconduct in the company without fear of reprisal, and case management. It also includes additional measures in specific subject areas, such as anti-corruption, antitrust law, foreign trade law and antidiscrimination.

The Executive Board has continuously developed and expanded Bertelsmann's compliance structure and organization over time, including during the financial year 2021. In 2021, Code of Conduct training for employees continued. Additional training was offered on topics such as anti-corruption, antitrust law and foreign trade law. Activities were intensified in 2021 in the areas of compliance by business partners and antidiscrimination. Over the last few years, the interlinks between the compliance organization and the risk management system have been strengthened and the Supplier Code of Conduct has been approved. Guidelines on the compliance organization and the role of local Compliance Officers are continually implemented.

All reports of compliance violations received were investigated, and appropriate actions were taken.

Executive Board Supervisory Board

Report of the Supervisory Board

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

Dear shareholders,

The world economy grew dynamically in the 2021 reporting period as a consequence of the continued recovery from the impacts of the coronavirus pandemic. As expected, growth was uneven in markets relevant to Bertelsmann. European TV advertising markets recorded significant to strong growth rates, and streaming markets in Germany and the Netherlands also continued to experience strong growth. The relevant markets for printed books and digital audio books achieved positive growth overall, but publisher sales of e-books declined. The German magazine market was characterized by stable ad revenues, while digital ad revenues grew sharply. Growth in the music markets relevant for publishing and recording rights ranged from significant to strong. The service markets – with the exception of a declining market for financial services due to regulatory changes – showed significant to strong growth overall in sectors relevant to Bertelsmann. The European printing markets for offset and gravure experienced stable development and moderate declines, respectively, while the book printing markets in the United States recorded strong growth. In addition, the educational markets that are relevant to Bertelsmann continued to show sustained growth. In this heterogeneous market environment, the Bertelsmann Group achieved strong organic revenue growth of 9% compared to the pre-crisis year 2019 and achieved operating earnings of more than €3 billion (EBITDA) for the second consecutive time, despite the ongoing pandemic situation.

This report covers the activities of the Supervisory Board of Bertelsmann SE & Co. KGaA. The activities of the Supervisory Board of Bertelsmann Management SE are not the subject of this report. The Supervisory Board of Bertelsmann SE & Co. KGaA supervises the management of the business by the Executive Board of Bertelsmann Management SE and uses its extensive information and control rights for this purpose. In addition, the Supervisory Board advises the Executive Board on strategic matters and significant transactions. The Executive and Supervisory Boards work in close, trusting cooperation and are able to reconcile the demands of effective corporate governance with the need for rapid decision-making processes.

For some time, the delegation of tasks to committees of experts has been an integral component of the Supervisory Board's work at Bertelsmann. This increases the monitoring efficiency and advisory expertise of the Supervisory Boards. These committees also prepare the topics to be addressed during the plenary meetings. The committee chairs – or, where applicable, their representatives – then report to the plenary meetings on the work performed by their committees.

The Supervisory Board of Bertelsmann SE & Co. KGaA has formed an Audit and Finance Committee and the Working Group of Employee and Management Representatives. The Audit and Finance Committee of the Supervisory Board of Bertelsmann SE & Co. KGaA is also involved in financial reporting and the financial reporting process, and monitors the effectiveness of the risk management system, the internal control system and the internal auditing system. Compliance within the Group and non-financial reporting are other important topics. One focus of the work is the review of the Annual Financial Statements and Consolidated Financial Statements.

The tasks of the Supervisory Board of Bertelsmann Management SE are augmented by the tasks of the Supervisory Board. A Personnel Committee and Program Committee have also been set up. The Personnel Committee of Bertelsmann Management SE is also a Nomination Committee and, in this role, recommends to the plenary session of the Supervisory Board suitable candidates for the Supervisory Board. The Program Committee, instead of the Supervisory Board, decides on the approval of the Supervisory Board to enter into program supply deals – for example, for feature films, series or sports rights.

Advising and Monitoring the Executive Board of Bertelsmann Management SE in the 2021 Financial Year

In the reporting period, the Supervisory Board of Bertelsmann SE & Co. KGaA again diligently fulfilled the duties incumbent upon it by law and under the articles of association and bylaws.

Its members regularly advised and monitored the general partner, Bertelsmann Management SE, represented by its Executive Board, in the task of managing and directing the company's operations. As part of its advisory and monitoring activities, the Supervisory Board of Bertelsmann SE & Co. KGaA was directly involved in important company decisions and transactions at an early stage, and discussed and reviewed these at length on the basis of reports from the Executive Board.

The general partner provided the Supervisory Board with regular, prompt and comprehensive written and verbal reports on all significant issues of strategy, planning, business performance, intended business policies and other fundamental management issues of importance for Bertelsmann SE & Co. KGaA. A wide range of topics and projects were presented for discussion at the meetings of the Supervisory Board during the 2021 financial year.

Supervisory Board Plenary Meeting

In the plenary meetings, the Supervisory Board of Bertelsmann SE & Co. KGaA regularly heard reports from the Executive Board on the current business and financial position of the Group and of the individual divisions. They also heard reports on Group planning and material business transactions, particularly major planned investments and divestments. The Supervisory Board Chairman, who at the same time is the Chairman of the Supervisory Board of Bertelsmann Management SE, reported regularly and comprehensively to the plenary session of the Supervisory Board concerning the topics and the progress of the discussions of the Supervisory Board of Bertelsmann Management SE and in its committees. The Supervisory Board was kept regularly informed of the status of the implementation of the Group's strategy by the Executive Board. To the extent stipulated by law and the articles of association and bylaws, the necessary decisions were made during the plenary meeting. Due to the restrictions in force as a result of the coronavirus pandemic, the meetings of the Supervisory Board and its committees were again held in 2021 as video conferences or in person with the option to participate by video. In the financial year 2021, the Supervisory Board held four regular meetings and also met with the Executive Board for a strategy retreat.

The first meeting of the Supervisory Board, on January 21, 2021, focused on discussing the Group budget prepared by the Executive Board for 2021 and on the report of the current business and financial position. Subsequently, the Supervisory Board was updated on the implementation of the Group strategy, including the ongoing investment and divestment measures.

At the next meeting on March 26, 2021, the Executive Board reported in particular on the current business situation and the status of strategy implementation. The main focus of the meeting was on addressing the Annual and Consolidated Financial Statements for 2020 and the Combined Management Report. At the recommendation of the Audit and Finance Committee and after discussion with the auditors KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, the Supervisory Board approved the Annual and Consolidated Financial Statements for the financial year 2020 and the Combined Management Report of Bertelsmann SE & Co. KGaA. The proposal of the general partner for the appropriation of net income was also approved. In addition, the Supervisory Board followed the recommendation of the Audit and Finance Committee for the auditor for the 2021 financial year and for the semi-annual financial report, and approved its corresponding proposal to the Annual General Meeting. Furthermore, the Supervisory Board resolved on its report for the Annual General Meeting and approved the Corporate Governance Report that it prepared together with the Executive Board for the financial year 2020. The Supervisory Board also resolved during this meeting to propose to the General Meeting the re-election of Supervisory Board members Prof. Dr.-Ing. Werner Bauer, Gigi Levy-Weiss and Christoph Mohn. Another issue involved addressing the development of advertising technology at RTL Group and the future of addressable TV.

In its meeting on July 8, 2021, the Supervisory Board was briefed again on the current business situation, the development of Group businesses and the status of strategy implementation. At the recommendation of the Nomination Committee, Mr. Dominik Asam was proposed for election to the Supervisory Board. The election took place during an extraordinary general meeting on November 23, 2021.

In the last Supervisory Board meeting of the financial year, on November 4, 2021, the Supervisory Board once again addressed the business and financial position of the Group and was updated on the status of planned investments and divestments. In addition, the Executive Board gave the Supervisory Board a report on the outlook for the overall financial year 2021. The primary focus was a report regarding the successful turnaround of book publisher Dorling Kindersley (DK), the world's largest publisher of illustrated nonfiction books and encyclopedias.

The annual Strategic Planning Dialogue of the Executive Board and the Supervisory Board took place as part of the meeting of the Supervisory Board on November 4, 2021. The Supervisory Board was first updated on the status of strategy implementation and the progress made in the transformation of the Group portfolio since the last Strategic Planning Dialogue. Bertelsmann is still pursuing the strategic goal of becoming a faster-growing, more digital, more international and more diversified company, while also becoming less dependent on advertising. The Supervisory Board was satisfied that Bertelsmann has already made considerable progress toward this goal, both in the transformation of its Group businesses and in the corresponding improvement of its portfolio quality. Bertelsmann's strategic focus is on a fast-growing, digital, international and diversified Group portfolio. New businesses in which Bertelsmann invests should have long-term stable growth, global reach, sustainable business models, high market-entry barriers and scalability. The education business is to be developed into the third earnings pillar alongside the media and service businesses. The strategic priorities for the Group-wide growth initiatives are the creation of national media champions, expansion of global content businesses, growth through global services, expansion of the online education business and development of the investment portfolio. Further developing the strategy in this way is necessary to meet new challenges such as growing competition from the global tech platforms. The Group aims to grow in existing and new lines of business, and through organic initiatives and acquisitions. The framework for successful implementation of the strategy is formed by tech and data, upskilling, and cooperation and alliances. In addition, the HR strategy has further evolved and constitutes an additional significant element in successful implementation. Based on the insights gained during the strategy retreat, the Supervisory Board believes that the Group is making very good progress.

Supervisory Board Audit and Finance Committee

Within its sphere of responsibility, the Supervisory Board of Bertelsmann SE & Co. KGaA established the Audit and Finance Committee to perform its tasks efficiently. The Audit and Finance Committee has four members; the Chair of the Supervisory Board does not lead this committee. The Chair of the Audit and Finance Committee is Bodo Uebber. Both the Chair of the Audit and Finance Committee and at least one additional committee member are independent as defined by the Code and have special knowledge and experience in the areas of financial reporting and of auditing. All members of the Audit and Finance Committee are familiar with the sectors in which Bertelsmann SE & Co. KGaA operates.

In particular, and in accordance with its mandate for the reporting year, the Audit and Finance Committee discussed issues of corporate financing, the financial position of the Group, financial planning, fiscal policy and individual negative deviations of the performance of Group businesses from budgeted performance. The Committee also extensively addressed the financial reporting and financial reporting processes and monitored the effectiveness and functional capability of the risk management system, the internal control system and the internal auditing system. It also requested regular reports from the Head of Corporate Audit and Consulting. An important issue in this regard was monitoring the effectiveness of the internal auditing system, not least given the limited on-site auditing opportunities in the Group's businesses during the coronavirus pandemic. Furthermore, the Committee addressed issues relating to integrity and compliance, in particular the effectiveness and proper functioning of the compliance management system. In this connection, the Committee heard reports on significant compliance-related events in the Group. The Audit and Finance Committee determined to its satisfaction that Bertelsmann has an adequate and effective internal control system and risk management system with regard to the scope and risk situation of the company.

In addition, the Audit and Finance Committee reviewed at length the implementation of the EU's General Data Protection Regulation (GDPR) at Bertelsmann. During this part of the meeting, the Audit and Finance Committee was briefed on the further development of the data protection strategy, the status of its implementation and the further development of data protection requirements. An issue regularly addressed in the meetings of the Audit and Finance Committee was the situation and ongoing development of the Group's cybersecurity and IT security structure. The expansion of cybersecurity continues to be one of the top priorities in the Group. Thus, the "Basic Infrastructure Measures" (BIM) Initiative is at the core of the activities for improving the security level in the existing IT infrastructures. The Audit and Finance Committee addressed the implementation requirements for Bertelsmann resulting from the German Act to Strengthen Financial Market Integrity (FISG). Because the requirements of the FISG had for the most part already been anticipated by Bertelsmann, the need for further adjustments was very limited. An additional central issue for the Audit and Finance Committee in the reporting period was non-financial reporting and its further development due to new regulatory requirements, such as the EU Taxonomy Regulation. This issue will continue to occupy a central place in the Committee's work in years to come due to its dynamic nature. In the period leading up to Majorel's successful IPO, the Audit and Finance Committee also dealt with the measures taken to prepare the business in organizational and structural terms for the capital market.

The Committee focused on the auditing of the Annual Financial Statements and the Consolidated Financial Statements (see also the section "Audit of the Annual and Consolidated Financial Statements" below). The Audit and Finance Committee had already discussed the focal points of the 2020 audit with the auditor during the financial year 2020 and then finalized them in a Committee meeting at the end of August 2020. The key audit matters from the auditor's report were likewise discussed with the auditor in advance during the Committee meeting held at the end of January 2021. The Chair of the Audit and Finance Committee regularly discussed with the auditor the provisional findings from the audit of the Annual and Consolidated Financial Statements for the financial year 2020; all members of the Audit and Finance Committee then also discussed these findings with the auditor in a video conference that took place on March 10, 2021. The financial review meeting of the Audit and Finance Committee was held on March 26, 2021. The meeting was attended by the auditor, who was available to address the Committee members' questions while the Annual Financial Statements documents and audit reports were discussed in detail. The findings of the auditor were reviewed in an internal audit of the Annual and Consolidated Financial Statements. The non-financial reporting of the Executive Board was also reviewed within the framework of the Combined Non-Financial Statement as a separate part of the Combined Management Report and by means of the Executive Board's statement at the end of its voluntary report to Bertelsmann SE & Co. KGaA concerning the relationships to affiliated companies. In the financial review meeting of the Supervisory Board, the Audit and Finance Committee reported comprehensively to the plenary session concerning the audit of the Annual and Consolidated Financial Statements and the audit reports and related reviews; the Committee also proposed the corresponding resolutions.

The Committee monitored the quality of the audit on the basis of an annual report by the auditor and using specifically developed qualitative and quantitative audit quality indicators. Another element was a detailed statement from the Executive Board member responsible for Finance. In this role, the Audit and Finance Committee also addressed in-depth the independence of the auditor and the additional services performed by the auditor. There was no indication of grounds for bias or a risk to independence.

The Audit and Finance Committee of Bertelsmann SE & Co. KGaA held four regular meetings during the 2021 reporting period, of which two were conducted in person and two via video conference. Additionally, the Committee held one extraordinary video conference in the reporting period. The Chairman of the Audit and Finance Committee or his representative continuously updated the plenary session of the Supervisory Board on the work of the Committee through regular reports. The corresponding department heads were represented during the discussion of individual agenda items. In addition, the Chair of the Audit Committee held individual meetings with the responsible auditor.

Audit of the Annual and Consolidated Financial Statements for the Financial Year 2021

KPMG AG Wirtschaftsprüfungsgesellschaft, based in Berlin, has been the auditor for Bertelsmann SE & Co. KGaA and the Group since the financial year 2020. The German Public Auditors responsible for signing the audit are Dr. Knut Tonne and Frank Thiele.

KPMG has audited the Annual Financial Statements and the Consolidated Financial Statements prepared by the Executive Board of Bertelsmann Management SE as well as the Combined Group Management Report of Bertelsmann SE & Co. KGaA, which is combined with the management report of the Company, including the Combined Non-Financial Statement as a separate part of the Combined Management Report for the financial year from January 1, 2021 to December 31, 2021, and issued an unqualified audit opinion in each case. The Annual Financial Statements were prepared in accordance with the German Commercial Code (HGB); the Consolidated Financial Statements of Bertelsmann SE & Co. KGaA have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union and the additional requirements of German law pursuant to section 315e (1) HGB. The auditor was mandated by the Supervisory Board's Audit and Finance Committee to audit the Annual Financial Statements and Consolidated Financial Statements in accordance with the Annual General Meeting resolution. The auditor performed the audit in observance of German accepted auditing principles established by the German Institute of Independent Auditors (IDW). The auditor was additionally instructed to audit the risk early-warning system at Bertelsmann SE & Co. KGaA, which it found to be satisfactory in terms of section 91 (2) of the German Stock Corporation Act (AktG) to identify developments that may threaten the Company's continued existence at an early stage. The provisional results of key audit matters were discussed with the auditor in a video conference on March 9, 2022. The Annual Financial Statements documents as well as the audit reports of the auditor were submitted to all members of the Supervisory Board by the specified deadline in advance of the financial review meeting. On March 25, 2022, the auditor attended the financial review meetings of both the Audit and Finance Committee and the plenary session of the Supervisory Board, where he gave an extensive report and answered questions. He was able to confirm that, in the course of the audit, no significant weaknesses had been identified in the accounting-related internal control system. The Audit and Finance Committee discussed the Annual Financial Statements documents and audit reports in detail. The findings of the auditor of the Annual Financial Statements were carefully reviewed in an internal audit of the Annual and Consolidated Financial Statements. The Audit and Finance Committee reported comprehensively to the plenary session of the Supervisory Board concerning the audit of the Annual and Consolidated Financial Statements and the audit reports.

On March 25, 2022, the plenary session of the Supervisory Board reviewed and discussed the Annual Financial Statements, Consolidated Financial Statements and Combined Management Report in detail, taking into account the recommendations of the Audit and Finance Committee and those contained in the audit reports and following further discussion with the auditor. The Supervisory Board concurred with the audit findings. After its own final scrutiny of the Annual and Consolidated Financial Statements and the Combined Management Report, the Supervisory Board – acting in accordance with the Audit and Finance Committee's recommendation – raised no objections. The financial statements prepared by the Bertelsmann Management SE Executive Board were thus approved. Moreover, the Supervisory Board approved the Report of the Supervisory Board for the Annual General Meeting and the Corporate Governance Report, as well as its resolution proposals concerning the agenda items for the ordinary Annual General Meeting taking place on May 9, 2022. The Supervisory Board has furthermore reviewed the Bertelsmann Management SE Executive Board proposal as to the amount of net retained profits for appropriation to shareholders, and concurs with said proposal. The amount of the dividend proposed by the Executive Board of Bertelsmann Management SE is appropriate, in the view of the Supervisory Board, in consideration of the level of net retained profits, the economic environment, the company's economic situation and the interests of the shareholders.

Changes in the Executive Board of Bertelsmann Management SE and in the Supervisory Board, Objectives for the Composition of the Supervisory Board

The business of Bertelsmann SE & Co. KGaA is managed by its general partner, Bertelsmann Management SE, represented by its Executive Board. There were no personnel changes in the composition of the Executive Board of Bertelsmann Management SE during the 2021 financial year.

The following changes occurred in the Supervisory Board of Bertelsmann SE & Co. KGaA during the financial year or the reporting period: On May 6, 2021, the Annual General Meeting elected Núria Cabutí as a member of the Supervisory Board effective July 1, 2021. Ms. Cabutí was nominated by management representatives in the Group. An extraordinary general meeting of Bertelsmann SE & Co. KGaA on November 23, 2021, elected Dominik Asam, CFO of Airbus SE, as a new member of the Supervisory Board effective January 1, 2022. At present, all 10 members of the Supervisory Board of Bertelsmann Management SE are also members of the currently 14-strong Supervisory Board of Bertelsmann SE & Co. KGaA.

The appropriate size of the Supervisory Boards and the experience and professional expertise of their members, who are drawn from a broad range of industries and areas of activity, are key factors in the effectiveness and independence of the work carried out by the Supervisory Board. With the exception of Supervisory Board members who are also members of the Mohn family (Dr. Brigitte Mohn, Christoph Mohn, Liz Mohn) and the employee representatives on the Supervisory Board (Kai Brettmann, Günter Göbel, Christiane Sussieck) or the representative of the Bertelsmann Management Representative Committee (Núria Cabutí), the Supervisory Board considers all other members of the Supervisory Board (Dominik Asam, Prof. Dr. Werner Bauer, Bernd Leukert, Gigi Levy-Weiss, Henrik Poulsen, Hans Dieter Pötsch, Bodo Uebber) to be independent as defined in the German Corporate Governance Code. Accordingly, the Supervisory Board has an appropriate number of independent members among the shareholders. All Supervisory Board members attended at least half of the Supervisory Board meetings convened. No potential conflicts of interest arose on the Supervisory Board. The "Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act" does not apply to the Supervisory Board of Bertelsmann SE & Co. KGaA as it is an unlisted company. However, the Supervisory Board does support the aim of the act. From a strategic point of view, the Supervisory Board also aims to properly fulfill its monitoring and consulting function by ensuring diversity among its members. The Supervisory Board will not at this time, however, set any target quota for women on the Supervisory Board. It firmly believes that suitable measures have been taken within the company in the areas of succession planning, management development and the selection processes to ensure the equal participation of men and women on an ongoing basis. In the Supervisory Board, the aim is to ensure that the existing proportion of women will not be reduced when new members are appointed. Ideally, the backgrounds of new members will show links to Bertelsmann's growth regions and markets. (See also the "Diversity in Practice" section in the Corporate Governance Report on page 152) The Supervisory Board recognizes the intention of the Government Commission on the German Corporate Governance Code in its call for a specification of targets for an age limit and a standard limit for length of service on the Supervisory Board. In view of Bertelsmann's particular shareholder structure and the age limit regulations already contained in the company's articles of association, the Supervisory Board does not feel it is necessary or appropriate to introduce further or more extensive specifications on age limit and length of service at Bertelsmann.

The 2021 financial year was extraordinarily successful for the Bertelsmann Group, despite the ongoing challenges due to the coronavirus pandemic. The basis for this success was the employees and the entrepreneurial management performance of the Executive Board and executives. The Supervisory Board wishes to express its special thanks and appreciation for this to all employees, all executives and the members of the Executive Board.

Gütersloh, March 25, 2022

Christoph Mohn
Chairman of the Supervisory Board

Supervisory Board

Christoph Mohn
Chairman
Chairman of the Board of Bertelsmann Verwaltungsgesellschaft mbH (BVG) (since June 21, 2021)
Chairman of the Reinhard Mohn Stiftung
Managing Director, Christoph Mohn Internet Holding GmbH
- Bertelsmann Management SE (Chairman)

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

Dominik Asam (since January 1, 2022)
Chief Financial Officer Airbus SE
- Airbus Bank GmbH (Chairman)
- Airbus Defence and Space GmbH (Chairman)
- Bertelsmann Management SE (since January 1, 2022)
- Premium Aerotec GmbH (Chairman)
- Airbus Canada L.P.

Kai Brettmann
Editorial Director RTL Nord GmbH, Hamburg
Chairman of the RTL Group European Works Council
Chairman of RTL Deutschland Corporate Works Council (until February 8, 2022)
Chairman of the Works Council of RTL Nord

Núria Cabutí (since June 1, 2021)
Chairwoman of the International Management Representative Committee, Bertelsmann SE & Co. KGaA (BMRC)
- CELESA S.A.

Günter Göbel
Chairman of the Corporate Works Council, Bertelsmann SE & Co. KGaA

Bernd Leukert
Member of the Executive Board for Technology, Data and Innovation of Deutsche Bank AG
- Bertelsmann Management SE
- DWS Group GmbH & Co. KGaA

Gigi Levy-Weiss
General Partner NfX, Angel Investor
- Bertelsmann Management SE
- 7 Chairs Ltd.
- Authorizon, Inc. (since July 26, 2021)
- Beach Bum Ltd. (until October 14, 2021)
- Blue Ocean Data Solutions, Inc. (since February 19, 2021)
- Bridgecrew inc.
- Caja Elastic Dynamic Solutions Ltd.
- Constru Ltd.
- Cytune, Ltd. (since August 6, 2021)
- Driveway Software Corporation (until July 2, 2021)
- Elmik Touristic Services Ltd.
- Fantasy Advantage, Ltd. (since June 17, 2021)
- GameJam Ltd.
- Hip Mobility, Inc.
- IMA Ventures Ltd.
- ImagenAI Ltd. (since September 2, 2021)
- Inception VR, Inc.
- Inception VR (Israel) Ltd.
- Inception VR (UK) Ltd.
- Komodor, Inc.
- Landa Holdings, Inc.
- Mov.AI Ltd.
- MyHeritage Ltd. (until April 8, 2021)
- NFX Capital UK, Ltd.
- NFX Capital Israel Ltd.
- Papaya Gaming Ltd.
- PayEm Card, Ltd. (since February 22, 2021)
- Premium Domains Ltd.
- Propel (Z.M. Corporation Ltd.) (since December 7, 2021)
- Reach Digital Inc.
- Shoptagr Ltd.
- SimilarWeb Ltd. (until July 2021)
- Super.ai, Inc. (since May 26, 2021)
- Tectonic Labs Ltd.
- Theator Inc.
- TrustMed Ltd.
- Volunteer Directly Ltd.
- Zengaming, INC.

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

Dr. Brigitte Mohn
Member of the Executive Board, Bertelsmann Stiftung
- Bertelsmann Management SE
- Phineo gAG
- Stiftung RTL – Wir helfen Kindern e.V.
- Clue by Biowink GmbH

Liz Mohn
Chairwoman of the Board of
Bertelsmann Verwaltungsgesellschaft mbH (BVG)
(until June 21, 2021)
Vice Chairwoman of the Executive Board,
Bertelsmann Stiftung (until June 21, 2022)
- Bertelsmann Management SE

Hans Dieter Pötsch
Chairman of the Supervisory Board, Volkswagen AG
Chairman of the Executive Board /
Chief Financial Officer, Porsche Automobil Holding SE
- AUDI AG, Ingolstadt
- Autostadt GmbH, Wolfsburg
- Bertelsmann Management SE
- Dr. Ing. h.c. F. Porsche AG
- TRATON SE, München (Chairman)
- Wolfsburg AG
- Porsche Austria Gesellschaft m.b.H., Salzburg (Chairman)
- Porsche Holding Gesellschaft m.b.H., Salzburg (Chairman)
- Porsche Retail GmbH, Salzburg (Chairman)

Henrik Poulsen
Former Chairman of the Executive Board Ørsted,
Senior Advisor to A.P. Møller Holding
- Bertelsmann Management SE
- Carlsberg A/S (Chairman since March 14, 2022)
- Faerch Group A/S (Chairman since March 22, 2021)
- ISS A/S (Vice Chairman)
- Kinnevik A/B (Vice Chairman) (until April 29, 2021)
- Novo Holdings A/S (since March 18, 2021)
- Novo Nordisk A/S (since March 25, 2021)
- Ørsted A/S (since March 1, 2021)

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

Bodo Uebber
Former Member of the Executive Board, Daimler AG
Finance & Controlling / Daimler Financial Services
- Adidas AG
- Bertelsmann Management SE
- Evercore GmbH (Chairman)
- Levere Holdings Corp. (since March 18, 2021)

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

Bertelsmann SE & Co. KGaA's Supervisory Board Committees 2021

Audit and Finance Committee
Bodo Uebber (Chairman)
Kai Brettmann
Christoph Mohn
Hans Dieter Pötsch

Working Group of Employee Representatives
Liz Mohn (Chairwoman)
Kai Brettmann
Núria Cabutí (from June 1, 2021)
Günter Göbel
Christiane Sussieck

Bertelsmann Management SE's Supervisory Board Committees 2021

Personnel Committee
Christoph Mohn (Chairman)
Prof. Dr.-Ing. Werner J. Bauer
Liz Mohn
Hans Dieter Pötsch
Bodo Uebber

Program Committee
Christoph Mohn (Chairman)
Prof. Dr.-Ing. Werner J. Bauer
Dr. Brigitte Mohn
Hans Dieter Pötsch

Executive Board

Thomas Rabe
Chairman
- Adidas AG[1] (Chairman)
- Majorel Group Luxembourg S.A. (until September 17, 2021)

Markus Dohle
Chief Executive Officer, Penguin Random House
- Direct Group Grandes Obras S.L.
- DK Publishing LLC
- Editora Schwarcz S.A.
- Frederick Warne & Co. LLC
- Golden Treasures LLC
- Penguin Random House Foundation, Inc.
- Penguin Random House Grupo Editorial S.A.U.
- Penguin Random House Grupo Editorial (USA) LLC
- Penguin Random House LLC
- Random House Children's Entertainment LLC
- Sasquatch Books LLC
- Sputnik 84, LLC (until January 31, 2021)

Rolf Hellermann
Chief Financial Officer
- Bertelsmann, Inc. (Chairman) (since January 1, 2021)
- Majorel Group Luxembourg S.A. (since September 17, 2021)
- Penguin Random House LLC (from December 9, 2021 until December 13, 2021)
- RTL Group S.A. (since January 1, 2021)

Immanuel Hermreck
Chief Human Resources Officer
- RTL Group S.A.

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

1) External mandates.

Selected Terms at a Glance

Alternative Performance Measures

Additional financial measures that are not directly specified by financial reporting regulations. These are determined by means of a company-specific reconciliation and are based on mandatory (IFRS) measures.

Bertelsmann Value Added (BVA)

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

Cash Flow

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

Contractual Trust Arrangement (CTA)

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

Corporate Governance

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

Coverage Ratio

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

Equity Method

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

Goodwill

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

IFRS

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

Leverage Factor

The leverage factor is the ratio of economic debt to operating EBITDA. In order to enable Bertelsmann's actual financial strength to be reflected on an economic level, the figures reported in the Consolidated Financial Statements are modified.

Operating EBITDA

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

Rating

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

SE & Co. KGaA

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

Special Items

Income and expense items that are distinguished by their nature, amount or frequency of occurrence, and the disclosure of which is relevant for assessing the earnings power of the company or its segments in the period affected. They include, for example, restructuring measures, impairments and capital gains or losses. Not included in the special items are disposal effects of strategic real estate transactions.

Syndicated Credit Facility

A credit facility involving a consortium of banks.

Financial Calendar

May 6, 2022
Announcement of figures for
the first three months of 2022

May 10, 2022
Payout of dividends on profit participation
certificates for the 2021 financial year

August 31, 2022
Announcement of figures for
the first half of 2022

November 4, 2022
Announcement of figures for
the first nine months of 2022

Contact

For Journalists
Phone: +49 (0) 52 41-80-24 66
press@bertelsmann.com

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

Recruiting Services
createyourowncareer@bertelsmann.com
www.createyourowncareer.com

Corporate Responsibility
Phone: +49 (0) 52 41-80-750 21
responsibility@bertelsmann.com

The Annual Report and current information about Bertelsmann are also posted on:
www.bertelsmann.com

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

Project Management
Simone Fratczak
Bertelsmann SE & Co. KGaA
Corporate Communications

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Carl-Bertelsmann-Strasse 270
33311 Gütersloh
Germany

www.bertelsmann.com

This is Nice Studios Norway AS

Årsberetning for 2021

Virksomhetens art

This is Nice Studios Norway AS driver primært virksomhet knyttet til tv-produksjon, reklamefilmproduksjon og evet. This is Nice Studios Norway AS er et heleid datterselskap av Nice Entertainment Group OY, som er eid av Fremantle Media Group Ltd, som på sin side er en del av et konsern med morselskapet RTL Group SA. Den ultimate konsernspissen for RTL Group SA er Bertelsmann SE & Co. KGaA.

Selskapet har forretningsadresse i Mølleparken 2, 0459 Oslo

Det fremlagte resultatregnskapet, balanse, og tilhørende noter gir etter Styrets oppfatning tilfredsstillende uttrykk for resultatet i 2021, og den økonomiske stillingen ved årsskiftet. Styret mener at årsregnskapet gir et rettvisende bilde av This is Nice Studios Norway AS.

Det har i 2021 ikke vært forsknings- og utviklingsaktiviteter i selskapet.

Fortsatt drift

I samsvar med regnskapsloven § 3-3a bekreftes det at forutsetningen for fortsatt drift er til stede. Til grunn for antakelsen ligger oppnådde resultater for 2021, resultatprognoser for 2022 og døtrenes langsiktige strategiske prognoser for årene fremover. Selskapet er i en sunn økonomisk og finansiell stilling.

Utover det som fremgår av årsregnskapet med noter kjenner ikke Styret til andre forhold av interesse for vurderingen av selskapet.

Arbeidsmiljø og personale

Det har ikke forekommet eller blitt rapportert alvorlige arbeidsuhell eller ulykker i løpet av året, som har resultert i materielle skader eller personskader. Arbeidsmiljøet i selskapet og konsernet er godt. Sykefraværet i This is Nice Studios Norway AS var på totalt 206 kalenderdager.

Likestilling og diskriminering

This is Nice Studios Norway AS har per utgangen av året 11 fast ansatte, av disse er 9 kvinner og 2 menn, som utgjør 11 årsverk. Det er ikke avviklet foreldrepermisjoner i løpet av året.

I styret er det 1 mann og 1 kvinne.

Selskapet arbeider aktivt, målrettet og planmessig for å hindre diskriminering på grunn av kjønn, graviditet, permisjon ved fødsel eller adopsjon, omsorgsoppgaver, etnisitet, religion, livssyn, funksjonsnedsettelse, seksuell orientering, kjønnsidentitet, kjønnsuttrykk, eller kombinasjoner av disse grunnlagene, samt å hindre trakassering, seksuell trakassering og kjønnsbasert vold. Selskapet arbeider for å fremme lovens formål innenfor vår virksomhet gjennom rekruttering, ansettelse, lønnsforhandlinger og i den daglige driften. Det tilrettelegges for den ansatte ved graviditet, foreldrefravær og andre omsorgsoppgaver. Ledelsen har en klar og uttalt holdning mot trakassering og diskriminering. Det er innført rutiner for behandling av mobbing/trakassering/diskriminering og rutiner for behandling av eventuelle slike tilfeller.

Vi anser at det foreligger lav risiko for diskriminering eller andre hindre for likestilling, både når det gjelder lønnsforhold fordelt etter kjønn og bruken av ufrivillig deltidsarbeid. Diskrimineringslovens formål er å fremme likestilling, sikre like muligheter og rettigheter og å hindre diskriminering på grunn av etnisitet, nasjonal opprinnelse, avstamming, hudfarge, språk, religion, livssyn, funksjonsnedsettelse, seksuell orientering eller en kombinasjon av disse grunnlagene. Det arbeides aktivt for at dette alltid er innarbeidet som en del av vår selskapskultur.

Miljørapportering

Flere av selskapene i konsernet har i 2021 jobbet for å bli sertifisert som Miljøfyrtårn, og har hatt flere grønne produksjoner.
Virksomheten medfører verken forurensning eller utslipp som kan være til skade for det ytre miljø.

Fremtid og utvikling

Styret ser positivt på selskapets videre drift da datterselskapenes posisjon i markedet er sterk. Covid-19 viruset har ikke hatt vesentlig effekt på omsetningen i selskapet. Selskapet har klart å omstille seg raskt etter kravene fra helsemyndighetene. Styret gjør oppmerksom på at det normalt er betydelig usikkerhet knyttet til vurderinger av fremtidige forhold.

Resultat, kontantstrøm, investeringer, finansiering og likviditet

Omsetningen i selskapet for 2021 er på NOK 14,3 mill. en økning fra 2020 som var på NOK 14 mill.
Resultat etter skatt ble NOK 13 mill. en økning fra 2020 på NOK 672 000,-.

Netto kontantstrøm fra operasjonelle aktiviteter var på NOK 17,1 mill i 2021 mot NOK var -10,8 mill. i 2020. Forskjellen mellom kontantstrøm fra operasjonelle aktiviteter og driftsresultatet (NOK 16,7 mill.) skyldes i hovedsak konsernbidrag fra døtre.

Selskapets likviditetsbeholdning pr. 31.12.2021 var NOK 10 820 228.
Totalkapitalen ved utgangen av året var på NOK 262 mill., sammenlignet med NOK 216 mill. i 2020.
Egenkapitalandelen pr. 31.12.2021 var på 22,5 %, sammenlignet med 18,5 % pr. 31.12.2020.

Finansiell risiko

Markedsrisiko

Selskapets døtre opererer mot stabile faste kunder slik at styret anser markedsrisikoen som lav.

Kredittrisiko

Kredittrisikoen anses som lav i og med at selskapets døtre har få, men solide kunder.

Likviditetsrisiko

Selskapets cash pool ordning ble avviklet i oktober 2021 grunnet salg til Fremantle Media Group Ltd. I påvente av ny cash pool ordning fra RTL Group SA, styres likviditeten av lån mellom selskapene i gruppen. Likviditetsrisikoen anses å være lav.

Forsikring

Daglig leder og styremedlemmer er forsikret via RTL Group SA`s forsikring i AIG.

Disponering av resultat

Mottatt konsernbidrag	NOK 5 775 575
Overført til annen EK	NOK 18 821 056
Sum resultat	NOK 13 045 481

Oslo 10. juni 2022

______________________________	______________________________
Morten Mogensen	Sara Lina Johanna Lindberg
Styreleder	Styremedlem

SIGNATURES **ALLEKIRJOITUKSET** **UNDERSKRIFTER** **SIGNATURER** **UNDERSKRIFTER**

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authority to sign	asemavaltuutus	ställningsfullmakt	autoritet til å signere	myndighed til at underskrive
representative	nimenkirjoitusoikeus	firmateckningsrätt	representant	repræsentant
custodial	huoltaja/edunvalvoja	förvaltare	foresatte/verge	frihedsberøvende