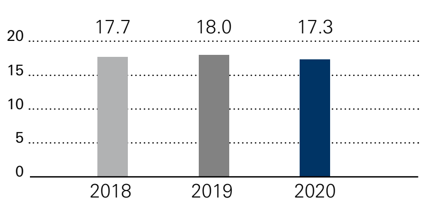
Combined Management Report

Financial Year 2020 in Review

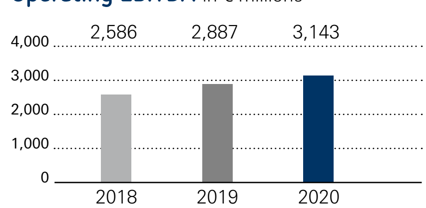
Bertelsmann successfully countered the economic effects of the coronavirus pandemic in the financial year 2020, as it benefited from the quality of its business portfolio and the high proportion of revenues from digital business models. Group revenues fell by 4.1 percent to €17.3 billion (previous year: €18.0 billion), and organic revenue decreased by 1.7 percent. This revenue decline, primarily in the advertising and print businesses, was largely attributable to the pandemic, but was substantially compensated by organic growth in the book publishing and service businesses. Operating EBITDA of €3,143 million was well above the previous year's high amount of €2,887 million, a new record. Growth in earnings was posted in particular by Penguin Random House and Arvato. Disposal proceeds from real estate transactions also boosted operating earnings. The EBITDA margin rose to 18.2 percent (previous year: 16.0 percent). In view of this positive operating business performance, Group profit increased noticeably to €1,459 million (previous year: €1,091 million). Despite the remaining uncertainties, Bertelsmann expects those businesses most strongly affected by the pandemic to continue to recover in 2021.

Revenues in € billions



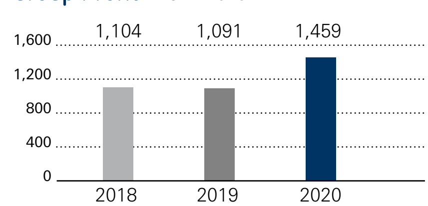
- Decline in revenues by 4.1 percent; organic growth at Penguin Random House, BMG, Arvato and Relias
- Coronavirus-related declines in advertising-financed and print businesses partially offset by quality of business portfolio and high proportion of revenues from digital business models

Operating EBITDA in € millions[1)]



- Increase in operating EBITDA to €3,143 million, attributable to increased earnings at Penguin Random House and Arvato as well as to disposal proceeds from real estate transactions
- EBITDA margin of 18.2 percent, compared to 16.0 percent during the same period last year

Group Profit in € millions



- Increase in Group profit to €1,459 million
- Group profit also benefited from special items especially from disposal of investments

1) As of January 1, 2019, the new financial reporting standard IFRS 16 Leases was applied for the first time.

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. The Bertelsmann divisions are RTL Group (television), 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, 38 radio stations, global content production companies as well as digital video networks. The television portfolio of this European broadcasting company includes RTL Television in Germany, 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 content business, Fremantle, is one of the largest international creators, producers and distributors of scripted and unscripted content in the world. RTL Group is active in the area of online video with the streaming services of its broadcasters (including TV Now, 6play, Salto and Videoland); the digital video network Divimove; and Fremantle's more than 360 YouTube channels. RTL Group also owns the ad-tech companies Smartclip and Yospace, as well as the streaming tech company Bedrock. RTL AdConnect is RTL Group's international sales house. RTL Group is a listed company and a member of the SDAX.

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 DK. Each year Penguin Random House publishes about 15,000 new titles and sells around 600 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"; young brands like "Barbara," "Guido" and "Wohllebens Welt"; and digital products in all publishing segments. It also markets products and licenses such as the "Schöner Wohnen" collection. In digital marketing, G+J operates the international AppLike Group and has a stake in the global leader of native advertising, Outbrain. The G+J portfolio includes Territory, one of the leading communication agencies in Germany. In addition, G+J holds the majority stake in DDV Mediengruppe in Saxony, and a stake in Spiegel-Gruppe.

BMG is an international music company with 20 offices in 12 core music markets, now representing more than three million songs and recordings, including the catalogs of Alberts Music, Broken Bow Music Group, Bug, Cherry Lane, Chrysalis, Mute, Primary Wave, Sanctuary and Trojan, as well as thousands of famous artists and songwriters.

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 comprise Supply Chain Solutions (SCS), Financial Solutions and IT Services. The services business also includes the CRM company Majorel, in which Bertelsmann owns 50 percent of shares.

Bertelsmann Printing Group unites Bertelsmann's printing activities. They include all the Group's gravure and offset printing companies in Germany, the United Kingdom and the United States. In addition, various digital marketing services are offered, with a focus on data-driven multichannel marketing, campaign management and customer loyalty. Bertelsmann Printing Group also includes the storage media producer Sonopress, the specialty printer Topac and the multipartner program DeutschlandCard.

Bertelsmann Education Group comprises Bertelsmann's education activities. The digital education and service offerings are primarily in the healthcare and technology sectors, as well as in the university education area. The education activities include the online education provider Relias, a stake in Udacity, 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 an unlisted partnership limited by shares. Three foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) indirectly hold 80.9 percent of Bertelsmann SE & Co. KGaA shares, with the remaining 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the General Meeting of Bertelsmann SE & Co. KGaA and Bertelsmann Management SE (general partner).

Strategy

Bertelsmann's strategic focus is on a fast-growing and high-earning 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. The education business is being developed into the third earnings pillar alongside the media and service businesses. During the financial year 2020, the Group strategy was further developed and focused on five strategic growth priorities. Under the motto "Bertelsmann_next," the focus in the future will be placed on creating national cross-media champions, expanding global content and service businesses, as well as expanding online education business and investments. Overall, Bertelsmann was able to minimize the economic impact of the coronavirus pandemic, thanks to the successful implementation of the previously used four strategic directions – strengthening the core businesses, digital transformation, expanding growth platforms, and expanding into growth regions. The Group benefited from the quality of its business portfolio and the high proportion of revenues from digital business models. In the financial year 2020, additional substantial strategic progress was made in the individual divisions.

Broadcasters and platforms of RTL Group, for example, posted gains in audiences and market share, thanks to their comprehensive news reporting and entertainment offerings. Fremantle continued to expand production of fiction series. The RTL streaming services TV Now in Germany and Videoland in the Netherlands also recorded a substantial increase in paying subscribers. In addition, TV Now's streaming service was integrated into some of Telekom's rate plans. Furthermore, a partnership between Mediengruppe RTL and Telekom provides the foundation for developing collaboration in the areas of advertising technology, advertising sales and content. In France, Salto marked the start of a joint French pay streaming service involving Groupe TF1, France Télévisions and Groupe M6.

Acquiring full ownership of Penguin Random House marked a key milestone for Bertelsmann. The world's largest trade book publisher accordingly became a wholly owned group subsidiary of the Group in April 2020. Another step toward strengthening the global content business was the announcement at year-end that Bertelsmann planned to acquire US publisher Simon & Schuster. In November 2020, Penguin Random House published the first volume of Barack Obama's presidential memoirs, the widely acclaimed "A Promised Land." Furthermore, Penguin Random House profited during the lockdown from the digital availability of many of its books through digital formats and digital book distribution.

Numerous Gruner + Jahr brands launched new products and initiatives, including the "#stayathomeandcook" joint campaign by "Essen & Trinken" and "Chefkoch." Digital products were further expanded for "Stern," "Gala" and "Capital." In addition, Gruner + Jahr continued its podcast campaign with the Capital podcast "Meine Erste Million" ("My First Million") and the "Stern" podcast "Die Boss – Macht ist weiblich" ("The 'Lady Boss' – Power Is Feminine") and "Vater. Tochter. Weltgeschehen." ("Father. Daughter. World Events."). At the end of 2020, Gruner + Jahr and the French media company Vivendi signed a put option regarding the sale of Prisma Media.

BMG further expanded its cooperation with The Rolling Stones, among other things, and produced successful releases in the recording and publishing areas. BMG made a strategic move into the live entertainment business segment in Germany through the acquisition of a majority stake in the concert promoter Undercover. In addition, BMG secured access to an iconic music catalog by acquiring contractual rights in Mick Fleetwood's artist shares.

Arvato grew its global network of locations in the area of Supply Chain Solutions by opening new distribution centers and expanding existing centers, for example in the United States, the Netherlands, Russia and Turkey. In October 2020, Arvato Financial Solutions launched an innovative platform for consumer-oriented receivables management in the German-speaking area under the umbrella brand Paigo. The international information service provider Experian acquired a majority stake in Arvato Financial Solutions' risk-management business in order to strengthen their joint market position.

Bertelsmann Printing Group responded to the challenging printing market situation, which became more acute in view of the pandemic, with its new "Modernization at Mohn Media" strategy project and other initiatives for improving competitiveness. In early November Bertelsmann Printing Group acquired two book production sites in the United States from a competitor, thereby securing long-term production demand of large publishing customers in the United States.

Bertelsmann Education Group responded to high demand for online education and training due to the coronavirus pandemic and the lockdowns. As of March, Relias began providing its prevention and hygiene courses free of charge as its contribution to the fight against the pandemic. At the same time, Bertelsmann invested in new products and technologies. Together with Udacity, Bertelsmann continued its successful three-year campaign #50000Chancen. More than 60,000 people from 188 countries applied for 15,000 scholarships in the second round of the "Udacity Technology Scholarship Program."

In addition, Bertelsmann reinforced its presence in the growth regions through Bertelsmann Investments, which now holds some 260 investments in companies and other funds, mainly through its four international funds. The investment fund Bertelsmann Asia Investments (BAI) made follow-on investments in 11 companies in the reporting period. After an attractive partial exit, Bertelsmann India Investments (BII) still holds a stake in the successful Indian education company Eruditus. Bertelsmann Brazil Investments (BBI) benefited from a successful partial exit from an indirect investment in Brazil-based education provider Afya. Bertelsmann Digital Media Investments (BDMI) acquired a stake in the British start-up Zephr.

Within the Bertelsmann Content Alliance, Bertelsmann's content business developed additional cross-divisional formats, projects and campaigns, such as the sustainability weeks or media support for the MOSAiC Arctic expedition. In addition, the international scope of Bertelsmann Content Alliance was further broadened with its launch in the UK. Fremantle, Penguin Random House UK, DK and BMG launched a joint podcast product within Bertelsmann Content Alliance UK.

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. Group revenues fell in the financial year 2020 by 4.1 percent to €17.3 billion (previous year: €18.0 billion). The organic decline was 1.7 percent after organic growth of 1.2 percent in the same period of the previous year.

A key performance indicator for measuring the profitability of the Bertelsmann Group and the divisions is operating EBITDA. Operating EBITDA rose during the reporting period by 8.9 percent to €3,143 million (previous year: €2,887 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 €355 million, BVA in the financial year 2020 was below the previous year's figure of €89 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 2020, the cash conversion rate was 118 percent (previous year: 97 percent).

The EBITDA margin is used as an additional criterion for assessing business performance. In the financial year 2020, the EBITDA margin of 18.2 percent was above the previous year's level of 16.0 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

At the end of the financial year 2020, the Group had 132,842 employees worldwide. In 2020, there were 1,137 people serving in trainee positions in Bertelsmann companies in Germany.

Due to the coronavirus pandemic, the focus in 2020 was on immediately protecting the health of all employees all over the globe. This involved setting up centralized and local crisis teams as well as helping employees work from home wherever this was compatible with operational considerations.

Also in response to the pandemic, talent management processes took place exclusively using digital tools. In addition, the training curriculum of Bertelsmann University was further digitalized and competency training was continued in the fields of digital working and tech and data. At the end of 2020, over 68,000 employees in 46 countries were able to access training courses on the Group-wide digital "peoplenet" HR IT platform.

Innovations

Businesses invest in the research and development of new products in order to ensure their long-term competitiveness. The media sector has a similar imperative to create innovative media content and media-related products and services in a rapidly changing environment. 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. For example, the marketers IP Deutschland, G+J eMS and other partners have combined their capabilities into the Ad Alliance Deutschland, and provide them to advertising clients and media agencies. In the reporting period, Bertelsmann also continued the process of internationalizing Bertelsmann Content Alliance, a cooperation between all content businesses in the Group for developing and marketing mutual formats across divisions.

The innovations at RTL Group focus on three core topics: continuously developing new, high-quality TV formats; using all digital distribution channels; and better monetization of the Group's customer reach by addressing target groups, personalization and recommendations. RTL Group established, for example, the Format Creation Group (FC Group) that meets the high demand for exclusive content by developing innovative format ideas and intellectual property fully owned and controlled by RTL Group. Salto, the joint subscription streaming service of Groupe TF1, France Télévisions and Groupe M6, was launched commercially in October 2020. Bedrock, a technology company belonging to RTL Group, provides Salto's technical platform with state-of-the-art content recommendation and personalization elements. The tech platform is also used by RTL streaming services in Belgium, Hungary and Croatia and is open to other European broadcasters. Addressable TV advertising combines the broad reach of linear TV with targeted digital advertising. RTL Group is working on creating an open ad-tech platform that is based on the technology developed by its subsidiary Smartclip and is tailored to the needs of European broadcasters and streaming services. RTL Group is currently in discussions with several European broadcasters on possible ad-tech partnerships with Smartclip.

At Penguin Random House, the coronavirus pandemic and the subsequent lockdowns led to a number of innovative initiatives aimed at creating and maintaining the connections between authors, readers and retailers. In all of the markets, the publishing group worked together with authors and retailers to develop innovative campaigns to best reach readers online. In the United States, the Consumer Marketing Team launched a project that uses trend data to identify titles and authors suitable for virtual events. At the same time, a popular training course was developed for virtual events aimed at partners in the sector – such as bookstores – containing recommendations for holding successful events. Furthermore, investments were stepped up in programs on diversity, equality and inclusion in all global regions. One example is the Penguin Random House UK campaign titled "Lit in Colour" to promote greater ethnic diversity in literature taught at British schools.

Innovations at Gruner + Jahr included, in particular, developing digital journalistic pay models, in the growing podcast market, as well as promoting sustainable alliances, most importantly, the Bertelsmann Content Alliance. Digital products in the German magazine markets continued to grow, especially the paid-content products "Stern Plus" and "Stern Crime Plus," as well as the self-care apps "Balloon" and "Hirschhausen Diet." The new paid-content sleep app "7Schläfer" ("7Sleeps") was added to the portfolio. Gruner + Jahr launched new formats on the growing podcast market, including the Stern podcast "Die Boss – Macht ist weiblich" ("The 'Lady Boss' – Power Is Feminine") and jointly with the

Audio Alliance, “Die Stunde Null – Deutschlands Weg aus der Krise” (“Zero Hour – Germany’s Way out of the Crisis”). “Geolino Spezial” (“Geolino Special”) boasts one of the widest audiences of any children’s podcast in Germany. The digital subsidiary AppLike was expanded into a group of companies. Mobile device game producer Sunday landed an international gaming success with “Cat Escape,” which placed among the Top 10 in the United States in the iOS and Android charts for hyper-casual games.

Innovation at BMG is based on the company’s strategic pillars: focusing on growth segments, extending and diversifying its repertoire, expanding global presence, and delivering on its core values while retaining its cost leadership in the sector. Major innovations were the new services added to the BMG portfolio: the strategic move into the live entertainment business segment in Germany through the acquisition of a majority stake in the concert promoter Undercover, and the launch of a boutique neighboring rights service. Among the artists who chose BMG’s new service were The Rolling Stones and Roger Daltrey of the rock band The Who. Other innovations included the opening up of the widely acclaimed myBMG app to non-BMG artists, allowing them to pitch for songs from BMG songwriters; establishing the international music brand The Iconic Song, focused on legendary songs from the BMG catalog; the launch of the label OM Records in cooperation with the French Ligue 1 soccer club Olympique de Marseille; and the migration of a significant proportion of its processes and technology to the cloud.

Innovation was achieved in all divisions of Arvato. The three solutions groups at Arvato as well as the CRM company Majorel are using their innovative activities to pursue their main goal of enhancing and digitalizing existing solutions and designing and creating new services. Arvato Supply Chain Solutions pursued its cloud strategy by investing extensively in 2020 in automating and digitalizing its processes as well as in expanding the digital competence of its employees. Arvato Financial Solutions launched an innovative platform for consumer-oriented receivables management under the umbrella brand Paigo. Extensive digitalization of processes and flows in the debt collection process is at the heart of the new product. The IT services provider Arvato Systems further expanded not only its competency in the field of cloud applications but also its cooperation with the three major hyperscalers, Amazon Web Services (AWS), Google Cloud Platform (GCP) and Microsoft Azure. Majorel further intensified its focus on digital transformation, for example by acquiring Isilis, a digital solutions provider for the banking and financial services sector.

Innovations at Bertelsmann Printing Group involved, in particular, developing and optimizing existing processes with new technologies, and designing innovative products and services. On the basis of an innovative partnership model with a renowned printer manufacturer, Bertelsmann Printing Group invested in two new state-of-the-art, sheet-fed printing presses that were put into operation in 2020 at Mohn Media and Vogeldruck. As part of the VIME project, an augmented reality app was added to the digitalization services provided to a large British mail-order customer and the PreMedia department at Mohn Media developed a database solution for publishers and editors based on artificial intelligence. In addition, Bertelsmann Printing Group’s multipartner program DeutschlandCard continued its work on the digital transformation of participant communication, expanding the program app and bringing a digital customer card to market.

The innovations at Bertelsmann Education Group mainly consisted of developing digital 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. Data analyses are used more and more frequently to be able to offer users personalized content and thereby ensure training success. In the technology segment, Udacity was able to expand its products, among other things, in the areas of data science, cloud architecture and artificial intelligence. For example, employees learn about new technologies in Nanodegree programs and help their companies discover new uses for digitalization and automation.

Report on Economic Position

Corporate Environment

Overall Economic Developments

The global economy was severely impacted in 2020 by the coronavirus pandemic and the heightened measures put in place to prevent infections. After a historic decline in the economy in the spring, the global economy recovered significantly in the summer, yet started to lose dynamic toward the end of the year. Europe and North America especially suffered a new wave of infection in the winter, ending the upswing in the economy. Overall, global economic activity shrank by 3.5 percent in 2020 compared to growth of 3.0 percent in 2019.

The second wave of infection affected most European countries in autumn 2020, but with varying degrees of severity. After the strong recovery recorded in the summer, economic activity was down again in the final quarter. In the euro area, real GDP fell by 6.8 percent, compared to an increase of 1.2 percent in the previous year.

The recovery that had begun in Germany mid-year was also interrupted by a second wave of infection. Real GDP declined by 4.9 percent compared to an increase of 0.6 percent in the previous year. However, the pandemic put an even stronger strain on the economy in France. Real GDP declined by 8.3 percent in 2020 compared to 1.2 percent growth in the previous year. The economy in the United Kingdom also saw a sharp downturn. Real GDP declined by 9.9 percent, compared to growth of 1.4 percent in the previous year.

In the United States real GDP declined by 3.5 percent compared to growth of 2.3 percent in the previous year.

The macroeconomic developments described here had a markedly negative impact on business performance at Bertelsmann in the financial year 2020 and put a burden on business, especially the advertising-financed and print businesses.

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 European TV advertising markets declined strongly in 2020, whereas the streaming markets in Germany and the Netherlands showed strong growth.

The markets for printed books saw a positive development overall in 2020. Revenue from printed books grew strongly in the United States and increased significantly in the United Kingdom, whereas the German market saw a slight decline and the Spanish-language market a significant decline. Publisher sales of e-books and digital audiobooks climbed strongly in both the United States and the United Kingdom.

The magazine markets in Germany and France in 2020 were characterized by strongly declining print advertising business and significantly declining circulation business in Germany, as well as a strong decline in France. The digital advertising market in Germany also posted significant declines, while France remained stable.

The relevant music markets in 2020 reported moderate declines in the publishing segment, whereas the recording market segment grew significantly.

The key service markets for Arvato, namely Customer Relationship Management, Supply Chain Solutions and Financial Solutions, saw moderate growth, whereas the market for IT services declined significantly.

The European offset and gravure printing markets reported a strongly negative trend in 2020. The North American book printing market remained stable.

In 2020, the education markets in the United States exhibited moderate to strong growth in the market segments where Bertelsmann is involved – namely, training in healthcare, e-learning in the technology area, and university education.

Significant Events in the Financial Year

In view of the global outbreak of the coronavirus pandemic, Bertelsmann convened a meeting of the Group’s crisis committee, its first, in late January 2020. During the course of the year, the committee created extensive protective and preventive measures for Bertelsmann’s divisions and companies. The Bertelsmann Executive Board implemented a number of measures early on, focusing on employees’ health, continuity of business, cost-cutting measures and temporary investment restraint. To secure and improve the company’s liquidity, additional capital was raised. By mid-year, the Group’s liquidity had been significantly increased with a variety of capital market instruments (see the section “Financing Activities”). In addition, the Executive Board issued a Group-wide travel ban on business trips in the spring and requested that most employees begin working from home in mid-March. At the same time, manufacturing companies and service units were assisted with protective masks and guidelines on distancing regulations and hygiene measures.

Groupe M6, which belongs to RTL Group, sold the French cashback company iGraal to the German Global Savings Group (GSG) in March 2020. The transaction was conducted in part through a share swap. As a result, Groupe M6 became a shareholder in GSG.

As of April 1, 2020, Bertelsmann completed its acquisition of the remaining 25 percent of the shares in Penguin Random House from co-shareholder Pearson after receiving all of the required regulatory approvals.

Henrik Poulsen, former chair of the Executive Board of the Danish energy company Ørsted, was newly appointed to the Bertelsmann Supervisory Board in June 2020.

In late June 2020, the international information services provider Experian acquired a majority shareholding in Arvato Financial Solutions' risk management division. This is intended to strengthen the joint market position and to create an innovative platform to the benefit of the customers of the formerly separate companies.

In late October 2020, RTL Group completed the sale of its stake in the Canadian digital video network BroadbandTV.

At its meeting on November 5, 2020, the Supervisory Board appointed Rolf Hellermann as the new Chief Financial Officer of Bertelsmann. On January 1, 2021, he replaced Bernd Hirsch as CFO and became a member of the Management Board.

In November 2020, Bertelsmann announced the acquisition of the publishing group Simon & Schuster from the media company ViacomCBS for US$2.175 billion. The acquisition will strengthen Bertelsmann's position in the global book publishing business, especially in the United States. This transaction is subject to regulatory approval. Bertelsmann will pay the purchase price with available cash and cash equivalents. The transaction is expected to close in 2021.

In December 2020, RTL Group completed the acquisition of all of the remaining outstanding shares in the TV and radio businesses of RTL Belgium. The acquisition was paid from cash funds as well as with treasury shares of RTL Group.

In December 2020, Gruner + Jahr initiated exclusive negotiations with the French media company Vivendi regarding the sale of the French G+J subsidiary Prisma Media. At year-end, both companies signed a put option. The planned sale is subject to notifying employee representatives at Prisma Media and holding a hearing, approval from antitrust authorities, and preparing all legal documents. The transaction is expected to close in the first half of 2021.

Furthermore, a number of real estate transactions were carried out during the reporting period. These included the purchase and resale of a commercial property in Munich, as well as the sale of commercial properties in London and Hamburg. All properties have been leased back with varying terms.

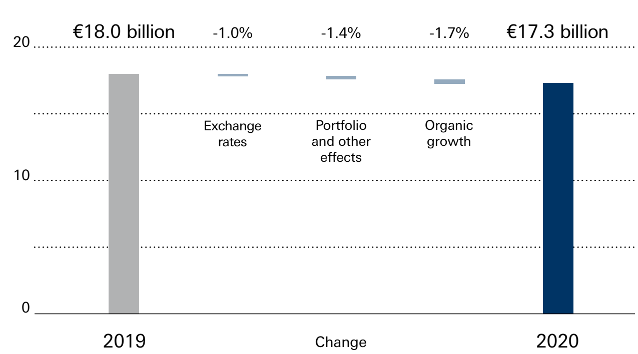
Results of Operations

Revenue Development

Group revenues fell in the financial year 2020 by 4.1 percent to €17.3 billion (previous year: €18.0 billion). Revenue drops due to the coronavirus pandemic had a particularly negative impact on the advertising-financed and print businesses. However, the book publishing business, music business, services businesses and some of the education businesses have proved to be particularly robust. Adjusted by exchange rate, portfolio and other effects, the Group recorded an organic decline of 1.7 percent.

Revenues at RTL Group decreased 9.5 percent to €6,017 million (previous year: €6,651 million). The organic decrease was 7.2 percent. The decline in revenues is largely attributable to significantly lower TV advertising revenues in the second quarter of 2020 and production delays at Fremantle due to the coronavirus pandemic. In contrast, the number of paying subscribers to the streaming services TV Now in Germany and Videoland in the Netherlands showed a positive trend. Revenues at Penguin Random House rose 4.6 percent to €3,802 million (previous year: €3,636 million). The organic growth was 6.7 percent. The growth in revenues was due in particular to positive business performance in the US business. Gruner + Jahr reported a decline in revenues of 16.2 percent to €1,135 million (previous year: €1,355 million), due primarily

Revenue Breakdown



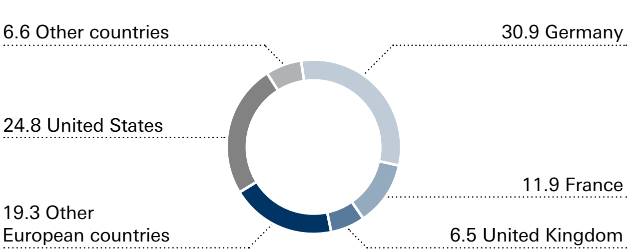
Revenues by Division

in € millions	Germany	Other countries	Total 2020	Germany	Other countries	Total 2019
RTL Group	1,958	4,059	6,017	2,138	4,513	6,651
Penguin Random House	277	3,525	3,802	265	3,371	3,636
Gruner + Jahr	769	366	1,135	913	442	1,355
BMG	46	556	602	46	554	600
Arvato	1,666	2,716	4,382	1,697	2,478	4,175
Bertelsmann Printing Group	833	529	1,362	948	620	1,568
Bertelsmann Education Group	2	299	301	2	331	333
Bertelsmann Investments	4	8	12	0	13	13
Total divisional revenues	5,555	12,058	17,613	6,009	12,322	18,331
Corporate/Consolidation	(221)	(103)	(324)	(203)	(105)	(308)
Continuing operations	5,334	11,955	17,289	5,806	12,217	18,023

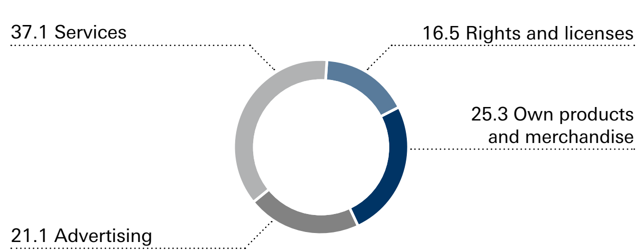
to the coronavirus and to portfolio effects. The organic decline was 9.0 percent. Revenues at BMG were stable at €602 million (previous year: €600 million). The organic growth was 1.9 percent. Pandemic-related restrictions in physical distribution as well as postponed releases were offset by strong growth in music streaming. Revenues at Arvato rose 5.0 percent to €4,382 million (previous year: €4,175 million). The organic growth was 6.5 percent. In particular, the positive business performance at the CRM company Majorel contributed to revenue growth. Revenues at Bertelsmann Printing Group fell 13.2 percent to €1,362 million (previous year: €1,568 million). The organic decline was 13.4 percent. The coronavirus pandemic accelerated the market-driven decline in revenue of Bertelsmann Printing Group as it put pressure on important customer sectors and regions. Revenues at Bertelsmann Education Group declined by 9.8 percent to €301 million (previous year: €333 million). The organic decline was 2.3 percent. The drop in revenues was caused by the sale of a large share of the business operations of the US university services provider HotChalk, whereas the demand for online education products continued to grow. 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 30.9 percent compared to 32.2 percent in the previous year. The revenue share generated by France amounted to 11.9 percent (previous year: 12.3 percent). In the United Kingdom, the revenue share was 6.5 percent (previous year: 6.5 percent). The share of total revenues generated by the other European countries amounted to 19.3 percent compared to 18.9 percent in the previous year. The revenue share generated by the United States increased to 24.8 percent (previous year: 23.4 percent), and the other countries achieved a revenue share of 6.6 percent (previous year: 6.7 percent). This means that the share of total revenues generated by foreign business rose to 69.1 percent (previous year: 67.8 percent). Year on year, there also was a slight change in the ratio of the four revenue sources (own products and merchandise, services, advertising, rights and licenses) to overall revenue.

Consolidated Revenues by Region in percent



Consolidated Revenues by Category in percent



Results Breakdown

in € millions	2020	2019
Operating EBITDA by division		
RTL Group	1,097	1,417
Penguin Random House	691	561
Gruner + Jahr	127	157
BMG	137	138
Arvato	662	549
Bertelsmann Printing Group	55	68
Bertelsmann Education Group	89	84
Bertelsmann Investments	(10)	(1)
Total operating EBITDA by division	2,848	2,973
Corporate/Consolidation	295	(86)
Operating EBITDA from continuing operations	3,143	2,887
Amortization/depreciation, impairments/reversals of impairment losses on intangible assets and property, plant and equipment not included in special items	(918)	(908)
Special items	51	(154)
EBIT (earnings before interest and taxes)	2,276	1,825
Financial result	(339)	(309)
Earnings before taxes from continuing operations	1,937	1,516
Income tax expense	(478)	(426)
Earnings after taxes from continuing operations	1,459	1,090
Earnings after taxes from discontinued operations	–	1
Group profit	1,459	1,091
attributable to: Earnings attributable to Bertelsmann shareholders	1,152	729
attributable to: Earnings attributable to non-controlling interests	307	362

Operating EBITDA

Bertelsmann achieved operating EBITDA of €3,143 million in the financial year 2020 (previous year: €2,887 million). The increase of 8.9 percent is largely attributable to disposal proceeds from real estate transactions totaling €376 million. In addition, earnings growth was posted in particular by Penguin Random House and Arvato. Despite effective cost-cutting measures, the sometimes sharp decline in advertising-financed and print businesses is attributable to the negative impacts of the coronavirus pandemic on revenues. The EBITDA margin rose to 18.2 percent (previous year: 16.0 percent).

Operating EBITDA at RTL Group fell 22.6 percent to €1,097 million (previous year: €1,417 million). Given the coronavirus pandemic, RTL Group recorded a drop in advertising revenues and TV production delays. Operating EBITDA at Penguin Random House rose by 23.3 percent to €691 million (previous year: €561 million), thanks in particular to the growing US business as well as a larger proportion of digital products in the sales mix. Operating EBITDA at Gruner + Jahr declined by 19.4 percent to €127 million (previous year: €157 million. Pandemic-related revenue shortfalls were largely offset by comprehensive countermeasures. BMG generated a stable operating EBITDA of €137 million (previous year: €138 million) and, despite a difficult market environment, benefited from rapid growth in music streaming. Arvato achieved operating EBITDA of €662 million (previous year: €549 million). This was an increase of 20.5 percent, reflecting higher earnings in particular at the CRM company Majorel as well as in the Supply Chain Solutions business area. Operating EBITDA at Bertelsmann Printing Group declined by 19.8 percent to €55 million (previous year: €68 million). In addition to a continual drop in volumes and persistent pricing pressure, earnings were also heavily affected by the coronavirus pandemic. Operating EBITDA at Bertelsmann Education Group of €89 million (previous year: €84 million) represented an increase of 5.6 percent. 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 2020 totaled €51 million compared to €-154 million in the previous year. They consist of impairments on goodwill and other intangible assets with indefinite useful lives amounting to €-116 million (previous year: €-27 million), impairments on investments accounted for using the equity method amounting to €-62 million (previous year: €-51 million), impairments on other financial assets at amortized cost amounting to €-26 million (previous year: €-9 million), results from disposals of investments amounting to €410 million (previous year: €90 million), fair value measurement of investments amounting to €59 million (previous year: €143 million), as well as restructuring expenses and other special items totaling €-214 million (previous year: €-293 million). In the reporting period there were no adjustments of the carrying amounts of assets held for sale (previous year: €-7 million). The increase in results from disposals of investments is particularly due to the sale of a majority share of the risk management business of Arvato Financial Solutions.

EBIT

EBIT amounted to €2,276 million in the financial year 2020 (previous year: €1,825 million) after adjusting operating EBITDA for special items totaling €51 million (previous year: €-154 million) and the amortization, depreciation, impairments and reversals of impairment losses on intangible assets, property, plant and equipment and right-of-use assets totaling €-918 million (previous year: €-908 million), which were not included in the special items.

Group Profit

The financial result was €-339 million, compared with the previous year's amount of €-309 million. The deviation is attributable to increased interest expenses resulting from financing activities carried out to secure liquidity during the coronavirus pandemic. The income tax expense increased to €-478 million compared to €-426 million in the previous year, due in particular to higher earnings before taxes from continuing operations. This resulted in an increase in Group profit to €1,459 million (previous year: €1,091 million). The share of Group profit attributable to non-controlling interests came to €307 million (previous year: €362 million). The share of Group profit attributable to Bertelsmann shareholders was €1,152 million (previous year: €729 million). No dividends were paid in 2020 for the financial year 2019. For the financial year 2020 a dividend payout of €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, 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 management 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, 2020, the leverage factor of Bertelsmann was 1.9, significantly lower than the previous year's level (December 31, 2019: 2.6).

Financial Targets

	Target	2020	2019
Leverage Factor: Economic debt/Operating EBITDA[1]	≤ 2.5	1.9	2.6
Coverage ratio: Operating EBITDA/Financial result[1]	> 4.0	8.3	8.5
Equity ratio: Equity as a ratio to total assets (in percent)	≥ 25.0	36.1	38.2

1) After modifications

Primarily due to a high operating cash flow, net financial debt decreased.

As of December 31, 2020, economic debt decreased to €5,207 million from €6,511 million in the previous year, due to a significant decrease in net financial debt to €2,055 million (December 31, 2019: €3,364 million). As of December 31, 2020, recognized lease liabilities were €1,355 million (December 31, 2019: €1,392 million). Provisions for pensions and similar obligations rose to €2,009 million as of December 31, 2020 (December 31, 2019: €1,967 million).

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: 8.5). The Group's equity ratio was 36.1 percent (December 31, 2019: 38.2 percent), which remains significantly above the self-imposed minimum of 25 percent.

Financing Activities

Under a Debt Issuance Program with a volume of up to €5 billion launched in March 2020, Bertelsmann issued a €750 million bond with a coupon of 2.0 percent and a term of eight years in April 2020, and a €750 million bond with a coupon of 1.5 percent and a term of 10 years in May 2020. Private placements totaling €350 million were also issued under this program. In addition, Bertelsmann issued promissory notes with a total volume of €250 million in the reporting period. One of the private placements in the amount of €250 million was already repaid before the end of the year by exercising a termination option. In addition, a €100 million promissory note due in December 2020 and the variable portion of a promissory note of €50 million due in 2027 were repaid.

To cover short-term funding requirements related to the acquisition of the remaining shares of Penguin Random House, a loan in the amount of €675 million with a term of up to 18 months was agreed upon in the reporting period and utilized in March 2020. Furthermore, Bertelsmann carried out various financing measures to secure liquidity. This includes in particular drawing down the revolving syndicated credit facility in the amount of €1.2 billion and drawing down a bilateral, dual-currency credit facility in the amount of US$215 million, both in March 2020, as well as taking out a loan of US$300 million in April 2020 with a term of up to one year. All of the credit facilities that were drawn down during the reporting period were completely repaid in the course of the financial year 2020.

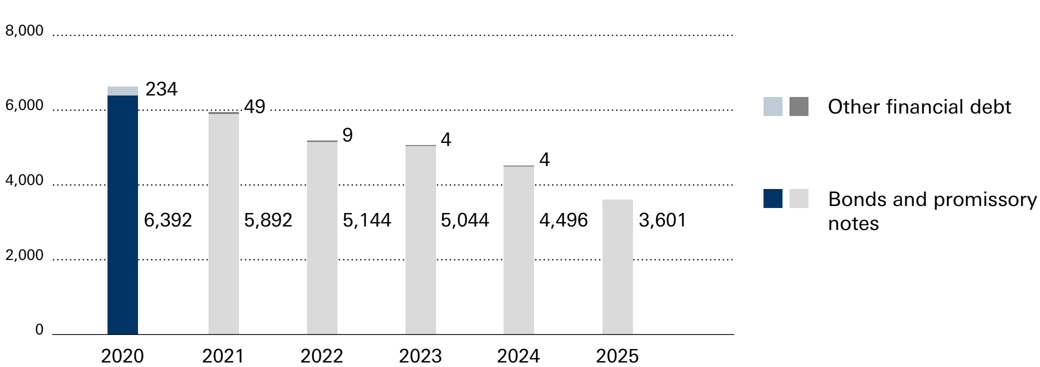
Rating

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, 2020, forms the backbone of the strategic credit reserve; Bertelsmann can utilize this with a term until 2025 to draw up to €1.2 billion of revolving funds in euros, US dollars and pounds sterling.

Maturity Structure of Financial Debt in € millions



Consolidated Cash Flow Statement (Summary)

in € millions	2020	2019
Cash flow from operating activities	2,994	2,060
Cash flow from investing activities	(263)	(682)
Cash flow from financing activities	330	(1,128)
Change in cash and cash equivalents	3,061	250
Exchange rate effects and other changes in cash and cash equivalents	(61)	(12)
Cash and cash equivalents on 1/1	1,643	1,405
Cash and cash equivalents on 12/31	4,643	1,643
Less cash and cash equivalents of disposal groups	(72)	(7)
Cash and cash equivalents on 12/31 (according to the consolidated balance sheet)	4,571	1,636

Cash Flow Statement

During the reporting period, cash flow from operating activities was generated in the amount of €2,994 million (previous year: €2,060 million). The sustainable operating free cash flow, adjusted for special effects, was €2,571 million (previous year: €1,883 million), and the cash conversion rate was 118 percent (previous year: 97 percent); see the section "Broadly Defined Performance Indicators." Cash flow from investing activities amounted to €-263 million (previous year: €-682 million). Of this, €-879 million (previous year: €-923 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 €-41 million (previous year: €-317 million). Payments from the sales of subsidiaries and other business units as well as of other non-current assets were €657 million (previous year: €558 million). The cash flow from financing activities was €330 million (previous year: €-1,128 million). This difference is attributable to the proceeds from issuing bonds and promissory notes and to the reduction or suspension of dividend payments to Bertelsmann shareholders and non-controlling interests. Dividend payments to shareholders of Bertelsmann SE & Co. KGaA were suspended for the financial year 2019 due to the coronavirus, following a dividend payment in the previous year of €-180 million. Dividends paid to non-controlling interests and other payments to shareholders amounted to €-10 million (previous year: €-263 million). As of December 31, 2020, Bertelsmann had cash and cash equivalents of €4.6 billion (previous year: €1.6 billion). This significant increase is attributable to capital market measures aimed at, among other things, securing and increasing Bertelsmann's liquidity.

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 decreased compared with the previous year. The off-balance-sheet liabilities existing as of December 31, 2020, had no significant negative effects on 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 €54 million (previous year: €6 million), amounted to €974 million in the financial year 2020 (previous year: €1,246 million). Investments according to the cash flow statement amounted to €920 million (previous year: €1,270 million). As in previous years, the majority of the €350 million investments in property, plant and equipment (previous year: €323 million) stemmed from Arvato. Investments in intangible assets came to €313 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 €216 million was invested in financial assets (previous year: €317 million). This includes in particular the investments of Bertelsmann Investments. Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €41 million (previous year: €317 million).

After taking into account acquired financial debt and purchase price payments for increasing shareholdings in subsidiaries, in particular for the acquisition of full ownership of Penguin Random House, economic investments increased in the financial year 2020 to a total of €1,717 million (previous year: €1,314 million). These payments for increasing shareholdings are classified as a change in equity in accordance with IFRS and are reported under cash flow from financing activities. From the point of view of Bertelsmann, these payments are economically comparable to purchase price payments for consolidated investments and are therefore considered to be investments.

Investments by Division

in € millions	2020	2019
RTL Group	210	451
Penguin Random House	75	124
Gruner + Jahr	31	31
BMG	92	80
Arvato	264	216
Bertelsmann Printing Group	34	45
Bertelsmann Education Group	19	25
Bertelsmann Investments	185	260
Total investments by division	910	1,232
Corporate/Consolidation	10	8
Total investments	920	1,240

Balance Sheet

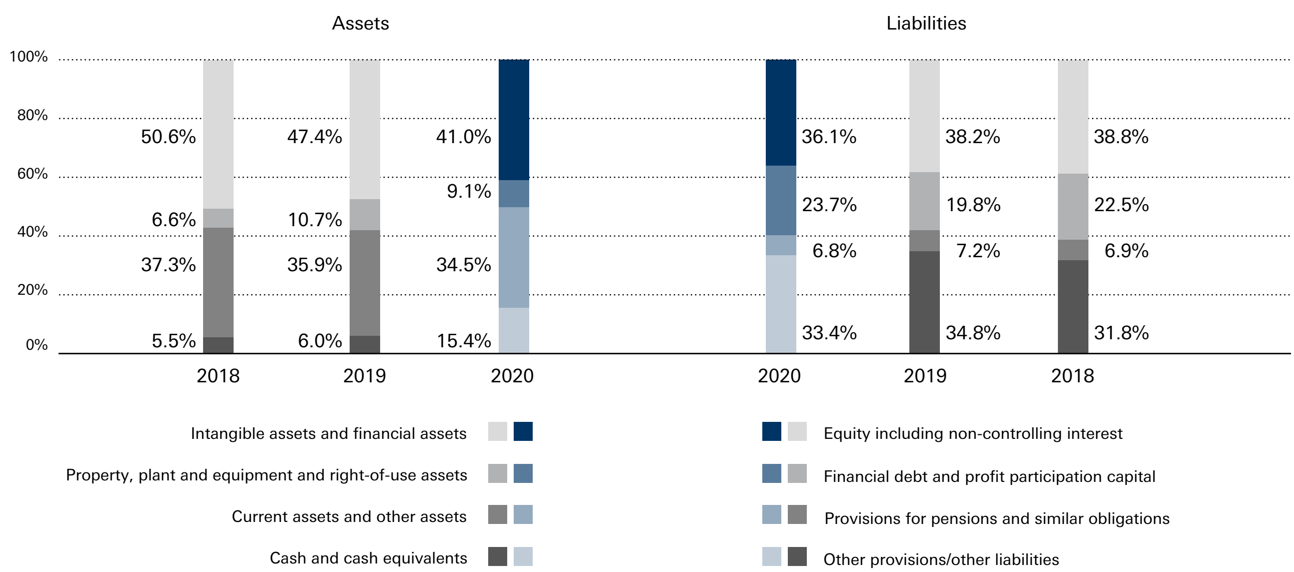
Total assets increased to €29.7 billion as of December 31, 2020 (previous year: €27.3 billion). Cash and cash equivalents increased noticeably to €4.6 billion (previous year: €1.6 billion). Equity increased to €10.7 billion (previous year: €10.4 billion). This resulted in an equity ratio of 36.1 percent (previous year: 38.2 percent). Equity attributable to Bertelsmann SE & Co. KGaA shareholders was €9.0 billion (previous year: €8.9 billion). Provisions for pensions and similar obligations increased to €2,009 million (previous year: €1,967 million). Gross financial debt increased to €6,626 million compared to €5,000 million as of December 31, 2019. Apart from that, the balance sheet structure remained largely unchanged from the previous year.

Profit Participation Capital

Profit participation capital had a par value of €301 million as of December 31, 2020, 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, 2020 (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.

Balance Sheet



The highest closing rate of the 2001 profit participation certificates was 360.60 percent in January; their lowest in the 2020 financial year was 210.00 percent in March.

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 2020.

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 2020 was 7.65 percent (previous year: 6.36 percent), the payout on the 1992 profit participation certificates for the financial year 2020 will be 8.65 percent of their par value (previous year: 7.36 percent).

The payout distribution date for both profit participation certificates is expected to be May 7, 2021. 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 saw a decrease in advertising bookings and postponements of productions in the financial year 2020 in the wake of the coronavirus pandemic, leading to lower revenues and operating profit. After a strong decline in TV advertising revenues in the second quarter, the situation stabilized in the third quarter; in the important fourth quarter, RTL Group's TV advertising revenues increased again year on year.

From mid-March on, RTL Group's management actively countered the effects of the pandemic with cost and cash flow measures, without compromising the group's sustainable business success. More than half of the revenue losses were compensated in this way.

For the full year, RTL Group's revenues decreased 9.5 percent to €6.0 billion (previous year: €6.7 billion), while operating EBITDA fell 22.6 percent to €1.1 billion (previous year: €1.4 billion). The EBITDA margin was 18.2 percent, compared with 21.3 percent in the previous year. At €1.1 billion (previous year: €1.1 billion), 17.5 percent (previous year: 16.1 percent) of revenues were attributable to digital businesses such as online advertising, streaming and advertising technology.

The streaming services TV Now in Germany and Videoland in the Netherlands together had 2.2 million paying subscribers at the end of the year, 52 percent more than a year earlier. In France, Groupe M6 grew the number of active users of its advertising-financed streaming service 6play to 16.3 million (previous year: 11.1 million). In October, Salto, the joint pay streaming service of Groupe TF1, France Télévisions and Groupe M6, went live. Upon launch, its offering comprised more than 10,000 hours of programming and access to content from the country's main TV channels.

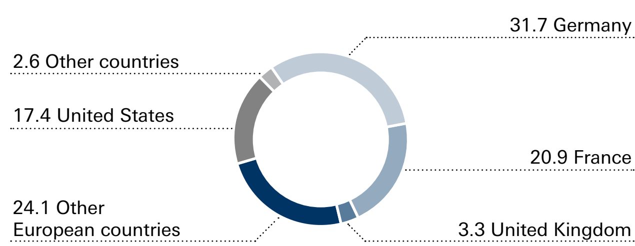
Information and entertainment offerings from Mediengruppe RTL Deutschland, Groupe M6 and RTL Nederland were met with significantly increased viewer interest during the coronavirus pandemic. The broadcasters outperformed their commercial competitors on audience ratings. In Germany, the RTL family of TV channels increased its net TV advertising market share significantly year on year.

In November, Mediengruppe RTL Deutschland and Deutsche Telekom agreed on a strategic partnership to jointly develop the growth markets of streaming and addressable TV advertising. Meanwhile, RTL Group continued to build an open ad-tech platform based on technology developed by Smartclip and tailored to the needs of European broadcasters and streaming services.

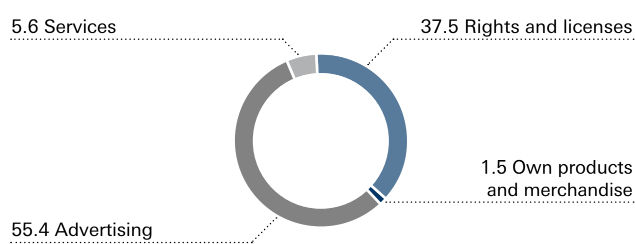
RTL Group's content business, Fremantle, faced significant constraints in film and TV production during the coronavirus pandemic in 2020, resulting in fewer show deliveries and the postponement of productions, particularly in the second quarter. Following the introduction of protective measures, production resumed in most markets toward the middle of the year. Major creative successes included shows like "American Idol," reality formats like "Too Hot to Handle" for Netflix, and fiction series productions such as "Deutschland 89" for Amazon Prime.

In October, RTL Group sold its majority stake in the digital video network BroadbandTV to BBTV Holdings Inc. for €102 million paid in cash. This was followed in December by the acquisition of all outstanding shares in RTL Belgium's TV and radio business, with consideration comprising cash and treasury shares of RTL Group.

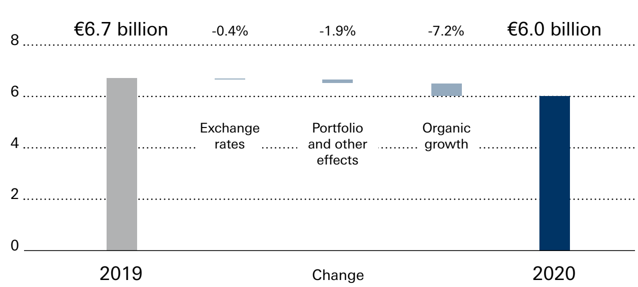
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Penguin Random House

Penguin Random House benefited from strong new publications and increased demand for books in all formats in the year of the coronavirus pandemic. Despite bookstores being intermittently closed in many countries, the group grew its revenues and operating profit significantly, especially in the US and UK markets.

A strategic milestone during the financial year was the acquisition of the remaining 25 percent of the shares in Penguin Random House. The world's largest trade publishing group has been wholly owned by Bertelsmann since April 1, 2020, at which time the German-language publishing group Verlagsgruppe Random House was integrated and renamed Penguin Random House Verlagsgruppe. In November, Bertelsmann announced the acquisition of the venerable US trade publisher Simon & Schuster. The transaction is expected to be completed in the course of 2021, once all of the necessary clearance has been obtained from the antitrust authorities.

Penguin Random House's revenue reached €3.8 billion in the 2020 financial year, up 4.6 percent from the previous year's level of €3.6 billion. Operating EBITDA increased by 23.3 percent to €691 million (previous year: €561 million). The EBITDA margin increased to 18.2 percent (previous year: 15.4 percent).

The top-selling book of the year was "A Promised Land," the first volume of Barack Obama's presidential memoirs. The book was published in November in 20 languages almost simultaneously, and sold more than 7.3 million copies worldwide across all formats through the end of the year. Penguin Random House publishers expanded its online sales in numerous markets, and established multiple virtual platforms for connecting authors, readers and booksellers. Audiobooks were again a growth driver in 2020, achieving double-digit percentage growth in most markets. Penguin Random House publishers 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" magazine in Germany.

In the largest book market, the United States, the top bestseller, with more than three million copies sold, was "A Promised Land" by Barack Obama. Titles such as "Untamed" by Glennon Doyle, "Becoming" by Michelle Obama, "Where the Crawdads Sing" by Delia Owens, and "How to Be an Antiracist" by Ibram X. Kendi achieved high sales figures as well.

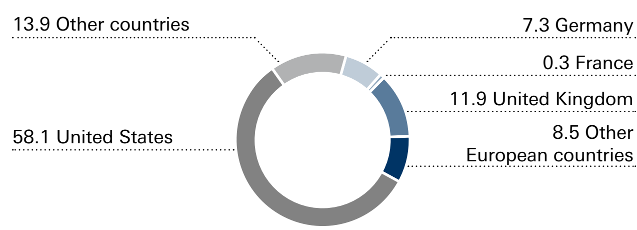
Penguin Random House UK also had a strong year with rising revenues. The year's most successful books included "A Promised Land" by Barack Obama, "The Boy, The Mole, The Fox and The Horse" by Charlie Mackesy, and "The Thursday Murder Club" by Richard Osman, each selling more than one million copies.

Penguin Random House Grupo Editorial saw higher online sales in Spain, offsetting significant declines in Latin America. Top-selling titles included "Las Tinieblas y el Alba" by Ken Follett, "Línea de Fuego" by Arturo Pérez Reverte and "Reina Roja" by Juan Gómez-Jurado.

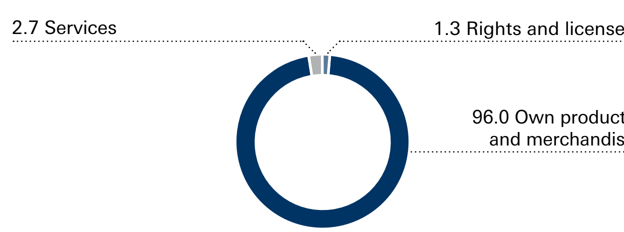
In the German-speaking countries, Penguin Random House Verlagsgruppe maintained its marketplace leadership in a book market that was in decline due to the pandemic. The top-selling titles were "Ein verheißenes Land" ("A Promised Land") by Barack Obama, "Ohne Schuld" by Charlotte Link, and "Das Kind in dir muss Heimat finden" ("The Child In You Must Find a Home") by Stefanie Stahl.

Numerous Penguin Random House authors won prestigious awards in 2020, among them Colson Whitehead, who won the Pulitzer Prize for Fiction for "The Nickel Boys," and Charles Yu, who won the US National Book Fiction Award for "Interior Chinatown."

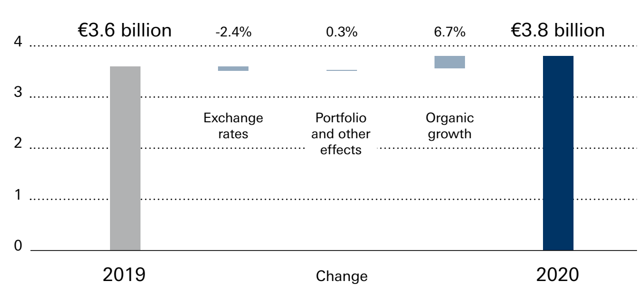
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Gruner + Jahr

Following sharp pandemic-related declines in the first half of 2020, Gruner + Jahr recorded a significant improvement in advertising and distribution revenues, particularly in the fourth quarter, and successfully continued its transformation. Operating EBITDA decreased to €127 million (previous year: €157 million), and the EBITDA margin was 11.2 percent (previous year: 11.6 percent). Pandemic-related revenue shortfalls were largely offset by comprehensive countermeasures. Full-year revenues declined 16.2 percent to €1.1 billion (previous year: €1.4 billion), primarily as a result of the coronavirus pandemic and portfolio effects (including the sale of the special-interest publisher Motor Presse Stuttgart).

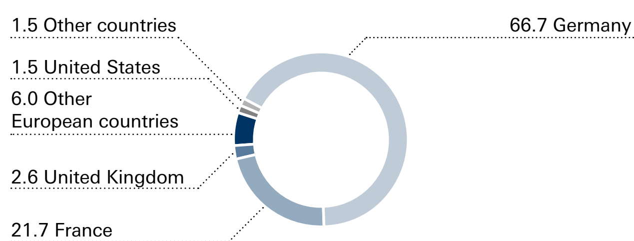
The revenue share attributable to the digital business in Germany and France increased once again to now 37 percent (previous year: 33 percent). The digital offerings of the magazine brands in Germany saw strong growth in revenues and earnings. In addition, the paid digital offerings, such as "Capital" and "Stern," were expanded.

Despite coronavirus-related declines in the print advertising market and the closure of individual distribution channels (e.g., train stations, airports), G+J Germany's earnings in its core business were only moderately lower year on year, thanks to active countermeasures. On the other hand, the magazine distribution business saw a positive development in both supermarket sales and subscriptions. Brands such as "Stern," "Landlust" and "Schöner Wohnen" posted growing earnings. Territory, one of the leading content communication providers in Europe, also recorded mainly pandemic-related declines in sales and earnings.

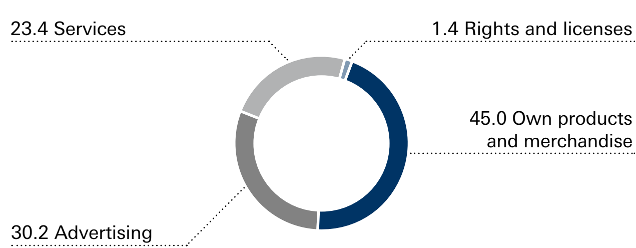
G+J France posted a strong increase in earnings despite the negative impact of the coronavirus crisis on its advertising and circulation business and the insolvency of a press wholesaler. In December, G+J and Vivendi entered into exclusive sales talks for the French magazine business Prisma Media, and both companies have signed a put option. DDV Mediengruppe's revenues and earnings were down year on year due to the coronavirus pandemic.

G+J continued to play a large and active role in the collaboration of all Bertelsmann's content businesses in the Bertelsmann Content Alliance. 2020 saw the development and marketing of numerous new cross-divisional formats. For example, several Bertelsmann Content Alliance media covered the publication of Barack Obama's memoirs. And UFA Show & Factual, G+J, Penguin Random House Verlagsgruppe and Audio Alliance accompanied the biggest Arctic expedition ever exclusively for the German-speaking public, achieving excellent reach with their media offerings.

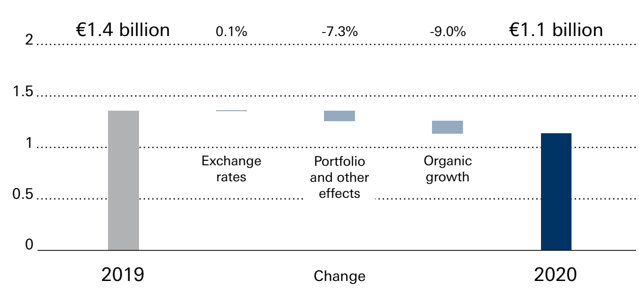
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



BMG

Bertelsmann's music division, BMG, kept both its revenues and its operating profit stable in the challenging financial year 2020. Thanks to the company's focus on digital business and strong growth in music streaming, BMG was able to offset declines due to the effective shutdown of record stores worldwide. At €602 million (previous year: €600 million), revenues were on a par with the previous year, as was operating EBITDA at €137 million (previous year: €138 million). The EBITDA margin was 22.7 percent (previous year: 23.0 percent). Digital revenue sources increased their share of BMG's total revenues to 60 percent (previous year: 56 percent).

In the recordings business, BMG releases included successful new works by Conkarah, Curtis Waters, Kontra K, KSI, Kylie Minogue and Run The Jewels. Conkarah's hit single "Banana" scored more than one billion streams worldwide by the end of the year. Kylie Minogue's "Disco" was her third number-one album in the United Kingdom with BMG, and Kontra K's "Vollmond" was his fourth consecutive number-one album with BMG in Germany.

Highlights also included the reissue of "Ace of Spades" to mark the 40th anniversary of the legendary Motörhead album, and the release of the first in a new box set series "The Iconic Song," beginning with Scorpions' "Wind of Change." New recording contracts were signed with, among many others, production duo Jimmy Jam & Terry Lewis, Pat Metheny, Julia Stone, Aloe Blacc, Sepultura and Erika Ender.

BMG's publishing business saw strong performances from the likes of singer-songwriter Lewis Capaldi, AC/DC with their international number-one album "Power Up," and The Rolling Stones, who presented their first new single in eight years with "Living in a Ghost Town." In April, Xiao Zhan's hit "Made to Love," written by BMG songwriters, became the fastest-selling digital track in Chinese music history, generating 25.5 million downloads within 24 hours.

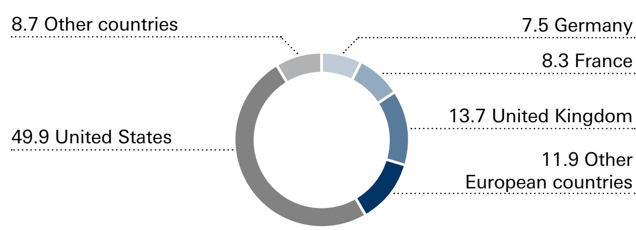
Diane Warren and Neil Finn, among others, have signed new publishing agreements with BMG. Mick Jagger and Keith Richards renewed and extended their existing contracts.

BMG made a strategic move into live entertainment by acquiring a majority stake in Undercover, an independent German concert promoter. The company also launched a boutique neighboring rights service. BMG acquired Cheyenne Records, which includes songs by the successful German girl band No Angels and other well-known artists. It also acquired all of Fleetwood Mac co-founder Mick Fleetwood's royalties in the band's recording catalogs, including iconic hits such as "Dreams."

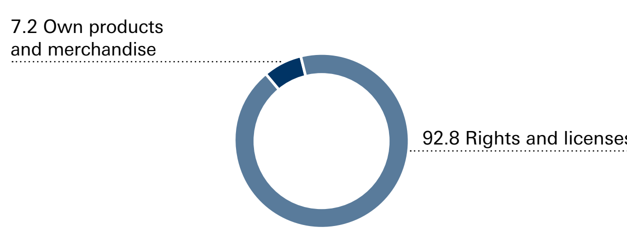
Other defining events of the financial year include the agreement of global partnerships with the British ITV Studios, a strategic content partnership with NetEase Cloud Music in China, and a cooperation agreed by BMG Production Music with the AI-based music-to-video platform MatchTune. BMG also became the exclusive partner for all musical projects of the French Ligue 1 soccer team Olympique de Marseille.

BMG further developed its fairness initiatives toward artists and songwriters. Amid the international discourse on racism, BMG launched an industry-first investigation into whether it had acquired music catalogs whose contract terms discriminate against Black artists. Initial findings and an action plan were presented at the end of the year.

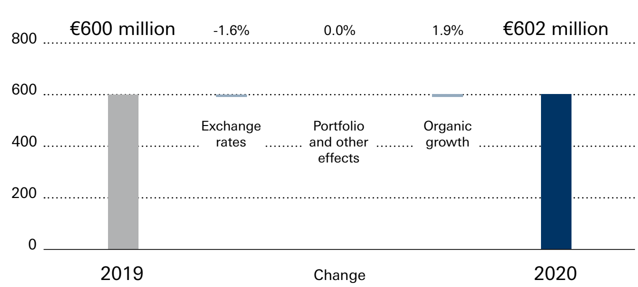
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Arvato

Despite the economic impact of the global coronavirus pandemic, the group's services activities, pooled in the Arvato division, once again delivered an encouraging business performance in 2020. Besides the CRM company Majorel, the main drivers were all of Arvato's Solution Groups. Overall, the internationally operating services group increased both its revenues and operating profit. Revenues grew by 5.0 percent to €4.4 billion (previous year: €4.2 billion), while operating EBITDA increased by 20.5 percent to €662 million (previous year: €549 million). Arvato's EBITDA margin was 15.1 percent, compared with 13.2 percent in the previous year.

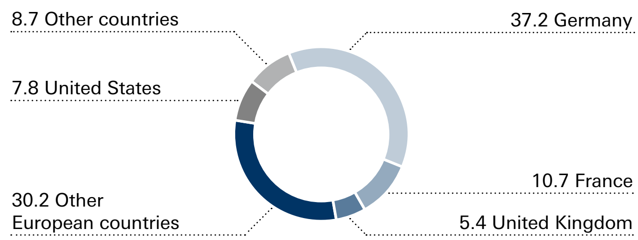
Arvato Supply Chain Solutions' logistics services businesses continued to develop positively in the period under review, especially in the areas of e-commerce and healthcare. The Solution Group was able to increase revenues organically and win new customers, with annual revenues exceeding €100 million in key sectors. It enhanced its national and international footprint by opening new sites and expanding existing ones in Germany, the Netherlands, Poland, Turkey, the United States, China and Russia. At the same time, Arvato Supply Chain Solutions systematically and successfully advanced the automation of logistics processes as well as the individual companies' cloud strategy and digital transformation.

Arvato Financial Solutions' revenues and earnings also developed positively in the period under review. This was primarily supported by good business performance in the risk management and pay-after-delivery areas. The sale of 60 percent of the risk management business to the information services provider Experian was successfully completed at the end of June. In October, Arvato Financial Solutions launched an innovative platform for consumer-oriented collection management in the German-speaking countries under the Paigo umbrella brand.

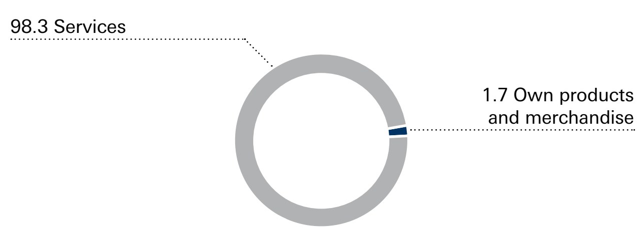
In the 2020 financial year, the IT service provider Arvato Systems was able to realize various new projects with existing customers as well as win new customers in the retail, energy and media sectors. The company also further developed its business with its own products and platforms, broadened its service portfolio in the future-oriented field of artificial intelligence (AI) and significantly expanded its important cloud business both by strengthening partnerships and by increasing its in-house cloud competencies, where it achieved very high growth rates. Arvato Systems won various business awards in the period under review, underscoring both the company's expertise and its market perception/reputation as a partner in the transformation to digital.

The CRM business unit Majorel, which is jointly operated by Bertelsmann and the Saham Group and is fully consolidated at Bertelsmann, increased its revenues and earnings in the 2020 financial year. Internationally, business with customers from the IT and high-tech sectors, among others, was expanded and an innovative communications project for a customer from the automotive industry in Germany was successfully implemented. Majorel also supported health authorities and public-sector institutions in Germany and Morocco in dealing with the coronavirus pandemic, established a new global consulting unit and acquired the French digital services provider Isilis.

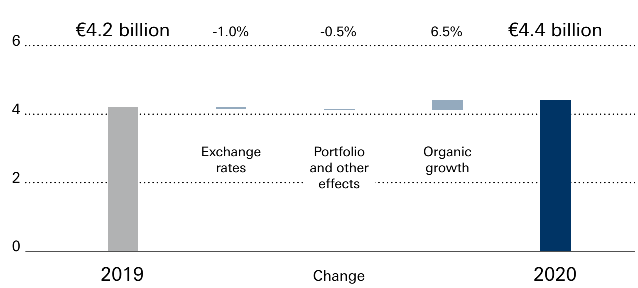
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Bertelsmann Printing Group

The internationally operating printing and marketing services provider Bertelsmann Printing Group (BPG) recorded a decline in revenues and operating profit in the 2020 financial year. The reason for this development was the continued challenging situation in the European print markets, which worsened again in the context of the coronavirus pandemic. The catalog and magazine segments, in particular, came under considerable pressure during the year; numerous orders were canceled on short notice, and others were reduced in size. Group revenues declined by 13.2 percent year on year to €1.4 billion (previous year: €1.6 billion). Operating EBITDA decreased by 19.8 percent to €55 million (previous year: €68 million). The EBITDA margin was 4.0 percent (previous year: 4.4 percent).

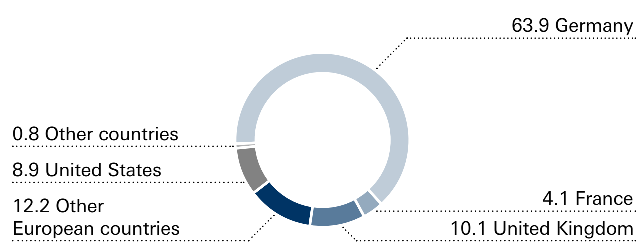
The group's printing businesses in Germany, Switzerland and Austria also registered declines due to the pandemic in 2020. Europe's leading offset printing company, Mohn Media, was only slightly down from the level of the prior-year period overall, as lower capacity utilization, particularly in the catalog and magazine segments, was largely offset by the further expansion of the brochure business and cost-cutting measures. Prinovis Germany once again experienced a significant decline in the period under review, mainly due to the planned capacity reduction at the Nuremberg site, which is to be closed, but also due to the difficult situation in the magazine segment. In contrast, GGP Media, which focuses on print solutions for book publishers, was able to extend important production contracts with major customers over the long term, gain market share and grow profitably in the financial year, bucking the market trend.

The direct marketing businesses in the German-speaking area recorded a slight decline in revenues. Dialog's multichannel marketing businesses and Campaign's campaign management services came under pressure due to the fact that advertising companies cut their marketing budgets, especially in the first few months of the pandemic. Meanwhile, the DeutschlandCard multipartner rewards program was able to profitably expand its business and grow for the fifth year running. In addition, the contracts with its three largest partners were extended long term.

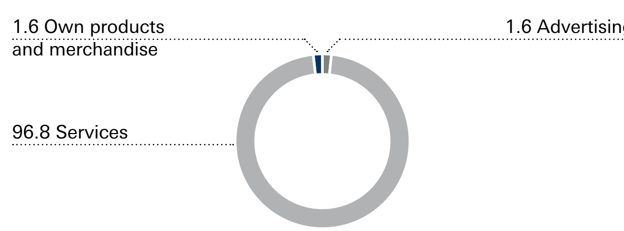
The group's printing activities in the United Kingdom were also hard hit by the economic consequences of the pandemic. Revenues and earnings declined sharply as a result of volume reductions, particularly in periodic supplements. Comprehensive countermeasures to adjust capacity made it possible to absorb part of these losses. The printing businesses in the United States stabilized after a weak first half, but overall fell short of the previous year's figures in revenues and operating profit. At the beginning of November, BPG USA acquired two book production sites from a competitor, thereby securing the long-term production needs of its major publishing customers in the United States. At almost the same time, long-term contracts were concluded with two other major publishing houses.

Revenues at the storage media manufacturer Sonopress decreased against the backdrop of a market that continued in significant decline, but yet performed better than expected. The Topac packaging printing company, which is part of the Sonopress Group, further expanded its business with sustainable packaging solutions for the food industry.

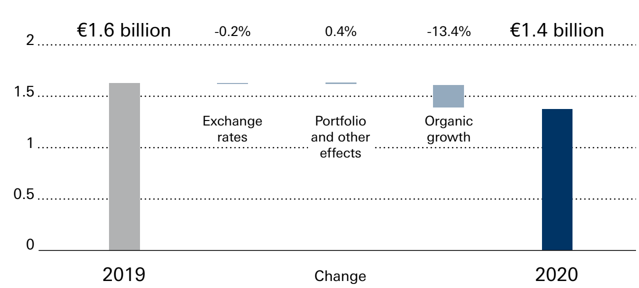
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Bertelsmann Education Group

The Group's education businesses, which are pooled in the Bertelsmann Education Group, recorded an increase in revenues in the 2020 financial year, excluding businesses sold during the period under review. Operating income also increased. The coronavirus pandemic accelerated the shift from classroom-based to online learning, which benefited the e-learning provider Relias, the online learning platform Udacity and Alliant International University. The Bertelsmann Education Group stepped up its investments in new products and technologies in 2020, laying the foundations for long-term growth.

The division generated total revenues of €301 million, down 9.8 percent from the previous year (€333 million). In 2019, a part of the continuing education provider OnCourse, acquired earlier, was sold, followed in 2020 by the majority of the operating business of the US university service provider HotChalk. The Bertelsmann Education Group's operating EBITDA came to €89 million, putting it 5.6 percent above the previous year's result of €84 million. The EBITDA margin increased to 29.5 percent (previous year: 25.2 percent).

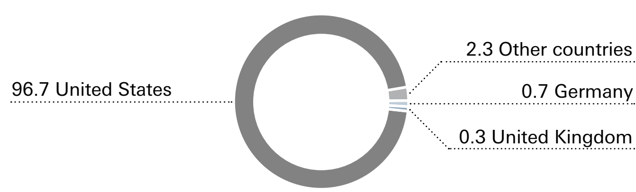
The online courses offered by Relias were in particularly high demand in 2020 and led to organic growth. Relias offered healthcare professionals across the globe COVID-19 prevention courses free of charge, as its contribution to combating the coronavirus pandemic. Relias also invested in cloud-based applications and a virtual classroom that makes it easier for the company's more than 11,000 institutional clients to conduct healthcare training online and in hybrid learning formats.

Udacity, the online learning platform in which Bertelsmann has a significant stake, launched new courses, such as Nanodegree programs in Artificial Intelligence in Healthcare, and training to become an AWS Cloud Architect or a Data Architect. At the same time, the platform saw strong demand from corporate customers seeking to offer their workforces online training to prepare for the changes resulting from digitization. In response to the coronavirus pandemic, Udacity launched an extensive scholarship program and in March offered free courses to gain digital skills and to open up new opportunities for job seekers.

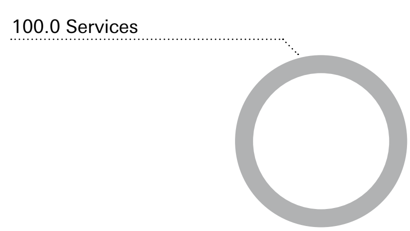
Alliant International University, which specializes in psychology and education, kept revenues stable and expanded its share of online enrollments further. Alliant's online segment now accounts for more than a third of total revenues.

As part of its three-year #50000Chances program to remedy the shortage of IT specialists, Bertelsmann again offered 15,000 scholarships for Udacity courses in the areas of cloud, data and AI during the year under review. In response, more than 60,000 applications were received from 188 countries.

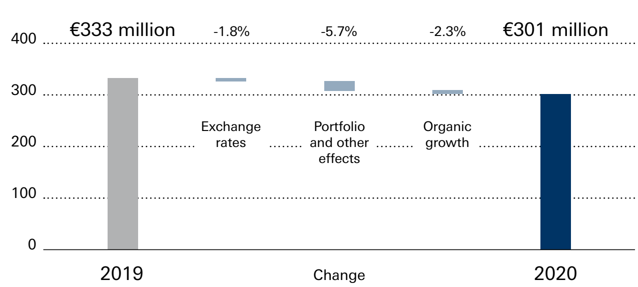
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



Bertelsmann Investments

In 2020, Bertelsmann Investments (BI) expanded its network of start-ups and funds to around 260 active investments, with a total of 44 new and 24 follow-on investments, and realized several exits. Due to currency effects and pandemic-related devaluations in the portfolio held, EBIT was €1 million (previous year: €107 million).

Bertelsmann Asia Investments (BAI) remained the most active fund in the financial year 2020, making 24 new investments, including in JoJo, an online provider of AI-assisted courses for children. This investment has strengthened BAI's footprint in the fast-growing online education sector. BAI also invested in PingCap, a next-generation open-source and cloud-native database.

In addition, the fund expanded its focus to the drug development market with investments in two AI-empowered pharma tech companies: Galixir applies AI to increase the success rate of drug development, and NeoX is an AI-supported biopharma company focused on finding new macromolecular therapeutics to treat cancer and other difficult-to-treat diseases.

BAI made follow-on investments in 11 companies, including Tomato Mart, an online and offline fresh food retailer, and Keep, an online fitness and community app founded in 2014. BAI's 2020 disposals included its entire stake in iClick, an online digital marketing tool, and a partial exit from Chinese electronics manufacturer Xiaomi, which became the world's third-largest smartphone producer in Q3 2020.

Bertelsmann India Investments (BII) focused on strengthening its portfolio with follow-on investments in eight portfolio companies, among them Shiprocket, which helps small businesses manage and track their end-to-end logistics processes; the B2B logistics solutions provider LetsTransport; and Licious, a D2C food platform for non-vegetarian products. After a successful partial exit from Eruditus, BII continues to hold a stake in the successful executive education company.

Bertelsmann Brazil Investments (BBI) recorded further M&A activity at the indirect holding Afya, the largest university group in Brazil focused on medical education. Afya now owns the SaaS company iClinic and MedPhone, an app that supports medical professionals in making faster and more accurate decisions.

Bertelsmann Digital Media Investments (BDMI) made 14 new investments, including in the customer-journey software Zephr and subscription-based video platform Hellosaurus, as well as several follow-on investments. One of the highlights was the IPO of the online advertising software PubMatic. BDMI recorded additional successful exits with the sale of the portfolio company Skimlinks to Connexity, and the sale of its stakes in SensorTower and Radish.

Bertelsmann Investments also invested in six funds, including the fund of the Berlin-based venture capital firm Greenfield One and the fund Vertex Ventures IV, which operates in Southeast Asia and India.

General Statement by Company Management on the Economic Situation

In the financial year 2020, characterized by the effects of the coronavirus pandemic, Bertelsmann benefited from the quality of its business portfolio and large share of revenues from digital business models. While the effects of the coronavirus pandemic were felt strongly in the advertising-financed and print businesses, robust performance was recorded by the book publishing business, music business, services businesses and some of the education businesses. Moreover, Bertelsmann achieved important milestones for its strategic development and continued to strengthen its businesses.

The global outbreak of the coronavirus pandemic put a considerable strain on overall economic development in the economies relevant to Bertelsmann. The assumptions on which the original forecast for 2020 was based were therefore no longer applicable for the most part. The outlook from the Annual Report 2019 was retracted in the announcement for the first quarter of 2020 and a new assessment of the trend was announced in the Interim Report 2020. Group revenues in the reporting period declined moderately by 4.1 percent to €17.3 billion from €18.0 billion the previous year, thereby corresponding to the adjusted estimates (outlook in the 2019 Annual Report: moderate increase in revenues; adjusted outlook in the Interim Report 2020: moderately to significantly declining revenues). The organic revenue decline was 1.7 percent. Operating EBITDA increased strongly by 8.9 percent to €3,143 million compared with €2,887 million in the previous year and was thereby better than the adjusted estimate at mid-year 2020 (outlook in the 2019 Annual Report: stable to slightly lower operating EBITDA/adjusted outlook in the Interim Report 2020: strong decline in operating EBITDA). At €355 million, the BVA used for Group management was also well above the previous year's figure of €89 million (outlook in the 2019 Annual Report: strongly declining BVA/adjusted outlook in the Interim Report 2020: strongly declining BVA). The major reasons for these positive deviations from the forecast are the increases in earnings at Penguin Random House and Arvato and the disposal proceeds from real estate transactions.

In the reporting period, Bertelsmann took effective measures against the pandemic all over the world, early on and at every level, in order to provide employees with the best protection possible. The Group developed good hygiene practices, canceled business trips and had employees work from home as far as possible. All challenges notwithstanding, the financial year 2020 was a time of strategic progress. Acquiring full ownership of Penguin Random House marked a key milestone. The world's largest trade book publisher is now a wholly owned group subsidiary of Bertelsmann. Another step toward strengthening the global content business was the announcement at year-end that Bertelsmann planned to acquire the US publisher Simon & Schuster. The RTL streaming services TV Now in Germany and Videoland in the Netherlands recorded a substantial increase in paying subscribers. The information service provider Experian acquired a majority stake in Arvato Financial Solutions' risk-management business in order to strengthen its joint market position. The Group strategy was further developed during the financial year 2020 and the focus was placed on five strategic growth priorities. Under the motto "Bertelsmann_next," the future focus will be on creating national cross-media champions, expanding global content and service businesses, and expanding online education businesses and investments.

Net assets and financial position remain extremely solid, thanks to proactive pandemic countermeasures. Bertelsmann's liquidity was secured early on, thanks in part to good access to the capital market. To reduce the outflow of funds, cost savings measures were initiated and investments reduced without impairing the substance of the businesses. At the same time, the Annual General Meeting of Bertelsmann resolved to suspend dividend payments in the financial year 2020. The leverage factor of Bertelsmann was 1.9, considerably lower than the previous year's level (December 31, 2019: 2.6). As of December 31, 2020, the cash and cash equivalents, reported at €4.6 billion (December 31, 2019: €1.6 billion), represent sufficient liquidity. 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

in percent	2020	2019
Organic revenue growth	(1.7)	1.2
Exchange rate effect	(1.0)	1.1
Portfolio effects and other effects	(1.4)	(0.3)
Reported revenue growth	(4.1)	2.0

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.

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.

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 (previous year: 33 percent). 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

Operating EBITDA

in € millions	2020	2019
EBIT (earnings before interest and taxes)	2,276	1,825
Special items	(51)	154
attributable to: RTL Group	51	(4)
attributable to: Penguin Random House	19	13
attributable to: Gruner + Jahr	109	65
attributable to: BMG	6	12
attributable to: Arvato	(239)	19
attributable to: Bertelsmann Printing Group	86	96
attributable to: Bertelsmann Education Group	17	58
attributable to: Bertelsmann Investments	(12)	(109)
attributable to: Corporate/Consolidation	14	4
Amortization/depreciation, impairment and reversals of impairment losses on intangible assets, property, plant and equipment and right-of-use assets	1,040	1,029
Adjustments on amortization/depreciation, impairment and reversals of impairment losses on intangible assets, property, plant and equipment and right-of-use assets included in special items	(122)	(121)
Operating EBITDA	3,143	2,887

BVA

in € millions	2020	2019
Operating EBITDA	3,143	2,887
Amortization/depreciation, impairments/reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets not included in special items	(918)	(908)
Operating EBIT	2,225	1,979
Flat taxes (30 percent)	(667)	(653)
NOPAT (Net Operating Profit After Tax)	1,558	1,326
Average invested capital	16,131	16,434
Cost of capital (8 percent)	1,290	1,315
Correction Bertelsmann Investments	87	78
BVA	355	89

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 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 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.

Cash Conversion Rate

in € millions	2020	2019
Cash flow from operating activities	2,994	2,060
Income taxes paid	214	424
Change in provisions for pensions and similar obligations	92	95
Investments in intangible assets and property, plant and equipment (less proceeds from the sale of non-current assets)	(564)	(582)
Lease payments	(316)	(288)
Further adjustments	151	174
Operating free cash flow	2,571	1,883
Operating EBITDA	3,143	2,887
Amortization/depreciation, impairments/reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets not included in special items	(918)	(908)
Operating EBIT	2,225	1,979
Cash Conversion Rate (in percent) Operating free cash flow/operating EBIT	118	97

Economic Debt

in € millions	2020	2019
Gross financial debt	6,626	5,000
Less cash and cash equivalents	(4,571)	(1,636)
Net financial debt	2,055	3,364
Less 50 percent of the par value of the hybrid bonds	(625)	(625)
Pension provisions	2,009	1,967
Profit participation capital	413	413
Lease liabilities	1,355	1,392
Economic debt	5,207	6,511

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 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 February 2021, RTL Group sold the US ad-tech company SpotX by concluding a binding agreement with Magnite. The purchase price comprises a cash component in the amount of US$560 million (€468 million) and 14 million Magnite shares. The agreement accordingly implies a valuation of SpotX (100 percent) amounting to a total of US$1.17 billion (€977 million), based on the closing price of Magnite shares on February 4, 2021. SpotX was already recognized as "assets held for sale" in the Consolidated Financial Statements as of December 31, 2020. The transaction is subject to regulatory approval. It is expected that the sale will close in the second quarter of 2021.

Leverage Factor

in € millions	2020	2019
Economic debt	5,207	6,511
Modifications	250	250
Economic debt[LF]	5,457	6,761
Operating EBITDA	3,143	2,909
Modifications	(314)	(291)
Operating EBITDA[LF]	2,829	2,618
Leverage Factor: Economic debt[LF]/Operating EBITDA[LF]	1.9	2.6

Bertelsmann also announced in February 2021 that Mediengruppe RTL Deutschland and Gruner + Jahr aim to explore the possibilities of closer cooperation in the future. Both companies have planned workshops for objectively evaluating various options. The goal, in addition to closer cooperation in various areas, is to develop a joint growth strategy.

Furthermore, 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 prior to maturity.

At the beginning of March 2021, Mediengruppe RTL Deutschland announced that it had signed an agreement for the acquisition of the remaining 50 percent of the shares in Super RTL from The Walt Disney Company (BVI Television Investments, Inc.).

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 management 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 auditors inspect the risk early-warning system for its capacity to identify developments early on that could threaten the existence of Bertelsmann SE & Co. KGaA according to section 91(2) of Germany's Stock Corporation Act (AktG), and then report their 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 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 operation. 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 by RTL Group (for the preconsolidated subgroup), 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 and RTL Group (for the preconsolidated subgroup). 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. Details on information security risks can be found in a separate chapter further below. In line with the level of possible financial loss, the risks are classified as low, moderate, significant, considerable or endangering, for the purposes of risk tolerability. The risk inventory carried out did not identify any risks that would be classified as considerable or endangering.

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

Strategic and Operational Risks

The global economy was severely impacted at the beginning of 2020 by the coronavirus pandemic and the heightened measures put in place to prevent infections. After a historic decline in the spring, the global economy recovered significantly in the summer, yet started to lose dynamic toward the end of the year. Overall, global economic activity shrank by 3.8 percent in 2020 compared to a growth of 3.0 percent in 2019. The future trend is subject to a particularly high degree of uncertainty. However, it is expected that the coronavirus pandemic will not permanently impact the global economy. In view of this, it its projected that global business activities will significantly recover next year. Bertelsmann's business development is also subject to other macroeconomic risks. Even though the European Union and the United Kingdom were able to finalize a trade and cooperation agreement just before the deadline, it is too early to assess the long-term consequences of this Brexit agreement. Bertelsmann continues to observe and analyze the exit process and will take various measures, depending on the business involved, to mitigate risk. In 2020, the outbreak of the coronavirus pandemic led to an overall economic downturn that had an impact on Bertelsmann's businesses, especially the advertising-financed businesses of RTL Group and Gruner + Jahr. In addition, the structural decline in the printing businesses has been accelerated even further. Even though it is expected that GDP will recover in the countries most relevant for Bertelsmann, strong uncertainty still remains regarding the future course of the pandemic and the related macroeconomic recovery. The coronavirus pandemic as well as any other pandemic or epidemic can have a negative impact on Bertelsmann's earnings

Overview of Major Risks to the Group

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

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

performance and financial position as well as on cash flow. In addition to risks associated with economic developments and changes in the market environment, significant Group risks in the short to medium term include legal and regulatory risks, customer and supplier risks, pricing and margin risks, and a loss of audience and market share. How these risks develop depends to a large extent on changes in customer behavior due to factors such as the continued digitization of media, the development and implementation of products and services by competitors, bad debt losses, and default and interference along the production chains in individual sectors such as IT. These trends have accelerated in connection with the coronavirus pandemic. Financial market risks are moderate for Bertelsmann, while risks related to employees and future technological challenges are classified as low in the three-year period under review.

A substantial risk for RTL Group is the dependency of the advertising market 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 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 due to lowering of market-entry barriers. The possible risks of this for RTL Group are decreasing audience and advertising market shares of its advertising-financed channels and therefore, ultimately, lower revenues. To counter these risks, RTL Group is continuously revising and developing the channel and program strategies. By linking traditional, linear offerings with new digital business models and by strengthening existing investments in the online video market and in advertising technologies, RTL Group counters risks from digitization while actively influencing this development. 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 in the audiobook segment constitutes a risk 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 introducing differentiated pricing, 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. Procurement risks due to capacity shortfalls at printing companies carrying out orders are countered by continually prioritizing and securing additional printing capacities. In addition to the risk of cost increases, Penguin Random House is finding itself exposed to risks from economic uncertainty, which 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.

For Gruner + Jahr, the possibility of a deterioration of the overall economic environment in the context of the coronavirus pandemic and the resulting declines in advertising and circulation revenues, as well as the continuously changing conditions in the digital business, represent significant risks. A changing market environment, marked by product innovations and increased consolidation of agencies and marketers, is confronted with a widespread decrease in demand for print products, which as a result of pressure on prices and conditions can lead to lower margins. Furthermore, there is the risk of losing key customers as advertising customers could switch to other media, notably digital media, for example. Due to these developments, subsequent risks such as bad debt losses or service limitations are possible, because service providers in the areas of distribution or manufacturing could restrict or discontinue their products. The risks are being countered by cost and customer management; the development of new – in particular, digital – forms of offerings; product, price and quality improvements; and scenario analyses.

Risks that affect BMG concern the client portfolio, in particular the contract extension with artists and authors as well as contractual relationships with business partners concerning the physical and digital distribution of film, TV, advertising and live concerts. There are also risks in connection with corporate growth, especially for business integration and scaling of the technical platform and organization. Market risks are addressed through high revenue diversification across clients and catalogs, segments and revenue sources as well as regions. Furthermore, measures for minimizing risk include contractual protection clauses to secure advance payments made and receivables management to realize 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 the possible need for further capacity adjustments, made necessary by a deterioration in business development and existing or growing overcapacities in the print market. The loss of customers is also perceived as 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. There are risks on the supplier side associated with rising raw material prices – particularly for paper, color and energy. Digital substitution accelerated once again in 2020 due to the coronavirus pandemic, constituting 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.

For Bertelsmann Education Group, increasing competition from other training providers, particularly in the US healthcare market, could lead to growing price and margin pressure and negatively impact the planned growth targets. These risks are being countered in particular through strategic partnerships, long-term customer agreements and marketing measures.

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. To counteract this, employees are being offered further individual education, comprehensive health programs, a competitive salary and flexible working models. Bertelsmann is also enhancing its talent management by pushing forward on digitizing the recruiting process 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 and 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.

Information Security Risks

For Bertelsmann, the ability to provide information in a timely, complete, error-free and confidential way, and to process it without disruptions, is crucial to its success and is becoming increasingly important. Bertelsmann has addressed this tougher operating environment at the management level by operating an Information Security Management System (ISMS, based on ISO 27001) for structured management of cyber risks across the Group and to monitor compliance with minimum Group standards. In order to have access to both modern cyber security technologies and specialist expertise in emergencies, Bertelsmann maintains a network of external partners and is a member of the German Cyber Security Organization (Deutsche Cyber-Sicherheitsorganisation: DCSO). Furthermore, Bertelsmann addresses the increased risk with specific measures that directly strengthen resilience in cyber security – for example, by supporting the activities of Security Operations Centers and authentication technologies. An indicative assessment of risks to information security was conducted in the financial year 2020 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.

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 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. IP Deutschland 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 a host of the morning show had influenced Fun Radio’s results by encouraging his listeners to give favorable treatment to Fun Radio in the Médiamétrie surveys. 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. The judicial expert issued in September 2019 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, the main competitors of Fun Radio also filed, in December 2016, a claim for damages, claiming unfair competition, but this procedure was suspended until the end of the judicial expertise and will restart in the course of 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 which 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 ViacomCBS. The transaction is subject to the approval of various antitrust authorities. The transaction is expected to close during the course of 2021. In the event that the acquisition is completely prohibited, Penguin Random House has contractually agreed to payment of a breakup fee.

Foreign direct investments in the People's Republic of China are subject to regulatory restrictions. To satisfy local requirements, some of Bertelsmann's activities in China are held by trustees. Bertelsmann has agreements with these trustees for securing Bertelsmann's rights. These types of arrangements (called Variable Interest Entities (VIE) Structures) are standard market practice for investments in China. However, these structures are rarely the subject of legal disputes in China, which means that 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). On January 1, 2020, a law regarding foreign investment (PRC Foreign Investment Law: FIL) entered into force. This FIL replaces existing laws on the regulation of foreign investment in China. This affects companies that are wholly owned by foreign companies, Chinese-foreign contractual joint ventures and Chinese-foreign equity joint ventures. However, VIE structures are not addressed in the FIL. Accordingly, it is expected that this structure will retain its status quo, meaning it will continue to be unregulated. Furthermore, the FIL requires fair access to the market and equal treatment of foreign investment companies, and stipulates that these companies' corporate governance is subject to Chinese company law, with a transition period of five years. There are currently no indications that VIE structures will be subject to stricter regulation in the future. S&P Global Ratings has accordingly adjusted its risk assessment for VIE structures in China, and expects the probability of regulatory action against VIE structures to have diminished. Furthermore, VIE structures may now be listed on the Shanghai stock exchange. Bertelsmann lawyers and external legal counsel are working closely with the Group legal department to follow developments related to the FIL to be able to anticipate legal and economic issues early on. This affects companies within BMG, Arvato and Bertelsmann Education Group, as well as investments by Bertelsmann Asia Investments (BAI).

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

Financial Market Risks

As an international corporation, Bertelsmann is exposed to various forms of financial market risk, especially interest rate and currency risks. These risks are 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. Bertelsmann uses currency derivatives mainly to hedge existing foreign currency risks from future obligations. 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 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. Compared with the situation at the end of 2019, the financial market risks have grown to a moderate level. The setup of a strategic and anticipatory liquidity reserve in the wake of the coronavirus pandemic creates an increased risk related to investing the liquidity.

General Statement on the Risk Situation

The risks identified in the financial year 2020 are not endangering. Neither are there any substantial discernible risks that could threaten the existence of the Group.

The overall risk situation is above the previous year's level. The pandemic has created significant challenges, in particular the risks in connection with economic development and a changing market environment. In particular, legal and regulatory risks, customer and supplier risks, pricing and margin risks and possible loss of audience and market share at RTL Group still constitute the 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 TV advertising markets, as well as higher audience and advertising market shares, are major opportunities. Furthermore, the increasing digitization 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, stepping up distribution of new technologies such as UHD/4K could contribute to greater revenue growth in the platform business.

Penguin Random House is the world's largest trade book publisher. Its position enables the publishing group to attract new authors and book projects to potentially grow its market share. The group is well positioned to invest in new markets and diverse content worldwide to take advantage of increasing interest in long-form reading, and to thereby offer its content 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.

For Gruner + Jahr, a better development of the advertising and sales markets represents significant opportunities. The transformation is providing further opportunities due to the development of new businesses related to the published brands. There are opportunities for growth, particularly in the development and expansion of digital activities and in cooperation with other publishers and marketers. In terms of marketing, G+J could gain new customers through new forms of advertising in the online, mobile, video and podcast channels.

BMG's focus is on organic growth through the signing of additional artists and songwriters. There may also be opportunities for selective acquisitions of music catalogs. The growing international market penetration of subscription-based music streaming services offers opportunities to expand the recorded-music and music-publishing markets.

At Arvato, interdivisional cooperation and major projects can provide additional opportunities for acquiring new customers. The global e-commerce market will continue its dynamic growth over the next few years. Arvato could participate significantly in this growth through new services, particularly those offered by the Supply Chain Solutions and Financial Solutions areas. Further growth opportunities from ongoing digitization lie in the development of innovative IP-based and cloud-based IT services.

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

The education business is being developed as Bertelsmann's third earnings pillar, alongside the media and service businesses. In particular, a further shift away from traditional classroom-based delivery methods toward online and skill-based training offers further growth opportunities for the education business. The growing online education market also offers organic growth opportunities for Bertelsmann Education Group businesses. For example, Relias has the potential to grow more rapidly than expected through additional learning content and platforms for hospitals.

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 2021. After a historic decline in the economy, the global economy should expand strongly again in the following year. The global economic recovery slowed down in the winter of 2020/2021 due to another wave of infection, but the long-term upward trend remains intact. As the rate of immunization increases and the measures for fighting the pandemic are lifted, economic activity will continue to pick up in the course of the year. In its outlook from December 2020, the Kiel Institute for the World Economy (IfW) estimates that global production will increase by 6.1 percent in 2021, compared to a decline of 3.8 percent in 2020.

The economic recovery in the eurozone is expected to progress consistently. The IfW estimates real economic growth of 4.9 percent in 2021. The IfW expects GDP for Germany to grow by 3.1 percent in real terms. The growth rate in France is expected to be 6.3 percent in real terms. For the United Kingdom, GDP is expected to rise by 6.5 percent in real terms in 2021. In the United States, a return to positive growth rates is also expected; the forecast for 2021 is real economic growth of 3.7 percent.

Anticipated Development in Relevant Markets

The worldwide media industry is primarily influenced by global economic developments and the resulting growth dynamic. The continued trend toward digitization of content and distribution channels, changes in media usage and the increasing influence of emerging economies will continue to present risks and opportunities in the years to come. 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 2021, the TV advertising markets are projected to show slight growth in Germany; significant growth in France, the Netherlands and Hungary; and strong growth in Belgium and Spain. The streaming markets in Germany and the Netherlands are expected to continue growing strongly. The book markets are expected to remain stable overall. In 2021, in the magazine business in Germany, a strong decline is expected in the print advertising markets, as well as a significant decline in the circulation markets, while continued strong growth is expected in the digital segment. In the relevant music market, the publishing market segment is expected to decline significantly, whereas strong growth is projected for the recordings market segment. Service markets will likely show moderate growth in 2021, with the exception of the financial services market. The gravure market in Europe is expected to continue its strong decline in 2021, a significant decline is expected for the offset market in Europe, and a slight decline is expected in the book printing market in North America. 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 only possible to assess the direction of the pandemic and its economic consequences in the short term, therefore making it hard to sufficiently predict the future. This limited 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 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 2021, Bertelsmann anticipates that business development will be driven by a recovery of the European TV advertising markets and by stable book markets, as well as by mostly 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 real and nominal economic development in this economic zone. The IfW therefore predicts that GDP in the eurozone will increase by 4.9 percent in real terms, while the International Monetary Fund expects growth of 4.2 percent for 2021. In view of these economic expectations and under the assumption that infection rates do not rise again, Bertelsmann expects revenues to show a moderate increase in the financial year 2021. Operating EBITDA in the financial year 2021 is expected show a stable performance excluding the disposal proceeds from real estate transactions achieved in 2020 and in consideration of continued expenses for the streaming segment as well as investments in tech & data. However, taking into account disposal proceeds from real estate transactions achieved in the financial year 2020, operating EBITDA as well as BVA are expected to decline strongly in the financial year 2021. These expectations are based on operational planning for the financial year 2021 and on the exchange rates as of November 2020.

The operating earnings of RTL Group will be strongly above the previous year's figure as the European TV advertising markets are expected to recover. 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." 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 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 increase in net income to €435 million (previous year: €397 million) is primarily attributable to the increase in other operating income and in income from participations. In contrast to this, the increase in taxes on income impacted the development in net income.

The change in other operating income is attributable to the proceeds from the disposal of a plot of land and a building as well as the increase in foreign currency gains. The increase of €33 million in other operating expenses is largely attributable to an increase in loss allowances on receivables by €46 million, expenses in connection with financing of a subsidiary in the amount of €28 million and restructuring expenses in the amount of €13 million. This was offset by the decline of €52 million in expenses from warranty contracts.

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. Mainly as a result of the effects of the coronavirus pandemic on the business activities of RTL Group GmbH, Cologne, and its subsidiaries, the amount of income coming from the profit and loss transfer agreement with this company dropped by €294 million. This decline was partially compensated for by the increase in income coming from the profit and loss transfer agreements of other subsidiaries attributable to positive effects from a corporate transaction and sales of buildings.

Other interest income and similar income as well as other income expenses and similar expenses included in the item “Interest income” increased by €31 million and €38 million, respectively. Due to an increase in financing extended to subsidiaries, other interest income and similar income rose. The increase in other income expenses and similar expenses is largely attributable to the issue of bonds and promissory notes.

Write-downs of long-term financial assets in the amount of €60 million mainly pertain to a write-down of shares in Gruner + Jahr GmbH, Hamburg.

The taxes on income increased to €-212 million in the 2020 financial year (previous year: €-60 million) as a result of increased taxable income of the tax group.

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

The total assets of Bertelsmann SE & Co. KGaA increased from €22,366 million in the previous year to €25,513 million. This development is largely attributable to financing measures and measures taken to secure liquidity. A high ratio of equity (40 percent) and long-term financial assets (69 percent) to total assets continues to characterize net assets and financial position.

The change in long-term financial assets is attributable to the opposing trends in investments in affiliated companies (increase of €1,014 million) and in securities held as fixed assets (increase of €209 million) on the one hand, and a decrease of €482 million in loans to affiliates on the other hand. Investments in affiliated companies increased due to the contributions to Bertelsmann, Inc., Wilmington in the amount of €835 million, and to Bertelsmann Capital Holding GmbH, Gütersloh, in the amount of €216 million. Loans to affiliated companies decreased as a result of repayment of loans. The increase in receivables and other assets is largely related to financing extended to affiliated companies. The increase in cash and cash equivalents is mainly attributable to the issue of bonds and debentures.

Equity increased by €435 million as a result of the net income of the reporting year. Liabilities increased to €14,488 million (previous year: €11,944 million), of which €1,700 million is attributable to bonds and debentures. Financing measures and measures taken to secure liquidity included the issue of four bonds and three debentures. The increase in liabilities to affiliated companies from €6,780 million to €7,601 million is attributable

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

in € millions	2020	2019
Revenues	109	113
Other operating income	398	189
Cost of materials	(29)	(31)
Personnel costs	(147)	(159)
Amortization, depreciation and write-downs	(20)	(23)
Other operating expenses	(258)	(225)
Income from other participations	731	663
Interest income	(70)	(67)
Write-downs of long-term financial assets	(65)	0
Taxes on income	(212)	(60)
Earnings after taxes	437	400
Other taxes	(2)	(3)
Net income	435	397
Income brought forward	663	461
Transfer to other retained earnings	(200)	(195)
Net retained profits	898	663

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

in € millions	12/31/2020	12/31/2019
Assets		
Fixed assets		
Intangible and tangible assets	365	369
Long-term financial assets	17,665	16,924
	18,030	17,293
Current assets		
Receivables and other assets	4,987	4,540
Securities, cash and cash equivalents	2,476	513
	7,463	5,053
Prepaid expenses and deferred charges	20	20
	25,513	22,366
Equity and liabilities		
Equity	10,283	9,848
Provisions	736	570
Liabilities	14,488	11,944
Deferred income	6	4
	25,513	22,366

to the increase in the amount of cash and cash equivalents that were deposited by subsidiaries with the company.

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”).

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 2020. 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 "Company Profile"). Taking responsibility – for employees, society, the business environment and the natural environment – is firmly anchored in Bertelsmann's corporate culture. 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; 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 and 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 its 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. A member of the United Nations Global Compact, Bertelsmann supports the Agenda 2030 of the UN.

Corporate Responsibility Management

Organization

The advisory body for the strategic development of corporate responsibility (CR) at Bertelsmann is the CR Council. The CR Council is made up of high-ranking managers from the corporate divisions and the Chief Human Resources Officer of Bertelsmann, who chairs the advisory body. The CR Council focuses on Group-wide CR topics in line with the corporate strategy, anchoring CR 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 the other Group functions. Within the Bertelsmann corporate structure, the local management teams are responsible for implementing corporate responsibility through specific measures and projects. The corporate divisions and companies have their own structures and processes in place for this, in accordance with local requirements.

Topics

To identify key CR topics, Bertelsmann carries out regular CR relevance analyses. For each analysis, the company conducts a survey of internal and external stakeholders; the external stakeholders estimate the impact of Bertelsmann's business activity on the CR topics, while the internal stakeholders assess their business relevance. This process serves to identify CR topics that are necessary for understanding the business development, the business performance, the position of the Group and the impact of its activity on the non-financial aspects, which include employee and social matters, respect for human rights, anti-corruption and bribery matters as well as environmental matters. These topics are analyzed within the company boundaries, unless otherwise stated. In 2020, the Bertelsmann Executive Board confirmed the validity of the current CR relevance matrix.

CR topics, including non-financial performance indicators, are increasingly important for Bertelsmann's businesses, but have not yet been incorporated into the value-oriented management system. Due to currently limited measurability, no directly quantifiable statements can be made regarding relevant interdependencies and value increases for the Group. For this reason, the non-financial performance indicators are not used for the management of the Group (see the section "Value-Oriented Management System").

Risks

A number of risks associated with CR topics are 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, anti-corruption and bribery matters, respect for human rights and environmental matters – no significant risks were identifiable as part of the 2020 reporting. For more information on the relevant risks, please see the section "Risks and Opportunities."

Employee Matters

Motivated employees are key to creativity, innovation and continued business success. This corporate identity – anchored in the corporate constitution and 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 primarily responsible for dealing with employee matters within the company. The main focus of his work throughout the Group includes setting the strategic HR agenda, aligning management development with the Group's strategic priorities, Bertelsmann University, standardizing and providing IT support for important HR processes, developing the corporate culture and implementing corporate responsibility in the Group.

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 have a functional reporting line to the CHRO, as well as head managers of the corporate HR department.

Participation

Continual dialogue between employees and company management at Bertelsmann is a key element of Bertelsmann's corporate culture. The goal of participation is to involve employees in the continued development of the company and to gain their perspective on fundamental decisions in regard to company policy.

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 and one is a member of the Bertelsmann Management Representative Committee, currently vacant. 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. In 2020, this led to intensive collaboration and cross-divisional communication beyond the scope of the committees required by law, for example to tackle challenges posed by the coronavirus pandemic and to initiate projects such as a Bertelsmann platform for cooperating on IT matters. The same applies to representatives for employees with disabilities in the Group for implementing the Inclusion Action Plan in the German Bertelsmann companies. Employees are also 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. In 2020, numerous pulse surveys were conducted in the divisions and among top executives in response to the coronavirus pandemic. In addition, the frequency of the international Employee Survey was shortened to two years.

Learning

Highly qualified employees are needed to address major changes such as the Group's increasingly international focus, the digital transformation of media and services, and demographic change. Bertelsmann University aims to assist employees with their performance by providing opportunities for lifelong learning, and thus contribute to their long-term employability. With four campuses – Strategy, Leadership, Function and Individual – Bertelsmann University is the central learning organization Group-wide.

In response to the global coronavirus pandemic, Bertelsmann University suspended all in-person classes as of March 2020 and moved online the international program in the areas of Strategy, Leadership and Transformation. In the process of developing digital courses focused on technology competency, new course curricula were introduced in the areas of data, the cloud and artificial intelligence. Furthermore, the three-year Udacity scholarship program was continued

Targeted Proportion of Women in Top and Senior Management

Target for 2021	in percent	2020	2019
One-third of positions across all divisions occupied by women	Top management [1),2)]	27	22
	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 2020 (90 percent), with gender indication 2019 (90 percent), limited comparability.
3) Basis: permanent and fixed-term employees as of December 31; with gender indication 2020 (93 percent), with gender indication 2019 (91 percent), limited comparability.

for a second year, providing 50,000 scholarships for which both employees and external candidates are eligible to apply. Additional initiatives with an emphasis on strengthening the company's learning culture and social learning included the "Kollegen-Campus" ("Campus of Colleagues"), a digital and international initiative for peer-to-peer learning. In Germany, the Bertelsmann training and studies courses were also adjusted to accommodate the changes caused by the coronavirus pandemic by using adapted learning environments and an increasing number of digital work methods.

Diversity

The diversity and differences in the workforce are prerequisites for creativity, innovation and Bertelsmann's long-term business success. This is conveyed in the Bertelsmann Essentials. Furthermore, the Bertelsmann Executive Board emphasizes in its Diversity Statement its aim of increasing diversity of staff at all levels and in every respect. The diversity strategy is implemented by the Corporate Responsibility department, with support from a Group-wide working group. The focus in 2020 was on the following dimensions: gender, disabilities as well as sexual orientation and identity. Some divisions set their own additional priorities to reflect the local situation. The Bertelsmann website provides an overview of the measures used for increasing diversity at Bertelsmann under the link www.bertelsmann.com/diversity.

On December 31, 2020, the genders were almost evenly distributed across the entire staff, with 54 percent women (previous year: 53 percent) and 46 percent men (previous year: 47 percent). The Group Management Committee (GMC), which advises the Bertelsmann Executive Board on important corporate strategy and development matters, as well as other issues that affect the Group as a whole, comprised 18 members (previous year: 16), of which six were female (previous year: six) as of December 31, 2020. To enhance diversity at the management levels, Bertelsmann aims to achieve the goal of one-third of positions in top and senior management across all divisions being occupied by women by the end of 2021. To fulfil this goal, 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 targets were already met in 2019/2020. The proportion of women in top management was increased. The Bertelsmann Supervisory Board is notified annually of the progress in regard to these targets.

The Bertelsmann Inclusion Action Plan 2019-2024 aims to form processes and structures in the German companies to maximize accessibility for employees with disabilities so they may contribute their full potential to the company's success. The first evaluation of the measures implemented was carried out after one year as planned and is available at the Bertelsmann website under www.bertelsmann.com/disability-and-inclusion. The be.queer LGBTIQ employee network, launched in 2017, continued its activities in 2020 and actively assisted in linking the LGBTIQ networks in the divisions. Furthermore, various measures were implemented in the divisions again in 2020, especially as a response to the Black Lives Matter movement.

Health

With a view to designing a health-promoting work environment and preventing work-related risks of disease, Bertelsmann is continually expanding the company health management system at German locations. Bertelsmann Health Management develops and takes responsibility for the Bertelsmann health strategy in cooperation with a cross-functional strategy group. The head of HR Coordination and Shared Services chairs this group and directs implementation of the health strategy. This individual is assisted by the cross-divisional "Health Community," which is comprised of employees in areas of health and human resources, works council members and representatives for employees with disabilities and works on topics such as "Minimum Health Standards." Health representatives in the German companies assist in locally implementing Health Management in business operations. The internal Health Management Consulting provides advising services and support.

Due to the coronavirus pandemic, the focus of management in 2020 was on immediately protecting the health of all employees all over the globe. This included setting up centralized and local crisis teams to develop and implement prevention and protection measures in accordance with statutory regulations. The most important measure was helping employees Group-wide to work from home wherever this was compatible with operational considerations. Additional initiatives included organizing and supplying masks and disinfectants, creating in-house (PCR) testing facilities and preparing and implementing plans for employees' return to the workplace, including the necessary organizational adjustments. All of these measures were accompanied by numerous support programs for maintaining mental and physical health as well as extensive communication activities.

Furthermore, in 2020 the German companies were informed of the findings of the third status report on "Minimum Health Standards" carried out in Germany as well as the health recommendations based on the international employee survey (2019). Most of the companies are actively implementing the minimum standards, thereby already establishing the basic foundations for Health Management. In addition, the companies were provided with a toolbox for assessing the risk of psychological stress to assist them in complying with statutory requirements.

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. This also includes ensuring fair working conditions as well as safety and health at the workplace, which are integral elements of the corporate culture. It is Bertelsmann's goal to implement this. 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 allow their employees to speak up freely and without fear of retaliation.

At Bertelsmann, remuneration issues are an essential part of fair working conditions. The design of the compensation system is intended to ensure that remuneration is driven by market, function and performance considerations, taking into account business-specific characteristics. Profit sharing at Bertelsmann and many of its subsidiaries in Germany is based on the same criteria as those used to calculate variable remuneration components for Executive Board members and executives. A number of additional subsidiaries in Germany and abroad have similar success and employee-profit-sharing models adapted to local requirements. In 2020, a total of €100 million of the 2019 profit was distributed as part of such schemes. Other aspects of the topic "Fair Working Conditions," such as human rights, health, continuing education and anti-discrimination are discussed elsewhere in this non-financial statement. The international Employee Survey, last conducted in 2019, also asks respondents for their sentiment on issues related to fair working conditions.

Social Matters

Creative Independence

Creativity is one of the two company values at Bertelsmann. Free and critical thinking as well as exchange of varying opinions form the basis of the company's canon of values. Bertelsmann stands for editorial and journalistic independence in its content businesses, as well as for freedom of the press and artistic license. Bertelsmann publishes a wide variety of opinions and positions. These basic principles for business activities are also set forth in the Bertelsmann Code of Conduct. Bertelsmann aims to ensure this 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 artistic or editorial 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. 2020 saw a continuation of a variety of organizational measures to safeguard editorial and artistic independence at the editorial and creative departments. Here the focus is primarily on complying with the "Editor-in-Chief Principle," duties of care, 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 the content it produces and distributes, 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; 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, qualitative reporting and transparency in case of errors. Thorough journalistic skills are more important than ever in the face of online disinformation. 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. Cross-division verification teams continued in 2020 to provide their expertise in discerning between authentic and manipulated photos and videos, or those taken out of context.

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 indications of such, 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.

Customer Data Protection

Bertelsmann attaches great importance to protecting customer data. This includes safeguarding the personal data of company customers, as well as personal data provided to Bertelsmann by its business partners regarding their customers. The goal of customer data protection is to protect an individual's right to determine who has what knowledge about the individual, and when. This also means that personal information, or information that could identify a person, must be handled in accordance with the legal requirements and adequately protected against unauthorized access and that the data subjects must be able to claim their statutory rights. There are various possibilities for data subjects to contact Bertelsmann, including e-mail addresses set up for this purpose. In addition to the Bertelsmann Code of Conduct, customer data protection within the company is regulated by Executive Board guidelines on the topics of information security and IT risk management.

The Executive Board Guideline on Data Protection reflects the basic legal data protection framework at Bertelsmann Group based on the European Union's General Data Protection Regulation (GDPR), and is designed to ensure consistent data protection management across the Bertelsmann Group. A Group-wide data protection management system addresses in particular the implementation of the documentation and accountability obligations under GDPR.

Responsibility for customer data protection rests with the management of the individual subsidiaries. To ensure compliance with data protection laws, the subsidiaries in Germany have a data protection organization consisting of central data protection officers and local data protection coordinators. The latter report to the local management, as well as annually or on an event-driven basis to the central data protection officers, who in turn report annually or on an event-driven basis to the Bertelsmann Executive Board. A similar organization exists in subsidiaries outside Germany. An Information Security Management System (ISMS) based on industry-standard ISO 27001 creates the technical and organizational framework for confidential data processing. The ISMS features a regular and structured survey of relevant processes and procedures, to ensure compliance with statutory information security requirements, a systematic recording of risks and derivation, and control of related mitigation measures.

Protecting Intellectual Property

Bertelsmann's businesses also develop, produce, finance, transfer, license and sell products and services that are protected as intellectual property. For Bertelsmann, the protection of intellectual property rights is of particular importance for its analog and digital business. This is also set forth in the Bertelsmann Code of Conduct: "We respect and protect all forms of intellectual property and protected content." For this reason, the company is committed to the highest possible level of global copyright protection worldwide, as well as maintaining strong exclusive rights and freedom of contract – and in the same measure, also to balanced legal conditions that allow for fair competition in the digital market. The Taskforce Copyright, with representatives from the relevant German content businesses (Mediengruppe RTL Deutschland, Penguin Random House Verlagsgruppe, G+J, BMG and UFA), monitor current developments and legislative processes in EU and German copyright law and develop joint positions. The focus in 2020 was the transposition of the EU copyright directive in the digital single market into German law.

Respect for Human Rights

Through its Code Conduct and its voluntary commitment to external guidelines, Bertelsmann is committed to respecting and protecting human rights within the company and in its business relationships. 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. I&C continued its Code of Conduct training sessions in 2020 and took communication measures that included the topic "Respect for Human Rights."

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 child and coercive labor and a ban on discrimination and intimidation, and it reaffirms the right to freedom of association and the right to engage in collective bargaining.

In addition, in 2020 individual subsidiaries and Bertelsmann itself issued statements for 2019 in accordance with the "UK Modern Slavery Act" that condemn all forms of modern slavery, coercive and child labor, and exploitation and discrimination, and present measures to prevent these human rights violations. These statements are revised each year (if required). Infringements of these principles can be reported by Bertelsmann employees and third parties by using the existing compliance management systems.

In terms of anti-discrimination, contact persons for Germany's "General Equal Treatment Act" (AGG) have been appointed at German locations. Employees can contact them in the event of suspected breaches of said act. The employees are informed of their rights under the AGG and given corresponding training through a wide range of communication channels. The topic of anti-discrimination was addressed Group-wide as part of Code of Conduct training sessions to build employee awareness of the issue and advise them of their rights. These and other international activities are being continually refined and expanded. Regarding business partners, the Supplier Code of Conduct stipulates that they provide a workplace environment that does not allow for discrimination. The Supplier Code of Conduct also stipulates that Bertelsmann's business partners do not tolerate discrimination against employees or applicants for employment because of any characteristic specified under applicable antidiscrimination law or company policy.

The findings of the Bertelsmann Compliance Risk Analysis of 2020 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, Bertelsmann 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 company. The goal is to reduce the risk of corruption to a level at which it does not endanger the company's success. 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 Guideline prescribes appropriate due diligence processes in dealing with third parties. An appropriate due diligence review is carried out for each individual risk profile through a corresponding risk classification. This Executive Board guideline also describes the channels for reporting suspected violations (especially with the help of an internet-based reporting system) 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 risk of corruption is addressed in the annual compliance report submitted to the Executive Board. Relevant employees across the Group take part in the online course "Anti-Corruption & Integrity." The I&C department, reporting to the Corporate Compliance Committee (CCC: see the section on "Respect for Human Rights"), manages and develops corruption prevention measures in the Group. The most important measures in 2020 include reviewing and voting on a new Code of Conduct as well as designing a new Code of Conduct training program to be rolled out in 2021. The findings of the Bertelsmann Compliance Risk Analysis of 2020 show that the risk of corruption is minimized to the greatest extent possible in view of the measures taken.

Fair Competition and Antitrust Law

Bertelsmann is committed to the principle of fair competition, and condemns antitrust violations and anticompetitive behavior. The goal is to reduce the risk of antitrust violations to a level at which they do not endanger the company's success. The Bertelsmann Executive Board issued the Group Guideline for Compliance with Antitrust Regulations to anchor a reporting requirement for antitrust violations. With regard to the supply chain, the Supplier Code Conduct obligates Bertelsmann's business partners to observe the applicable antitrust and competition law. Infringements of antitrust provisions can be reported by Bertelsmann employees and third parties by using the reporting channels of the existing compliance management system. The company acts against any contravention that becomes known, and consults internal or external experts on antitrust and competition issues. The topic of competition and antitrust law is addressed in the annual Compliance Report submitted to the Executive Board. The Corporate Legal Department provides an obligatory antitrust training program to corporate divisions and the management and employees of these divisions who work in antitrust-related areas. This training program moved to a virtual format in April 2020 due to the coronavirus pandemic. The findings of the Bertelsmann Compliance Risk Analysis of 2020 show that the risk of antitrust violations is minimized to the greatest extent possible in view of the measures taken.

Environmental Matters

Bertelsmann aspires to become climate-neutral by 2030. By that time, the Group aims to reduce the greenhouse gas emissions generated at its sites, by the mobility of its employees and by the manufacture of its own products by 50 percent and thus 500,000 tons of CO_2 compared to 2018. Remaining emissions will be offset by financing certified climate protection projects. The Group-wide climate protection target was set by the Bertelsmann Executive Board in December 2019 and communicated in February 2020.

The most important measures for reaching the climate protection target include switching to certified green electricity, installing photovoltaic systems, improving energy efficiency and designing new mobility programs. Furthermore, emissions from the print and digital products supply chain are to be reduced in a joint effort with business partners. In 2020, the number of sites using green electricity increased by 11 sites compared with the previous year, to 81 sites. The number of sites using green electricity is to be increased again next year.

The climate protection target is aligned with Group-wide guidelines on environmental and climate protection as well as on energy and paper procurement. The Group-wide environmental efforts include not only the company's own sites but also relevant parts of the supply chain – for example, paper suppliers, external printers and energy suppliers. Operational responsibility for energy and environmental management, as well as for implementing measures, rests with the management of the individual companies. The international "be green" working group with representatives from the Bertelsmann corporate divisions again provided a platform for cross-divisional exchange on environmental topics in 2020. Cooperation in the current reporting year focused on procuring electricity from renewable energy sources, acquiring knowledge on methods for quantifying supply chain emissions, as well as continued development of the Group's environmental reporting.

As part of the annual environmental data survey conducted at the Group sites globally, key figures are collected regarding energy and materials consumption as well as fuels and employee mobility, and greenhouse gas emissions are quantified. The Group-wide environmental key figures are published in the second quarter on the Bertelsmann website at https://www.bertelsmann.com/environmental.