All this and more

Annual Report 2023

BERTELSMANN

BERTELSMANN

At a Glance
2023

Key Figures

in € millions	2023	2022	2021	2020	2019
Business Development					
Group revenues	20,169	20,245	18,696	17,289	18,023
Operating EBITDA adjusted	3,119	3,192	3,241	3,143	2,887
EBITDA margin (in percent)[1]	15.5	15.8	17.3	18.2	16.0
Group profit	1,326	1,052	2,310	1,459	1,091
Investments[2]	1,438	1,672	1,954	920	1,240
Consolidated Balance Sheet					
Equity	15,165	15,043	13,606	10,725	10,445
Equity ratio (in percent)	46.5	45.8	42.8	36.1	38.2
Total assets	32,622	32,835	31,769	29,704	27,340
Net financial debt	2,267	2,249	959	2,055	3,364
Economic debt[3]	4,713	4,785	3,475	5,207	6,511
Leverage factor	1.8	1.8	1.3	1.9	2.6
Dividends to Bertelsmann shareholders	220	220	180	–	180
Distribution on profit participation certificates	44	44	44	44	44
Employee profit sharing	74	63	89	88	96

The figures shown in the table are, in some cases, so-called Alternative Performance Measures (APM), which are neither defined nor described in IFRS. Details are presented in the section “Alternative Performance Measures” in the Combined Management Report. In individual cases, rounding may result in individual figures not adding up to the totals shown and percentages may not add up exactly to the figures shown. The prior-year comparatives have been adjusted. Further details are presented in the section “Prior-Year Information.”

1 Operating EBITDA adjusted as a percentage of revenues.
2 Taking into account the financial debt assumed and purchase price payments for share increases in subsidiaries that were already consolidated, investments amounted to €1,583 million (2022: €2,168 million).
3 Net financial debt plus pension provisions, profit participation capital and lease liabilities (up to and including the financial year 2022 less the short-term liquidable investments in a special fund; up to and including the financial year 2021 less 50 percent of the par value of the hybrid bonds).

Bertelsmann is a media, services and education company with more than 80,000 employees that operates in about 50 countries around the world. It includes the entertainment group RTL Group, the trade book publisher Penguin Random House, the music company BMG, the service provider Arvato Group, Bertelsmann Marketing Services, the Bertelsmann Education Group and Bertelsmann Investments, an international network of funds. The company generated revenues of €20.2 billion in the 2023 financial year. Bertelsmann stands for creativity and entrepreneurship. This combination promotes first-class media content and innovative service solutions that inspire customers around the world. Bertelsmann aspires to achieve climate neutrality by 2030.

www.bertelsmann.com

Interactive Online Report

The Bertelsmann Annual Report can be accessed online at:
ar2023.bertelsmann.com

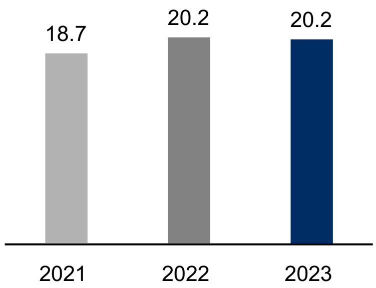
Financial Information

Combined Management Report

Financial Year 2023 in Review

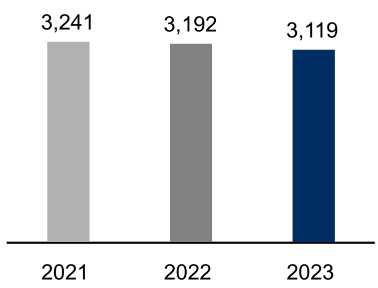
In the 2023 financial year, Bertelsmann recorded a solid business performance and benefited from the diversified positioning of the Group and the growth momentum generated from its Boost strategy. Despite portfolio- and currency-related declines, Group revenues remained stable at €20.2 billion (previous year: €20.2 billion). In particular, the book publishing, music and education businesses achieved revenue growth. In contrast, above all, revenues for the TV businesses declined strongly in light of the challenging TV advertising markets, lower revenues at Fremantle and in the printing businesses, as well as a portfolio-related drop in revenue of the services businesses following the sale of Majorel shares. Organic revenue growth was 0.8 percent. At €3,119 million, the operating EBITDA adjusted was down from the level of the previous year (previous year: €3,192 million). The services and education businesses in particular achieved earnings growth. Profits were dampened mainly by the development of advertising revenue for the TV businesses, especially in Germany, and the sale of Majorel shares. The EBITDA margin decreased to 15.5 percent (previous year: 15.8 percent). Group profit increased to €1,326 million (previous year: €1,052 million), despite higher restructuring expenses. This is mainly attributable to the capital gains from the sale of the Majorel shares.

Revenues in € billions



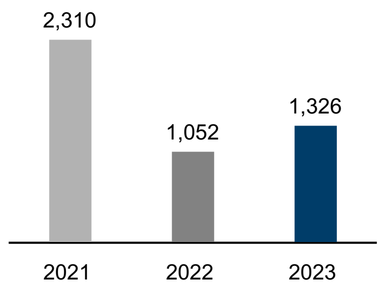
- Revenue decline of 0.4 percent, organic revenue growth of 0.8 percent
- Revenue growth at Penguin Random House, BMG and Bertelsmann Education Group

Operating EBITDA Adjusted in € millions



- Operating EBITDA adjusted at €3,119 million, 2.3 percent below the previous year
- EBITDA margin of 15.5 percent (previous year: 15.8 percent)

Group Profit in € millions



- Group profit higher, driven among other things by Majorel capital gains
- Higher restructuring expenses

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.

With the exception of the Combined Non-Financial Statement, the Combined Management Report is audited as part of the audit of the financial statements. For the Combined Non-Financial Statement, a voluntary limited assurance engagement was performed by KPMG AG Wirtschaftsprüfungsgesellschaft in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) of the International Auditing and Assurance Standards Board (IAASB).

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 active in the growth markets Brazil, India and China. The Bertelsmann divisions are RTL Group (entertainment), Penguin Random House (books), BMG (music), Arvato Group (previously Arvato; services), Bertelsmann Marketing Services (previously Bertelsmann Printing Group; direct marketing and printing activities), Bertelsmann Education Group (education) and Bertelsmann Investments (venture capital activities and Bertelsmann Next growth area).

Bertelsmann SE & Co. KGaA is a capital market-oriented but unlisted partnership 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 a leading European entertainment group in the broadcasting, streaming, content, publishing and digital business, with interests in 60 television channels, seven streaming platforms and 36 radio stations. RTL Group's television channels include RTL in Germany, M6 in France and the RTL channels in the Netherlands, Luxembourg and Hungary, as well as a stake in Atresmedia in Spain. The streaming services comprise RTL+ in Germany and Hungary, Videoland in the Netherlands and 6play in France. The content business, Fremantle, is one of the largest international creators, producers and distributors of scripted and unscripted content in the world. The streaming-tech company Bedrock and the ad-tech company Smartclip are also part of RTL Group. RTL Group is a listed company and a member of the MDAX.

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

BMG is an international music company and integrates recording-label and music-publishing business under a shared umbrella. With 20 offices in 13 core music markets, BMG represents more than three million titles and recordings, including iconic catalogs and renowned artists and songwriters such as Jason Aldean, Kylie Minogue, Mick Jagger and Keith Richards, Jennifer Lopez, Lenny Kravitz and Tina Turner.

The Arvato Group is an international service group that develops and implements custom-made solutions for all kinds of business processes, for customers in a wide range of sectors in around 30 countries. World-renowned companies from an array of different sectors – telecommunications providers and utility companies, banks and insurance companies, e-commerce, IT and internet providers – all rely on the group's portfolio of solutions ranging from supply chain solutions (Arvato) through financial services (Riverty) to IT services (Arvato Systems).

The Bertelsmann Marketing Services division is a multi-channel full-service provider for the advertising industry, bundling all of Bertelsmann's direct marketing and print activities. Bertelsmann Marketing Services consists of four business units: the offset printers in Germany; the offset and digital printers in the United States; the Digital Marketing businesses, which include the content agency Territory, Campaign, DeutschlandCard and the Dialog business, among others; and the Sonopress Group.

Bertelsmann Education Group comprises Bertelsmann's education activities. The group's companies focus on the healthcare and education sectors, in particular education and training, and deliver innovative ways of teaching and learning as well as performance management solutions for students, professionals and organizations. The companies include Brazil's leading university group for medical education and training, Afya, the US continuing education and workforce management solution provider Relias, and the professional practice-oriented Alliant International University.

Bertelsmann Investments bundles Bertelsmann's worldwide venture capital activities, the Bertelsmann Next unit and the Investments & Participations unit. Investments are largely made through the funds Bertelsmann Asia Investments (BAI), Bertelsmann India Investments (BII) and Bertelsmann Digital Media Investments (BDMI), as well as funds and direct investments in the Europe, Brazil, Southeast Asia and Africa regions. The Bertelsmann Next unit is driving the entrepreneurial development of new growth sectors and lines of business, in particular in the areas of digital health, HR tech and mobile ad tech. The Investments & Participations unit includes, among other things, DDV Mediengruppe and the stake in the Spiegel Group.

Regulatory Environment

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

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

Shareholder Structure

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

Strategy

Bertelsmann's strategic focus is on a fast-growing, digital, international and diversified Group portfolio. Businesses in which Bertelsmann invests should have long-term stable growth, global reach, sustainable business models, high market-entry barriers and scalability. The strategy pursues five growth priorities: national media champions, global content, global services, education and investments. The following topics form the basis for the successful implementation of the strategy: tech & data, people, communication and ESG. The Boost strategy, implemented in 2021 to accelerate the growth dynamic, will also increase investment in the years to come. The Group aims to grow in both existing and new lines of business through organic initiatives and acquisitions. By the end of 2026, €5 to €7 billion is to be invested as part of its Boost strategy. Bertelsmann made the following progress along its five growth priorities in the 2023 financial year. In terms of strategy, Bertelsmann made the following progress along the five growth priorities in the 2023 financial year.

For the national media champions, RTL Group achieved continued strong growth in the streaming business. The streaming services RTL+ in Germany, 6play in France and RTL+ in Hungary increased the number of paying subscribers by 30.5 percent to a combined total of 5.6 million; streaming revenues in 2023 grew by 72.6 percent to €283 million (previous year: €164 million). In Germany, the RTL+ content offering was also expanded and now includes series, reality content, live sports, films, music, audiobooks, podcasts and magazine titles of Gruner + Jahr in an all-inclusive entertainment app. In February 2023, RTL Deutschland announced a reorganization of the publishing business in order to increase the focus on core brands going forward, into which around €80 million is to be invested by 2025. RTL Deutschland secured attractive sports rights through 2027 by renewing its exclusive broadcasting and streaming rights for the UEFA Europa League and the UEFA Europa Conference League. RTL Hungary acquired broadcasting and streaming rights for the UEFA Champions League for the first time, starting with the 2024/25 season. Furthermore, RTL Deutschland launched cross-media broadcasting of the NFL.

Bertelsmann continued to invest in the expansion of the global content businesses. The RTL Group subsidiary Fremantle signed first-look deals with Oscar-nominated producers Edward Berger and Amy Berg. Penguin Random House continued to expand the book publishing business through acquisitions and organic growth – including through an increase of its shareholding in the US publisher Sourcebooks, the subsequent acquisition of the publishing assets of the nonfiction US publisher Callisto Media, and creative successes such as Prince Harry's "Spare." BMG announced its plan to take over digital sales of its artists' music itself going forward and, within the framework of the Boost strategy, continued to invest in music catalogs. Furthermore, BMG concluded numerous artist contracts and, among other things, entered into a worldwide record label and publishing partnership with global superstar Jennifer Lopez.

Global services were also further expanded. The global network of locations of the Arvato logistics business (formerly Arvato Supply Chain Solutions) was expanded through the establishment of new distribution centers and the expansion of existing ones, particularly in the United States, Poland and Spain. In addition, new customers were acquired in sectors including healthcare, tech and fashion. The financial services provider Riverty advanced its development of new business models and further improvement of existing ones. These included services related to the topic of "mobility as a service" and "in-store buy now pay later" solutions. The IT service provider Arvato Systems succeeded in gaining new customers from the energy and healthcare sectors. The acquisition of Majorel by Teleperformance was completed. The customer experience company was therefore deconsolidated as of November 1, 2023. Since April, the direct marketing and printing activities that were previously combined under Bertelsmann Printing Group have been operating under the new Bertelsmann Marketing Services brand. The content agency Territory has also been included under the direct marketing business since the beginning of 2023. Bertelsmann Marketing Services also announced that it would be closing the gravure printing plant at the Ahrensburg location in Germany on January 31, 2024.

Bertelsmann Education Group's education business benefited from the continued favorable market developments for training in the field of healthcare. Afya, a leading provider of medical education and training and digital solutions for medical practitioners in Brazil, continued its dynamic growth and completed the acquisition of two medical universities in Brazil, UNIMA and FCM Jaboatão. Furthermore, the stake in Afya was increased with additional share acquisitions in the open market. As of December 31, 2023, Bertelsmann held 61 percent of the voting rights and – after adjustment of shares held by Afya – 49.6 percent of the equity. Relias, a leading provider of mandatory and advanced training and career development for professionals in the US healthcare system, has risen to tenth place in the annual ranking of the global "Top 100 Healthcare Technology Companies." Alliant, which specializes in psychology, nursing and teaching degrees, opened its new campus, the Alliant School of Nursing and Health Sciences, in Phoenix, United States, in April.

Bertelsmann expanded its investment portfolio with 35 new and 16 follow-on investments during the reporting period. As of the end of 2023, Bertelsmann Investments (BI) held a total of 363 investments through its international funds. Bertelsmann Asia Investments (BAI) participated in a further funding round for ClearMotion, a global automobile technology company. Among other things, Bertelsmann India Investments (BII) entered into a follow-on investment in the Indian fintech platform Rupeek, and Bertelsmann Digital Media Investments (BDMI) concluded a variety of new and follow-on investments, amongst others in Percent, an online marketplace for debt capital, and in the SaaS platform company Tracer, which optimizes and aggregates marketing data. The growth area Bertelsmann Next increased its engagement in the digital health sector through various direct and follow-on investments. Here, BI participated in a funding round for the Berlin-based health-tech company Patient21 and in the AI start-up QuantHealth. Furthermore, BI expanded its portfolio in the pharma-tech sector further by investing in Author-it Software Corporation with its Docuvera platform. BI accelerated the expansion of the HR-tech company Embrace by acquiring Studyflix, the German-speaking region's largest career platform for students, and the HR-solution provider Milch & Zucker.

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.

In addition, the Group's content-based and entrepreneurial creativity is 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 and operating EBITDA adjusted, are used to directly assess current business performance and are correspondingly used in the outlook. 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 (operating EBITDA adjusted as a percentage of revenues) and organic revenue growth. 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 and operating EBITDA adjusted. Revenue is used as a growth indicator of businesses. In the 2023 financial year, Group revenues fell by 0.4 percent to €20.2 billion (previous year: €20.2 billion) as a result of portfolio and exchange rate effects.

A key performance indicator for measuring the profitability of the Group and the divisions is operating EBITDA adjusted. Operating EBITDA adjusted dropped during the reporting period by 2.3 percent to €3,119 million (previous year: €3,192 million).

Broadly Defined Performance Indicators

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

The EBITDA margin and organic revenue growth are used as additional criteria for assessing business performance. In the 2023 financial year, the EBITDA margin was 15.5 percent, below the previous year's figure of 15.8 percent. Organic growth was 0.8 percent, after 4.1 percent in the previous year.

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. However, Bertelsmann plans to incorporate ESG performance indicators into its value-oriented management system in the medium term.

Non-Financial Performance Indicators

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

Employees

Bertelsmann’s employees are the most important key for the company’s long-term success. At the end of the financial year 2023, Bertelsmann employed 80,418 members of staff worldwide. Compared with the previous year’s figure of 164,691 members of staff, the decrease is in particular attributable to the sale and deconsolidation of Majorel.

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

Innovations

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

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

In 2019, the Tech & Data agenda laid the foundation for Bertelsmann to build up user expertise in the fields of cloud, AI (artificial intelligence) and data. Given the rapid growth of generative AI, projects such as the Bertelsmann collaboration platform and the data platform BeData in Germany are of particular importance to drive innovations regarding AI. Generative AI offers all businesses of Bertelsmann a variety of opportunities in connection with multimodal AI functions such as text, picture and video to become more efficient and innovative. To this end, several use cases within the Group were analyzed and synergies identified. An “AI Hub” was implemented to create the cross-divisional and horizontal connections in order to efficiently raise the future potential of AI in key areas such as content generation, TV production and music and book marketing. In order to make use of AI models jointly within the Group and avoid overlaps, partnerships with big tech players are to be intensified and an AI infrastructure is to be developed, among other things. Bertelsmann is also aware of the challenges arising with regard to a responsible handling of AI when building up Generative AI skills and for this purpose developed its first guideline “AI-ssentials.”

Innovations at RTL Group focus on three core topics: continuously developing new video formats; using all digital distribution channels; and better monetization of RTL Group's audience reach by personalization, recommendations and addressing target groups, which is increasingly being achieved by means of AI. In 2023, RTL Deutschland started the first German all-inclusive entertainment app, RTL+, offering videos, music, podcasts, radio, audiobooks and magazine content in a single app. The streaming service features an innovative recommendation algorithm capable of offering users personalized suggested content in all media formats. In its publishing business, RTL Deutschland also made further investments in further developing the digital paid offer Stern+. Another innovative focus point is addressable TV advertising, which combines the broad reach of linear TV with targeted digital advertising. The ad-tech business Smartclip developed a technological solution providing addressable TV advertising to allow flexible substitution of advertising segments within linear content. As part of the "CrossOver Evolution" campaign, RTL Group's advertising marketer Ad Alliance began creating further innovative solutions, such as the start of xMedia Spots in May 2023. The new Ad Alliance product combines the video inventory of its portfolio and, at the same time, reduces the complexity of advertising bookings and settlement, because control of advertising resources, campaign optimization and reporting work on a cross-media basis. AI was a key driver of the innovative projects in many areas of RTL Group. For the series production "Neue Geschichten vom Pumuckl" ("New Tales of Pumuckl") at RTL Deutschland, AI was used to create an imitation of the late Hans Clarin's distinctive Pumuckl voice. RTL Deutschland also established an AI circle in 2023 with the objective of collecting and evaluating all of the company's AI activities in order to generate a competitive advantage and added value. Strategically relevant value levers of this project include strengthening the content, marketing, content utilization and discovery, and efficiency, as well as risk minimization and innovation.

Innovations at Penguin Random House aim to improve publishing reach and resources. Utilizing AI technology, the US Consumer Marketing and Data Science teams developed BookBoost – a proprietary platform that leverages first-party data, machine learning, AI and automation to assist with its book advertising campaigns' efficiency and impact. In order to expand listener and reader bases, Penguin Random House partnered with Spotify to make Penguin Random House audiobooks available to the subscription service's premium members in the United States, Australia and the United Kingdom. In the United States, Penguin Random House organized the Banned Wagon tour, which engaged with readers across the country, providing them with access to books banned from their community and school libraries. This initiative has inspired students and parents who demand the right to be able to read what they choose.

Innovations at BMG are focused on delivering the most effective and efficient service for its artist and songwriter clients, customers and partners, enhancing its market position as a globally relevant music company and emphasizing its core values of service, fairness and transparency. BMG has significantly increased its investment in technology to support such innovation. Examples include the launch of the MyBMG Mobile App 3.0 client service portal to further improve delivery of data analytics to clients, the launch of a new BMG Production Music website to facilitate the licensing of music for film and TV, and the acceleration of the processing of royalties by utilizing AI and big data capabilities from Google Cloud. In its recordings business, BMG has invested in data processing and analytics to optimize its new direct relationships with DSPs including Spotify and Apple Music.

Innovations at the Arvato Group undertaken in the past financial year mainly related to optimizing processes, improving existing services, and developing new industry and customer solutions. In the 2023 financial year, the logistics business Arvato consistently pursued its automation strategy, putting into operation a new shuttle system in Dorsten, Germany, and state-of-the-art Autostore systems in Gennep, the Netherlands and Hams Hall, United Kingdom, for example. The supply chain service provider also invested in expanding its cloud infrastructure and entered into a cooperation with Boston Dynamics for the implementation of robotics solutions. In 2023, the financial services provider Riverty established innovative payment services on the market in the mobility segment, and Arvato Systems continued to systematically expand its service portfolio in the important emerging fields of AI, cloud computing and IT security.

In the past financial year, innovations at Bertelsmann Marketing Services focused on the topics of further developing existing processes with new technologies and digital solutions and expanding its portfolio of products and services with innovative services. The use of AI-based systems was assessed and initiated, particularly in the Group’s direct marketing and agency businesses. Campaign completed the market launch for “eesii,” a programmatic printing platform that offers advertisers and marketing heads efficient solutions for extensive automation of direct mail campaigns; DeutschlandCard integrated additional digital services into its platform.

Innovations at the Bertelsmann Education Group mainly consisted of developing digital, technology-based and customized education and service offerings to provide an effective process for training and continuing education, with the objective of addressing the increasing lack of healthcare professionals. Accordingly, Afya focused on expanding and further developing its range of digital solutions aimed at augmenting classroom-based delivery methods with digital learning paths for the education of medical practitioners, and at supporting doctors in patient care by providing data-driven applications. Relias developed numerous new functionalities within the Relias Learner app. A new job board that uses AI to match candidates with suitable jobs was also launched. In the university segment, Alliant was able to announce the opening of the Alliant School of Nursing and Health Sciences in Phoenix, United States, and rolled out new degree programs, especially in the fields of nursing and social work.

Innovations at Bertelsmann Investments were advanced through investments in growing digital businesses worldwide, promoting entrepreneurial talent, the exchange of knowledge within the Group and tapping into new lines of business. As a result, the division further expanded its venture capital activities, made investments in the growth market of digital health solutions as part of the Bertelsmann Next unit, acquired the digital business Studyflix as part of its expansion of the HR tech area, and supported the development and expansion of proprietary technology solutions at app marketing specialist AppLike.

Report on Economic Position

Corporate Environment

Overall Economic Developments

The global economy expanded at a relatively subdued rate in 2023. The key framework conditions mainly responsible for the slowdown in 2022, such as higher energy prices, supply bottlenecks and China’s zero-Covid policy, showed significant improvement. However, high inflation rates and the tightening of monetary policy resulting in significantly higher financing costs had a dampening effect and slowed consumer spending. Real gross domestic product (GDP) rose by 3.0 percent, compared to 3.4 percent in 2022.

The eurozone failed to keep pace with the previous year’s growth rate. Real GDP rose 0.5 percent in 2023, compared to 3.5 percent in the previous year. High inflation and the effects of the war in Ukraine were the main negative impacts.

The German economy slid into a recession. Real GDP fell by 0.3 percent in 2023, compared to 1.8 percent growth in the previous year. Despite its most recent declines, inflation remained high, dampening private consumption in particular. Furthermore, economic output was curbed by unfavorable financing conditions due to rising interest rates and lower foreign demand. Economic momentum slowed in France as well. Real GDP growth reached 0.9 percent in 2023, compared to 2.5 percent in 2022. Economic growth was weak in the United Kingdom as well, with real GDP rising by 0.1 percent compared to 4.3 percent in the previous year.

The US economy proved to be robust in 2023 despite sharp interest rate hikes. Real GDP rose by 2.5 percent compared to 1.9 percent in the previous year.

Developments in Relevant Markets

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

The European television advertising markets saw mixed development in 2023. While the markets in the countries of the DACH region and the Netherlands showed strong declines and in France a moderate decrease, TV advertising markets grew strongly in Hungary. The streaming markets in both Germany and Hungary posted strong growth, while the Netherlands posted slight growth compared to the previous year.

In 2023, the markets for printed books grew slightly overall. Revenues from printed books remained stable in the United States. Moderate growth was posted in the United Kingdom, while significant growth was recorded in Germany and in the Spanish-speaking region. The market for e-books was stable in the United States and grew strongly in the United Kingdom. Revenues from digital audiobooks grew strongly in both the United States and the United Kingdom.

The global music market recorded strong growth in the publishing market segment in 2023, and significant growth in the recordings market segment.

The service markets relevant for the Arvato Group – customer experience solutions, financial services and IT services – were characterized by moderate to significant growth, while the market for logistics services only recorded slight growth, largely due to the normalization of the pandemic-related high e-commerce volumes.

The German offset printing market recorded a strong decline in 2023. The North American book printing market declined moderately.

The education markets in the United States where Bertelsmann is involved, namely training in healthcare and university education, showed significant and moderate growth, respectively, in 2023; in contrast, the Brazilian market for medical university courses exhibited strong growth.

Significant Events in the Financial Year

In January 2023, Afya acquired 100 percent of the shares in Sociedade Educacional e Cultural Sergipe DelRey Ltda (DelRey). DelRey comprises Centro Universitário Tiradentes Alagoas (“UNIMA”) and Faculdade Tiradentes Jaboatão dos Guararapes (“FCM Jaboatão”), two medical schools in northeastern Brazil. Furthermore, Bertelsmann increased its stake in Afya during the reporting period with additional share acquisitions in the open market.

In January 2023, Penguin Random House increased its equity stake in the US publisher Sourcebooks to a majority share of 53 percent.

Also in January 2023, Prinovis announced it was to cease production at its Ahrensburg site in Germany as of January 31, 2024. The reason for this is the negative market development, which has accelerated in recent years.

In early February 2023, it was announced that RTL Deutschland would restructure its publishing business and focus on the core brands “Stern,” “Geo,” “Capital,” “Stern Crime,” “Brigitte,” “Gala,” “Schöner Wohnen,” “Häuser,” “Couch,” “Eltern,” “Chefkoch,” “Geolino” and “Geolino Mini.” All other titles are to be sold or discontinued. This affected around 700 jobs, 200 of those as a result of the planned sale of titles.

Effective March 23, 2023, Theonitsa Gosh-Roy (Kalispera), Executive Vice President Global Supply Chain in the BMG division, was appointed to the Supervisory Board of Bertelsmann SE & Co. KGaA. She joins the supervisory body in her function as a representative of Bertelsmann managers.

In April 2023, Bertelsmann announced its acceptance of a proposed takeover offer by the French company Teleperformance for its interest in the global customer experience company Majorel. The takeover was completed in November 2023 and Bertelsmann sold its 39.5 percent interest in Majorel to Teleperformance for €977 million. The purchase price was settled by the transfer of 2.3 million Teleperformance shares for a total of €292 million and a cash payment of €685 million.

Bertelsmann also announced the renaming of its services and printing businesses in April 2023. Since then, the Arvato division has been operating under the name Arvato Group. The direct marketing and printing activities of the Bertelsmann Printing Group division are now provided under the name Bertelsmann Marketing Services. In April, the content agency Territory was transferred from Bertelsmann Investments to Bertelsmann Marketing Services with retrospective effect from January 1, 2023. Territory's recruiting and employer branding services, combined under the Embrace brand, were carved out from the agency and remain in the Bertelsmann Investments division.

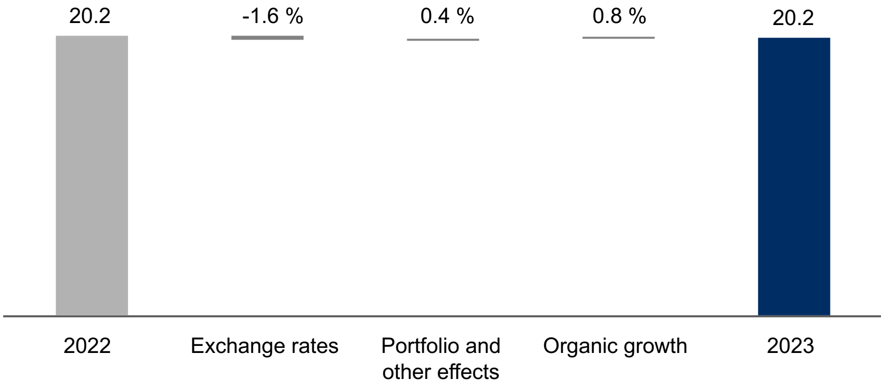
On May 8, 2023, the Spanish businessman Pablo Isla was appointed to the Supervisory Board of Bertelsmann SE & Co. KGaA, effective April 1, 2024.

In May 2023, Penguin Random House acquired the publishing assets of the US nonfiction publisher Callisto Media.

In November 2023, the Supervisory Board appointed Carsten Coesfeld, CEO of the Bertelsmann Investments division, to the Bertelsmann Executive Board effective January 1, 2024. In this role, Coesfeld is responsible for the new Executive Board department Bertelsmann Investments and Financial Solutions.

In December 2023, RTL Group entered into an agreement for the sale of RTL Nederland to DPG Media. The transaction is subject to regulatory approvals and the information and consultation processes with the respective employee representatives. The transaction is expected to close in mid-2024.

Revenue Breakdown in € billions



Group revenues fell by 0.4 percent to €20.2 billion in the 2023 financial year (previous year: €20.2 billion). Adjusted by exchange rate, portfolio and other effects, the Group generated organic growth of 0.8 percent. In particular, the book publishing, music and education businesses all achieved revenue growth, as did the service businesses before accounting for portfolio effects.

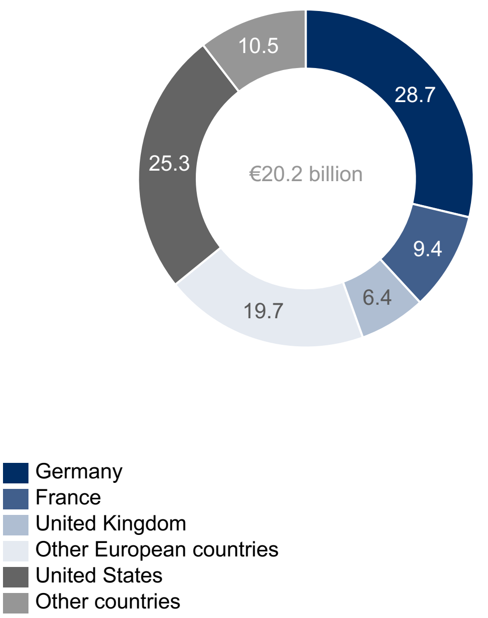
At RTL Group, revenue fell by 5.1 percent to €6,854 million (previous year: €7,224 million). The organic decline was 4.0 percent. The decline in revenue is attributable to challenging TV advertising markets, particularly in Germany, and lower revenue at Fremantle. In contrast, the streaming services RTL+ in Germany and Hungary as well as 6play in France continued to record strong revenue growth and grew by a total of 72.6 percent to €283 million (previous year: €164 million). The revenue of Penguin Random House rose by 7.3 percent to €4,532 million (previous year: €4,223 million). Organic growth was 5.6 percent. Both portfolio effects, due to acquisition activities as well as strong performance of bestsellers, had a positive impact on revenue. BMG revenues rose 4.6 percent to €905 million (previous year: €866 million) and were positively impacted by, among other things, high investments in catalog acquisitions. Organic growth was 5.7 percent and arose primarily in the publishing business. The revenue of the Arvato Group fell by 1.6 percent to €5,476 million (previous year: €5,564 million). This resulted from the sale of Majorel during the reporting period. Organic growth was 5.9 percent. All areas of the Arvato Group contributed to organic growth, particularly the Arvato logistics business. Primarily in light of site closures and lower capacity utilization in the printing area, the revenue of Bertelsmann Marketing Services decreased by 16.2 percent to €1,317 million (previous year: €1,572 million). The organic decline was 15.9 percent. Revenues at the Bertelsmann Education Group increased by 40.9 percent to €876 million (previous year: €622 million), primarily driven by portfolio effects following the consolidation of Afya since May 2022. Organic growth was 8.7 percent. The revenues of the Bertelsmann Investments division are mainly generated by the activities of the Bertelsmann Next unit as well as the Investments & Participations unit, primarily former Gruner + Jahr activities. Revenues at Bertelsmann Investments amounted to €432 million (previous year: €411 million). The increase in revenues is mainly the result of higher revenue in the Bertelsmann Next unit.

Revenues by Division

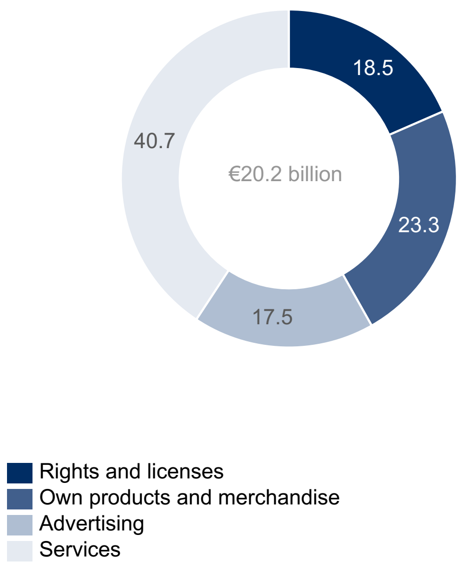
in € millions			2023			2022 (adjusted)
	Germany	International	Total	Germany	International	Total
RTL Group	2,434	4,420	6,854	2,615	4,609	7,224
Penguin Random House	311	4,221	4,532	298	3,925	4,223
BMG	94	811	905	69	797	866
Arvato Group	1,984	3,492	5,476	1,952	3,612	5,564
Bertelsmann Marketing Services	818	499	1,317	962	610	1,572
Bertelsmann Education Group	5	871	876	4	618	622
Bertelsmann Investments	276	156	432	268	143	411
Total divisional revenues	5,922	14,470	20,392	6,168	14,314	20,482
Corporate/Consolidation	(136)	(87)	(223)	(148)	(89)	(237)
Continuing operations	5,786	14,383	20,169	6,020	14,225	20,245

There were slight changes in the geographical breakdown of revenues compared to the previous year. The share of revenues generated in Germany was 28.7 percent compared to 29.7 percent in the previous year. The revenue share generated by France amounted to 9.4 percent (previous year: 9.8 percent). In the United Kingdom, the revenue share was 6.4 percent (previous year: 7.1 percent). The share of total revenues generated by the other European countries was 19.7 percent, compared to 20.1 percent in the previous year. The revenue share generated by the United States was 25.3 percent (previous year: 24.1 percent), and the other countries achieved a revenue share of 10.5 percent (previous year: 9.2 percent). This means that the share of total revenues generated by foreign business rose slightly to 71.3 percent (previous year: 70.3 percent). Year on year, there was a slight change in the ratio of the four revenue sources (own products and merchandise, services, advertising, rights and licenses) to overall revenue.

Consolidated Revenues by Region in percent



Consolidated Revenues by Category in percent



Operating EBITDA Adjusted

Operating EBITDA adjusted fell during the 2023 financial year by 2.3 percent to €3,119 million (previous year: €3,192 million). Despite positive business development in the services and education businesses, profits were dampened by negative development in the TV business and the lack of the Majorel contribution since November 2023, in particular. The EBITDA margin was 15.5 percent (previous year: 15.8 percent).

Operating EBITDA adjusted at RTL Group fell by 11.3 percent to €1,173 million (previous year: €1,323 million). The decline is mainly due to lower TV advertising revenues, primarily in Germany. At Penguin Random House, operating EBITDA adjusted remained stable at €664 million (previous year: €666 million). Profits were dampened by negative exchange rate effects, inflation-related cost increases and a positive effect in the previous year from the sale of a building. In a year driven by considerable structural changes, BMG posted a stable operating EBITDA adjusted of €194 million (previous year: €195 million). The Arvato Group generated operating EBITDA adjusted of €895 million (previous year: €877 million). The 2.1 percent increase in earnings is primarily attributable to the logistics business Arvato. Operating EBITDA adjusted at Bertelsmann Marketing Services was up by 37.3 percent to €29 million (previous year: €21 million). The reasons for this were a higher earnings contribution from the digital marketing businesses along with lower energy and personnel costs in the printing businesses. At Bertelsmann Education Group, operating EBITDA adjusted rose by 47.6 percent to €283 million (previous year: €192 million). The increase is mainly the result of portfolio effects. Earnings from operational activities at Bertelsmann Investments fell by 42.8 percent to €21 million (previous year: €37 million) due to the business expansion at AppLike among other things.

Results Breakdown

in € millions	2023	2022 (adjusted)
Operating EBITDA adjusted by division		
RTL Group	1,173	1,323
Penguin Random House	664	666
BMG	194	195
Arvato Group	895	877
Bertelsmann Marketing Services	29	21
Bertelsmann Education Group	283	192
Bertelsmann Investments	21	37
Total operating EBITDA adjusted by division	3,258	3,311
Corporate/Consolidation	(140)	(119)
Operating EBITDA adjusted	3,119	3,192
Amortization/depreciation, impairments/reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets not included in special items	(1,131)	(1,077)
Special items	(88)	(562)
EBIT (earnings before interest and taxes)	1,899	1,553
Financial result	(337)	(258)
Earnings before taxes from continuing operations	1,563	1,295
Income tax expense	(237)	(246)
Earnings after taxes from continuing operations	1,326	1,049
Earnings after taxes from discontinued operations	–	3
Group profit or loss	1,326	1,052
thereof: Earnings attributable to Bertelsmann shareholders	923	671
thereof: Earnings attributable to non-controlling interests	402	381

Special Items

Special items in the financial year 2023 totaled €-88 million compared to €-562 million in the previous year. They consist of impairments on other financial assets at amortized cost amounting to €-4 million (previous year: €-32 million), impairments on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations amounting to €-18 million (previous year: €-7 million), results from disposals of investments amounting to €731 million (previous year: €136 million), fair value measurement of investments amounting to €-229 million (previous year: €-232 million), adjustments of the carrying amounts of assets held for sale amounting to €-19 million (previous year: –), as well as restructuring expenses and other special items totaling €-549 million (previous year: €-420 million). In the reporting period, there were no impairments or reversals on investments accounted for using the equity method (previous year: €-7 million). The high increase in the results from disposals of investments is primarily related to the sale of Majorel shares. Restructuring expenses and other special items largely consist of restructuring expenses and are primarily attributable to the reorganization of RTL Group's publishing business, the reorganization of Penguin Random House's US business and the site closures in the gravure printing business of Bertelsmann Marketing Services. Further special items include the value adjustments that arose at Penguin

Random House in the United States in relation to office building vacancies. The change in the fair value measurement of investments is mainly related to companies in the portfolio of the Bertelsmann Investments division.

EBIT

EBIT amounted to €1,899 million in the financial year 2023 (previous year: €1,553 million), based on operating EBITDA adjusted and after accounting for special items totaling €-88 million (previous year: €-562 million) and amortization, depreciation, impairments and reversals of impairment losses on intangible assets, property, plant and equipment and right-of-use assets totaling €-1,131 million (previous year: €-1,077 million), which were not included in the special items.

Group Profit

The financial result was €-337 million, compared with the previous year's amount of €-258 million. The income tax expense amounted to €-237 million compared with €-246 million in the previous year. The earnings after taxes from continued operations totaled €1,326 million (previous year: €1,049 million). There were no earnings after taxes from discontinued operations in the reporting period. In the previous year, this amounted to €3 million and was attributable to follow-on effects from the sale of the businesses of the former Direct Group, which were previously accounted as discontinued operations. Group profit therefore amounts to €1,326 million (previous year: €1,052 million). The share of Group profit in non-controlling interests came to €402 million (previous year: €381 million). The share of Group profit attributable to Bertelsmann shareholders came to €923 million (previous year: €671 million). For the 2023 financial year, a dividend payout of €220 million (previous year: €220 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 solid investment grade 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 calculated as the ratio of economic debt to operating EBITDA adjusted; this factor should not regularly exceed the defined maximum of 2.5. As of December 31, 2023, the leverage factor was 1.8 and at the level of the previous year (December 31, 2022: 1.8).

As of December 31, 2023, economic debt amounted to €4,713 million compared to €4,785 million in the previous year. At €2,267 million, net financial debt also remained nearly at the level of the previous year (December 31, 2022: €2,249 million). As of December 31, 2023, recognized lease liabilities fell to €1,333 million (December 31, 2022: €1,538 million). At €700 million as of December 31, 2023, provisions for pensions and similar obligations were at the level of the previous year (December 31, 2022: €710 million). Most of the short-term liquidable investments in a special fund set up in 2021 were liquidated in the reporting period. On December 31, 2022, these were deducted from the economic debt for the final time in the amount of €125 million.

Another financial target is the (interest) coverage ratio. This is calculated as the ratio of operating EBITDA adjusted, 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: 11.1). The Group's equity ratio rose to 46.5 percent (December 31, 2022: 45.8 percent), remaining significantly above the self-imposed minimum of 25 percent.

Financial Targets

	Target	2023	2022
Leverage Factor: Economic debt/Operating EBITDA adjusted[1]	≤ 2.5	1.8	1.8
Coverage Ratio: Operating EBITDA adjusted/Financial result[1]	> 4.0	8.3	11.1
Equity ratio: Equity as a ratio to total assets (in percent)	≥ 25.0	46.5	45.8

1 After modifications.

Financing Activities

In March 2023, Bertelsmann exercised a call option on the hybrid bond with a nominal value of €650 million. The early repayment of the outstanding nominal value of €146 million was made in April 2023, after a nominal amount of €504 million was already repaid early in December 2022 as part of a public repurchase offer. In April 2023, the debt issuance program was renewed with a maximum total volume of €5 billion.

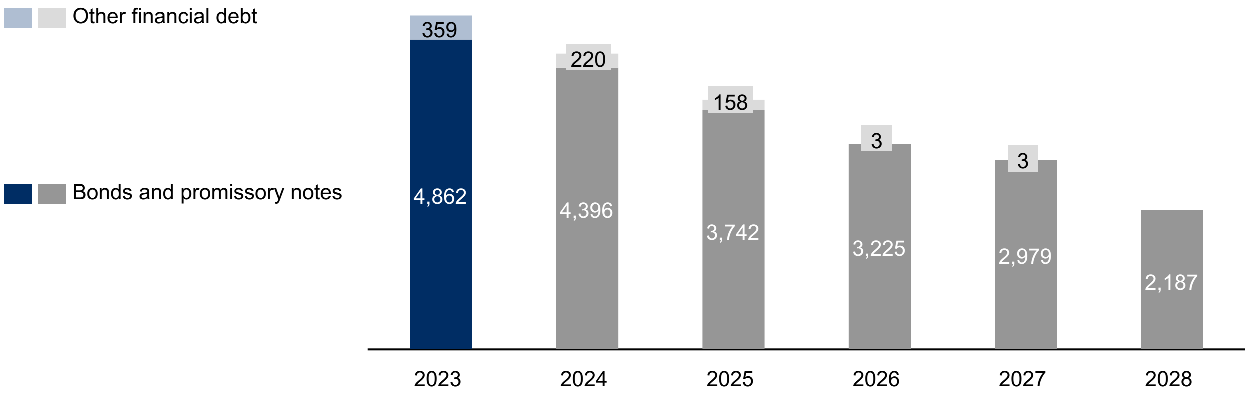
Rating

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 currently 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, 2023, forms the backbone of the strategic credit reserve; Bertelsmann can utilize this with a term until 2026 to draw up to €1.2 billion of revolving funds in euros and US dollars.

Maturity Structure of Financial Debt in € millions



Cash Flow Statement

During the reporting period, cash flow from operating activities was generated in the amount of €1,915 million (previous year: €1,382 million). Cash flow from investing activities was €-539 million (previous year: €-1,118 million). Of that amount, €-1,076 million (previous year:€-1,408 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 €-362 million (previous year: €-264 million). Payments from the sales of subsidiaries and other business units as well as of other non-current assets were €898 million (previous year: €554 million). The increase in payments is mainly attributable to the sale of Majorel shares. Cash flow from financing activities amounted to €-1,622 million (previous year: €-1,734 million). Dividend payments to Bertelsmann SE & Co. KGaA shareholders totaled €-220 million (previous year: €-220 million). Dividends paid to non-controlling interests and other shareholders amounted to €-276 million (previous year: €-293 million). As of December 31, 2023, Bertelsmann had cash and cash equivalents of €3.0 billion (previous year: €3.2 billion).

Consolidated Cash Flow Statement (Summary)

in € millions	2023	2022
Cash flow from operating activities	1,915	1,382
Cash flow from investing activities	(539)	(1,118)
Cash flow from financing activities	(1,622)	(1,734)
Change in cash and cash equivalents	(246)	(1,470)
Exchange rate changes and other changes in cash and cash equivalents	(9)	29
Cash and cash equivalents as of 1/1	3,228	4,669
Cash and cash equivalents as of 12/31	2,974	3,228
Less cash and cash equivalents of disposal groups	(20)	–
Cash and cash equivalents as of 12/31 (according to the consolidated balance sheet)	2,954	3,228

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 remained stable compared with the previous year. The off-balance-sheet liabilities existing as of December 31, 2023, 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 €6 million (previous year: €309 million), amounted to €1,444 million in the 2023 financial year (previous year: €1,981 million). Investments as reported in the cash flow statement amounted to €1,438 million (previous year: €1,672 million). As in previous years, the majority of the €441 million investments in property, plant and equipment (previous year: €450 million) stemmed from the Arvato Group. Investments in intangible assets came to €456 million (previous year: €586 million) and were primarily attributable to BMG for the acquisition of music catalogs and RTL Group for investments in film rights. The sum of €179 million was invested in financial assets (previous year: €372 million). Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €362 million (previous year: €264 million) and were mainly attributable to the acquisitions of DelRey and Callisto Media.

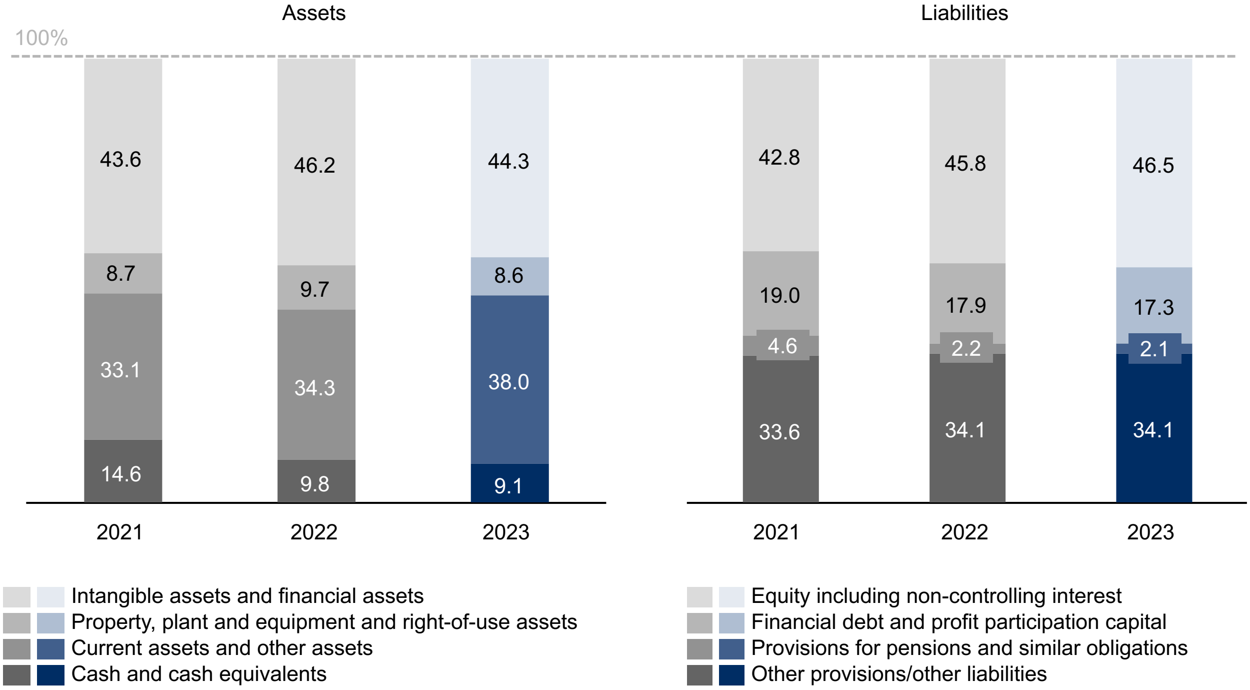
Investments by Division

in € millions	2023	2022 (adjusted)
RTL Group	259	196
Penguin Random House	163	104
BMG	227	372
Arvato Group	321	345
Bertelsmann Marketing Services	35	37
Bertelsmann Education Group	241	136
Bertelsmann Investments	177	219
Total investments	1,423	1,409
Corporate/Consolidation	15	263
Total investments	1,438	1,672

Balance Sheet

Total assets decreased to €32.6 billion as of December 31, 2023 (previous year: €32.8 billion). Cash and cash equivalents totaled €3.0 billion (previous year: €3.2 billion). Equity amounted to €15.2 billion after €15.0 billion in the previous year. This resulted in an equity ratio of 46.5 percent (previous year: 45.8 percent). Equity attributable to Bertelsmann SE & Co. KGaA shareholders was €12.9 billion (previous year: €12.5 billion). Provisions for pensions and similar obligations amounted to €700 million (previous year: €710 million). Gross financial debt totaled €5,220 million, compared to €5,477 million as of December 31, 2022. Apart from that, the balance sheet structure remained largely unchanged from the previous year.

Balance Sheet in percent



Profit Participation Capital

Profit participation capital had a par value of €301 million as of December 31, 2023, as in the previous year. If the effective interest method is applied, the carrying amount of profit participation capital was €413 million as of December 31, 2023 (previous year: €413 million). The 2001 profit participation certificates (ISIN DE0005229942) account for 94 percent of par value of profit participation capital, while the 1992 profit participation certificates (ISIN DE0005229900) account for the remaining 6 percent.

The 2001 profit participation certificates are officially listed for trading on the Regulated Market of the Frankfurt Stock Exchange. Their price is listed as a percentage of par value. The highest closing rate of the 2001 profit participation certificates during the 2023 financial year was 279.80 percent in May; their lowest was 221.00 percent in October.

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 2023.

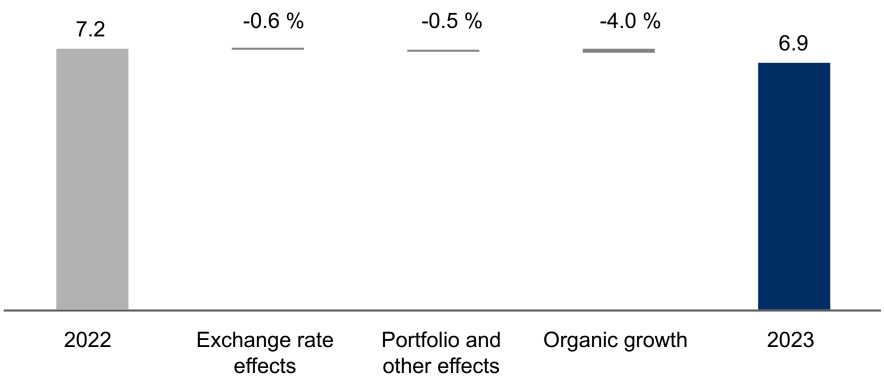
The 1992 profit participation certificates, approved for trading on the Regulated Market in Frankfurt, only have a limited liquid trading on the stock exchange due to their low volume. Payouts on the 1992 profit participation certificates are based on the Group’s return on total assets. Because the return on total assets for the 2023 financial year was 5.01 percent (previous year: 4.18 percent), the payout on the 1992 profit participation certificates for the 2023 financial year will be 6.01 percent of their par value (previous year: 5.18 percent).

The payout distribution date for both profit participation certificates is expected to be May 7, 2024. 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

Revenue Breakdown in € billions



Against the backdrop of declining advertising markets in Germany, the Netherlands and France, and lower revenues from Fremantle, RTL Group’s revenues and operating EBITDA adjusted fell strongly in 2023. Meanwhile, in the streaming business, which continues to be characterized by dynamic growth, streaming revenues increased in total by 50.2 percent. Streaming revenues in 2023 totaled €401 million (previous year: €267 million), of which an amount of €118 million was attributable to RTL Nederland/Videoland (previous year: €104 million).

RTL Group’s revenues decreased by 5.1 percent to €6.9 billion in 2023 (previous year: €7.2 billion), while operating EBITDA adjusted decreased by 11.3 percent to €1.2 billion (previous year: €1.3 billion). Revenue fell organically by 4.0 percent compared to the previous year. The EBITDA margin was 17.1 percent (previous year: 18.3 percent).

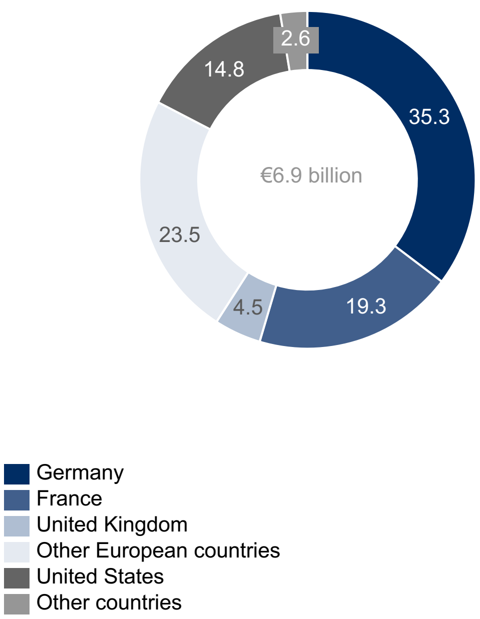
In line with the Bertelsmann Boost strategy, RTL Group maintained its high level of investment in attractive program content, the expansion of the streaming business, and Tech & Data. The aim is to strengthen the leading market positions of its channels and offerings and to expand RTL Group's growth businesses. In 2023, RTL Group secured exclusive broadcasting and streaming rights for sports events such as the UEFA Europa League and the UEFA Europa Conference League in Germany, the UEFA Champions League in Hungary, and the NFL in Germany and France, and entered into alliances and partnerships in the European media industry. In the year under review, RTL Deutschland also completed the reorganization of its publishing business, which now focuses on its core brands such as “Stern,” “Geo,” “Capital,” “Brigitte,” “Gala,” “Schöner Wohnen,” “Eltern,” and “Chefkoch.” August saw the roll-out of the first “all-inclusive entertainment” app RTL+, which offers video, music, podcasts, audiobooks and magazine content in one app. In December 2023, RTL Group announced that it had reached an agreement on the sale of RTL Nederland to DPG Media and signed a strategic partnership with the buyer. The cash transaction is expected to close in mid-2024.

The German family of channels further increased its audience share in the reporting year and achieved its biggest lead over main commercial competitor ProSiebenSat.1 in ten years. RTL and Vox were the #1 and #2 commercial TV channels among the commercial target group in 2023. Groupe M6’s stations in France scored an audience share of 21.9% in the commercial target groups (previous year: 22.3%).

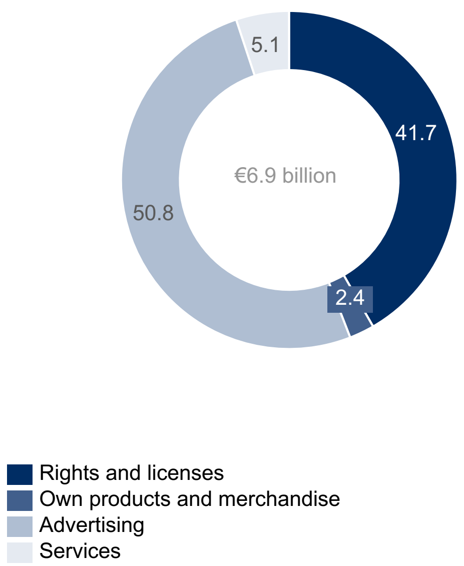
The streaming services RTL+ in Germany, 6play in France and RTL+ in Hungary increased the number of paying subscribers by 30.5 percent to a combined total of 5.6 million; streaming revenues in 2023 grew by 72.6 percent to €283 million (previous year: €164 million). The strategic partnership with Deutsche Telekom to bundle RTL+ in Magenta TV contributed significantly to this growth in Germany, as did reality-TV formats like “Das Sommerhaus der Stars” (“The Summer House of Stars”) and “Temptation Island,” UEFA Europa League and UEFA Europa Conference League soccer matches, and the growing number of original formats such as “Sisi” and “Pumuckl’s New Adventures.” In Hungary, “ValoVilág” (“Big Brother”) and the comedy series “A mi kis falunk” (“Our Little Village”) were among the audience favorites.

Fremantle recorded declines in both revenues and earnings in 2023, particularly against the backdrop of postponed productions due partly to the writers’ strike in the United States. First-look agreements were concluded with Oscar-nominated producers Edward Berger and Amy Berg in the reporting period. In addition, the global production business launched its new label Undeniable, which focuses on the production of first-class premium documentaries. Fremantle received a total of 145 awards for its film and TV shows in 2023 (2022: 115).

Revenues by Region in percent (without intercompany revenues)

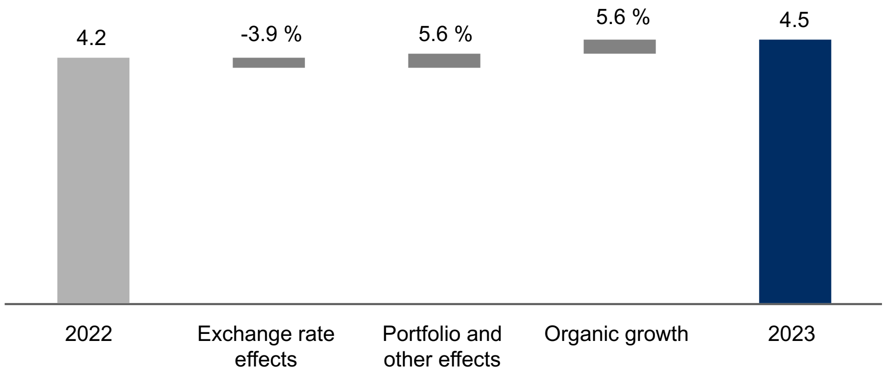


Revenues by Category in percent



Penguin Random House

Revenue Breakdown in € billions



The world's largest trade book publishing group, Penguin Random House, recorded a strong rise in revenue in 2023, due largely to sales growth in its print and audiobook segment and from its majority stake in the independent US publisher Sourcebooks. The operating result fell slightly due to negative exchange rate effects, inflation-related cost increases and a positive effect from the sale of buildings in the previous year. Revenues reached €4.5 billion, an increase of 7.3 percent year-on-year (previous year: €4.2 billion). Operating EBITDA adjusted amounted to €664 million (previous year: €666 million, -0.4 percent). The EBITDA margin amounted to 14.6 percent (previous year: 15.8 percent).

At the beginning of the year, Nihar Malaviya took over global leadership of Penguin Random House. He initiated the restructuring of the US publishing divisions and implemented cost and operational efficiencies to position Penguin Random House for further growth. Penguin Random House's book sales in most of its territories, including the United States, the United Kingdom, Germany and Spain, outperformed their respective book markets thanks to strong divisional publishing programs.

In the United States, Penguin Random House increased its stake in the innovative publisher Sourcebooks to a majority share, and with them subsequently acquired the data-driven non-fiction publisher Callisto Media. In December, Penguin Random House announced the acquisition of independent US book publisher Hay House, one of the country's leading wellness and health publishers. The year's biggest bestsellers in the United States included "Spare" by Prince Harry, which sold more than three million copies, "Outlive" by Peter Attia with Bill Gifford, "Lessons in Chemistry" by Bonnie Garmus, "The Exchange" by John Grisham, "Atomic Habits" by James Clear, and "Taylor Swift: A Little Golden Book" by Wendy Loggia, each of which sold more than a million copies. In the children's book segment, classics by Dr. Seuss sold more than nine million copies in 2023.

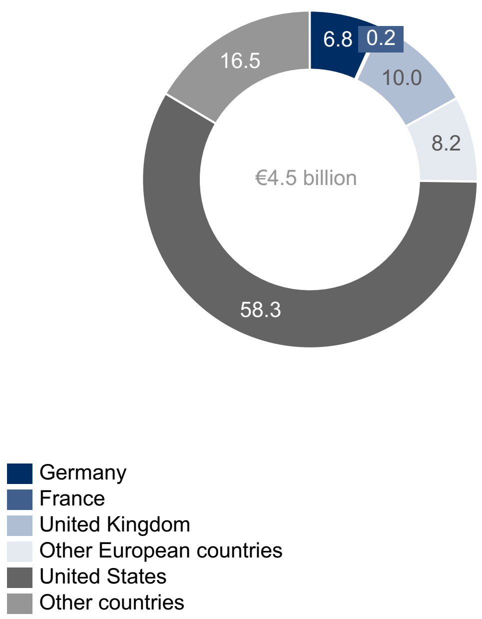
Penguin Random House UK outperformed the market despite negative macroeconomic influences. The British publishing group increased both its market share and its revenues thanks to successful bestsellers, higher audiobook sales, and a solid international business. The year's best-selling books included "Spare," "Lessons in Chemistry," and "Atomic Habits." At DK Publishing, the DK Alpha imprint, with bestsellers such as "Baking Yesteryear," and the travel guide business were particularly successful.

Penguin Random House Grupo Editorial continued to grow in Spain, Portugal, and Latin America with strong book sales. The Spanish-language publishing group also acquired the independent publisher Roca Editorial and laid the foundation for a new publishing distribution center near Barcelona. Its best-selling titles included "El viento conoce mi nombre" ("The Wind Knows My Name") by Isabel Allende, "El problema final" ("The Final Problem") by Arturo Pérez-Reverte, and "El cuco de cristal" ("The Crystal Cuckoo") by Javier Castillo.

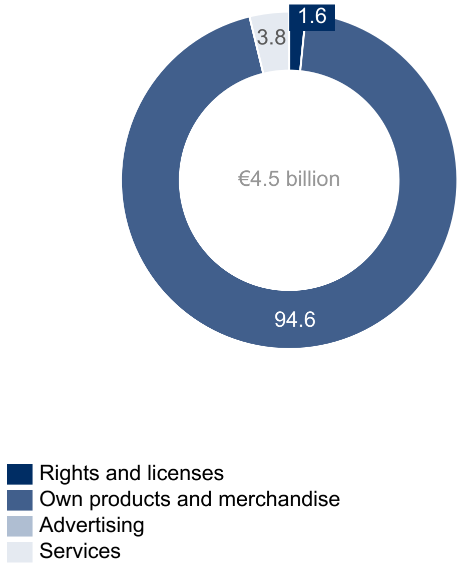
Penguin Random House Verlagsgruppe in Germany maintained its position as the national market leader in 2023. The publishing group released three of the year’s leading bestsellers in Germany: “Atlas – Die Geschichte von Pa Salt” (“Atlas: The Story of Pa Salt”) by Lucinda Riley and Harry Whittaker, “Reserve” (“Spare”) by Prince Harry and “Das Kind in dir muss Heimat finden” (“The Child in You”) by Stefanie Stahl. The German edition of Britney Spears’ memoir “The Woman in Me” was published in October and promptly became a national bestseller.

Numerous Penguin Random House authors won prestigious international literary prizes, including four Pulitzers. Furthermore, Salman Rushdie received the Peace Prize from the German Book Trade and the PEN America Centenary Courage Award.

Revenues by Region in percent (without intercompany revenues)

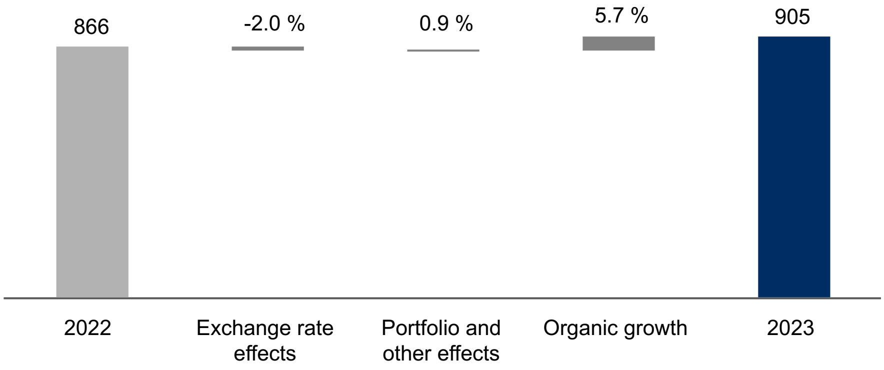


Revenues by Category in percent



BMG

Revenue Breakdown in € millions



In the financial year 2023, Bertelsmann's music subsidiary BMG increased its revenues by 4.6 percent to €905 million (previous year: €866 million), a new record result driven by organic growth and growth through acquisitions in the publishing and label business. In a year of considerable structural changes, operating EBITDA adjusted remained stable at €194 million (previous year: €195 million). The EBITDA margin dipped slightly to 21.4 percent (previous year: 22.5 percent), while the share of digital revenues in total revenues was 63 percent (previous year: 70 percent).

In the reporting year, BMG made 30 catalog acquisitions fueled by Bertelsmann's Boost strategy, including significant music rights packages from The Hollies, Snap!, Jet, Dope Lemon, Martin Solveig, the band Nena and Alain Chamfort. BMG also acquired a significant share of Paul Simon's music interests, including the license revenues from Simon & Garfunkel's recordings. New contracts were concluded with international superstar Jennifer Lopez (recording and publishing) and the Sex Pistols (publishing), as well as with the artists Wiz Khalifa, Sum 41, Corey Taylor, Mammoth WVH (recording and publishing) and Half Moon Run. Pitbull, Robin Schulz and the estate of Juice WRLD extended their long-term publishing contracts. The company also secured the right to release George Harrison's solo recordings, uniting the ex-Beatle's recorded catalog and publishing rights under one roof.

In the label sector, BMG achieved significant success with new releases by Kylie Minogue, Jason Aldean, Jelly Roll, Lainey Wilson, Rita Ora and Godsmack. BMG had a strong year in country music: Jason Aldean's "Try That In A Small Town" became BMG's first number one single in the Billboard Hot 100, and Lainey Wilson and Jelly Roll together won six of the twelve awards at the prestigious Country Music Association Awards.

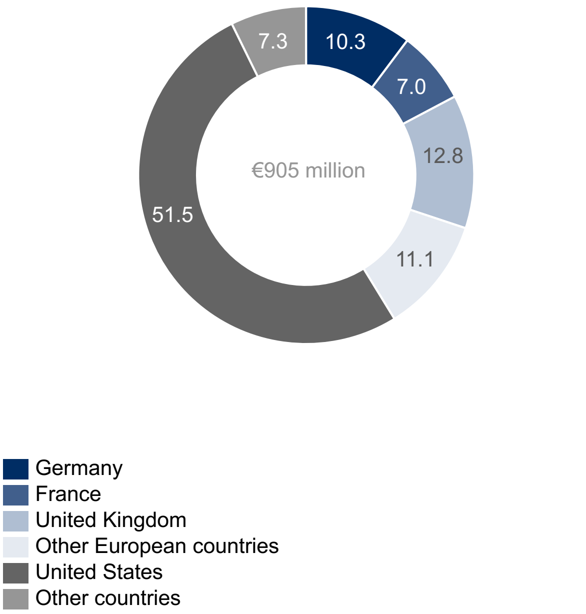
In the publishing business, the song "I'm Good (Blue)," co-written by Bebe Rexha, who is signed to BMG, and "Boy's A Liar Pt. 2" (by BMG songwriter Mura Masa for performers PinkPantheress and Ice Spice), and the albums "Hackney Diamonds" by the Rolling Stones and "Broken By Desire To Be Heavenly Sent" by Lewis Capaldi soared to the top of the charts worldwide.

On July 1, 2023, BMG's former CFO Thomas Coesfeld succeeded the division's long-standing CEO Hartwig Masuch. In the context of a comprehensive strategic and organizational review of the company, BMG announced that it would focus on the core competencies of its music publishing and label businesses. BMG introduced a new global organizational structure and successfully took over responsibility for the digital distribution of its own recorded music catalog. As part of this, the company made its recorded catalog directly available to the two streaming platforms Spotify and Apple Music.

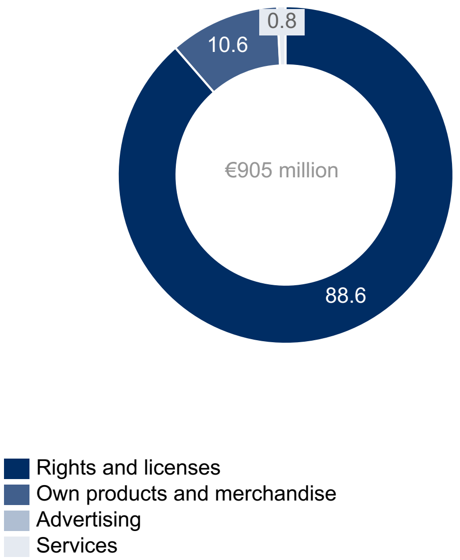
In physical distribution, BMG and Universal Music Group (UMG) signed an agreement under which the distribution of BMG recording media will be transferred to UMG's Commercial Services division in the course of 2024.

BMG advanced its innovation efforts with various technical innovations. For example, the "MyBMG Mobile App 3.0" was introduced for the company's customers, and the BMG Production Music unit's new website was launched worldwide, with versatile AI and big data applications that enable new and faster analysis, marketing and service functions.

Revenues by Region in percent (without intercompany revenues)

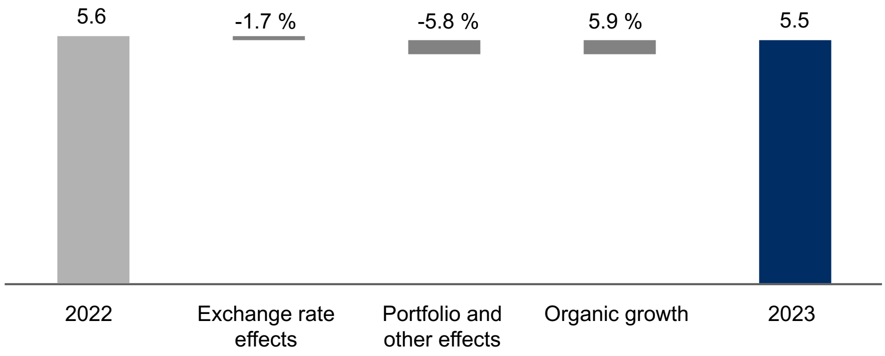


Revenues by Category in percent



Arvato Group

Revenue Breakdown in € billions



Bertelsmann's service businesses, which are combined in the Arvato Group, continued to expand their business activities in 2023. Growth was driven by Arvato's supply chain services and, until its sale in November, Majorel's customer experience businesses. As Majorel's revenues were only consolidated for ten months, the global services group's total revenues declined slightly by 1.6 percent to €5.5 billion (previous year: €5.6 billion). Operating EBITDA adjusted, on the other hand, rose by 2.1 percent to €895 million (previous year: €877 million) despite the lack of the Majorel contribution from November. The EBITDA margin was 16.3 percent after 15.8 percent in the previous year.

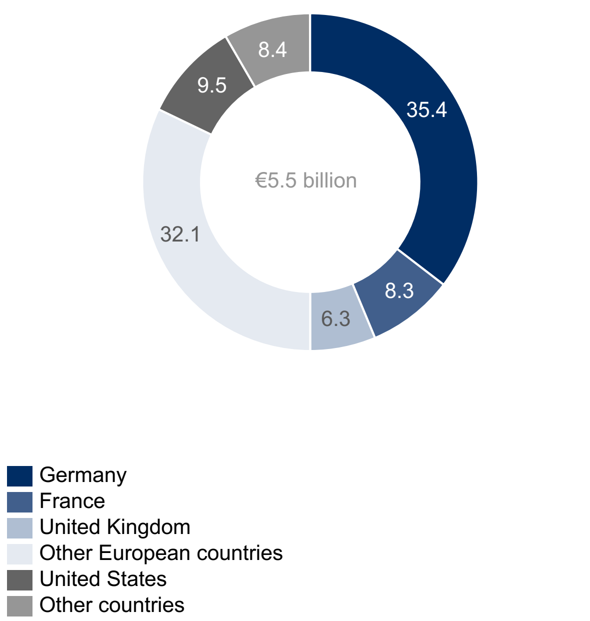
Arvato's supply chain management businesses once again saw dynamic and profitable growth in the 2023 financial year. New customers were acquired in the healthcare and tech sectors, and in the publishing industry, among others. At the same time, the global network of locations was systematically expanded and large new logistics hubs were opened in the United States, Poland and Spain. Beyond this, Arvato mainly invested in its sustainability activities and in state-of-the-art automation and cloud technologies. A cooperation agreement was also signed with Boston Dynamics for the implementation of robotics solutions.

Riverty's financial services businesses saw a stable development in the reporting period. Revenue losses from the disposal of the business activities in the United Kingdom were compensated for by growth in the core businesses. Operating EBITDA adjusted declined slightly due to the exit from the British market and higher costs. The expansion of the cooperation with Easypark in the Netherlands and Belgium paved the way for sustainable growth in the payment services segment. Riverty expanded its existing cooperation with Berliner Verkehrsbetriebe, another major customer from the mobility segment.

Arvato Systems dynamically increased its revenues in the past financial year, while the operating result remained at the previous year's level, partly due to start-up effects from newly acquired customers. The IT provider intensified its collaboration with companies in the healthcare segment, among others, and signed a new customer contract with kubus IT, which is both a subsidiary and the IT service provider of the AOK Bayern and AOK Plus health insurance companies. Arvato Systems also further grew its portfolio of cloud services, continuously expanded its activities in the field of artificial intelligence, and won various high-profile awards, including in the area of cloud services.

The global customer experience service provider Majorel, in which Bertelsmann owned a 39.5 percent stake and fully consolidated in the first ten months of the year, also grew dynamically in the past financial year and further expanded its relationships with clients from the Internet/high-tech, banking/insurance, energy/utilities and tourism sectors, among others. At the beginning of November, the French company Teleperformance announced the completion of the voluntary public takeover bid for all Majorel shares it had announced at the end of April. Bertelsmann transferred its shares and received around four percent of Teleperformance's shares in return.

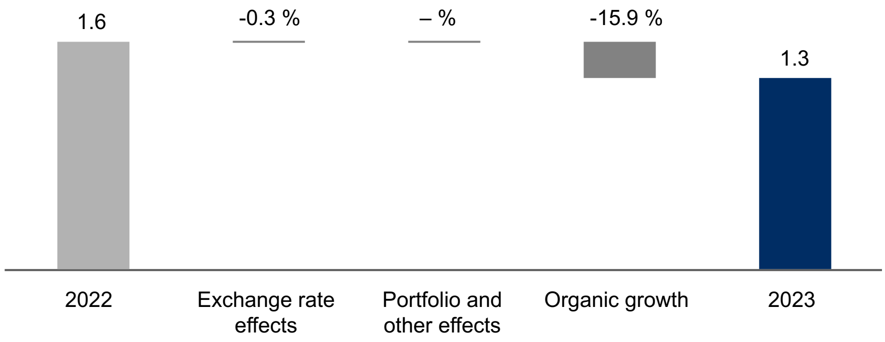
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent

Bertelsmann Marketing Services

Revenue Breakdown in € billions



An international provider of print and marketing services, this division has operated under the new umbrella brand Bertelsmann Marketing Services since April 2023. At the same time, the Territory agency was integrated into the Group with retroactive effect from January 1. Bertelsmann Marketing Services faced a challenging market environment across almost all lines of business in the 2023 financial year. The continuing decline in demand for print products and the further reduction in marketing expenditure by advertisers led to a drop in volumes and capacity utilization at its large production plants. As a result, revenues fell by 16.2 percent to €1.3 billion (previous year adjusted: €1.6 billion). Due to cost-cutting and efficiency measures, however, operating EBITDA adjusted rose by 37.3 percent to €29 million (previous year adjusted: €21 million). The EBITDA margin amounted to 2.2 percent (previous year: 1.3 percent).

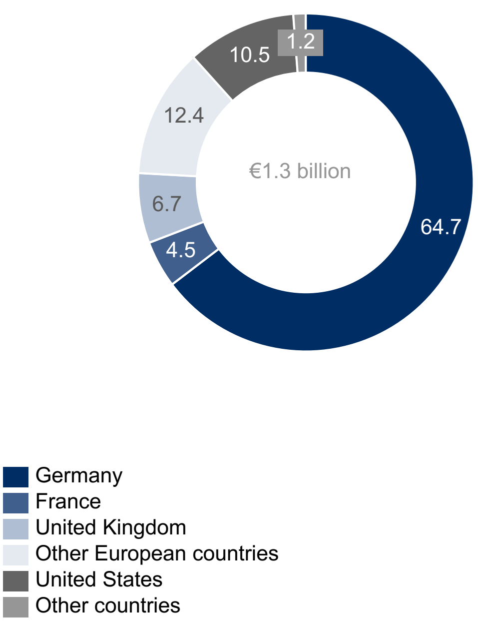
The offset printing businesses in Germany recorded reduced profitability in the reporting period, with low capacity utilization and declining revenues. Falling prices for energy and raw materials had a positive impact on costs. In the gravure segment, the strategic downsizing was systematically continued: The closure of the Prinovis site in Liverpool, United Kingdom, announced in 2022 was completed in June 2023. The gravure printing site in Ahrensburg, Germany, was also shut down as of January 31, 2024.

Revenues and earnings from the digital marketing business increased again year-on-year despite difficult market conditions. Due to strong reluctance on the part of advertising clients, Territory's agency business and Dialog's data-driven multichannel marketing services were under pressure throughout the year and recorded revenue declines. By contrast, the multi-partner bonus program DeutschlandCard was able to further expand its business activities, while the Campaign unit's campaign management business grew profitably.

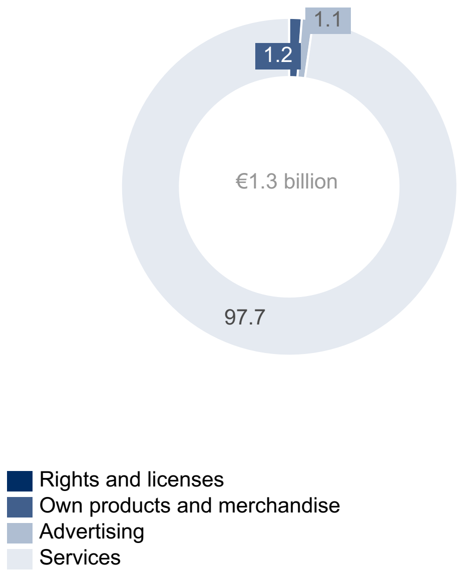
The business performance of the book printing activities in the United States was impacted by lower publisher-side demand for printing and finishing services across all book formats. Against this backdrop, both revenues and earnings declined. The comprehensive investment program to boost productivity and digitize production processes continued as planned over the course of the year. These activities included the commissioning of a state-of-the-art offset printing press for the production of softcover formats at the Berryville site. As part of the strategic consolidation of the US business, the commercial print site in Louisville, United States, was shut down at mid-year.

The replication specialists at Sonopress recorded a market-driven decline in volumes across all formats in the 2023 financial year, which had a negative impact on capacity utilization and revenue development. By contrast, Topac's business with sustainable food packaging continued to expand. Despite declining revenues, the Sonopress Group's operating results increased overall thanks in part to a variety of efficiency measures.

Revenues by Region in percent (without intercompany revenues)

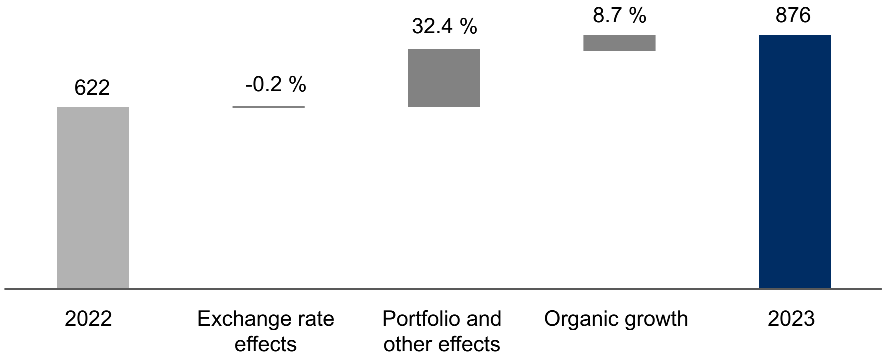


Revenues by Category in percent



Bertelsmann Education Group

Revenue Breakdown in € millions



The education businesses bundled in the Bertelsmann Education Group increased both their revenue and operating EBITDA adjusted in the 2023 financial year, fueled primarily by strong organic growth across all operating units, improved cost efficiency, and portfolio effects from the full consolidation of Brazilian education provider Afya in May 2022. Afya, the e-learning provider Relias, which specializes in professional education and training in the healthcare sector, and the clinical practice-oriented Alliant International University, all expanded their portfolios and increased their number of customers and students.

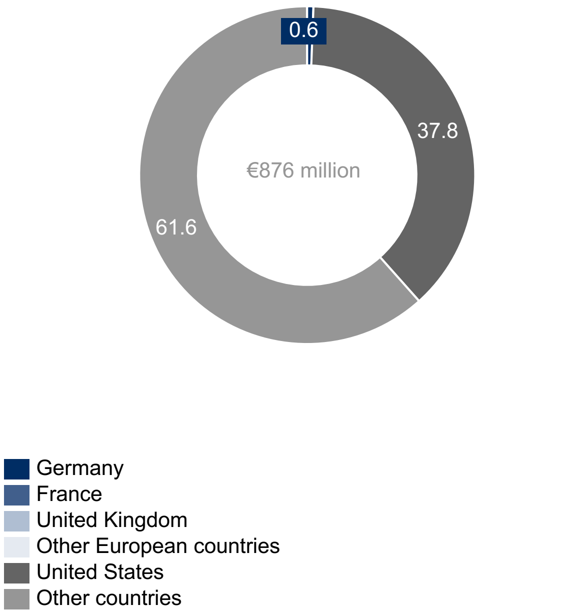
In 2023, Bertelsmann Education Group's revenues totaled €876 million, up 40.9 percent year-on-year (previous year: €622 million). Organic growth was 8.7 percent in the reporting year. Operating EBITDA adjusted increased by 47.6 percent to €283 million (previous year: €192 million), while the EBITDA margin again reached a high level of 32.3 percent after 30.8 percent in 2022.

Afya continued its dynamic growth in the past financial year. Higher income from tuition fees and high student numbers due to the acquisition of two medical universities, UNIMA and FCM Jaboatão, were the main growth drivers. The acquisition further expanded Afya's presence in northeastern Brazil and increased the number of medical student places at Afya to 3,163 per year.

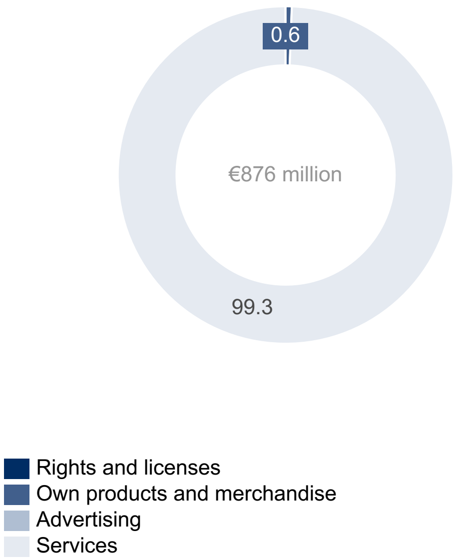
Relias, the US market leader in online education and training for healthcare professionals, continued to benefit from the shift to online learning and the increasing demand for workforce management solutions to optimize clinical performance in the past financial year, and made a variety of improvements to its digital learning and service platforms and the "Relias Learner App." In October, Relias also expanded its online platform Nurse.com by introducing a job portal that qualified nurses can use to find suitable job vacancies through the use of artificial intelligence. Relias received numerous national and international awards in 2023 and placed in important rankings. For example, Relias' learning platform was named Platform of the Year at the EdTech Breakthrough Awards.

Alliant International University, which specializes in the training and certification of psychologists, nurses and teachers, continued to expand its online program in 2023 and recorded a further increase in student numbers. At the end of the year, around 4,700 students were enrolled in courses at Alliant. In April, the Alliant International University opened its ninth campus, the “Alliant School of Nursing and Health Sciences” in Phoenix, United States, where students can earn a Bachelor of Science in Nursing (BSN) or a Direct Entry Master in Nursing (DEMSN). The aim of each degree program is to combine science and practice; considerable growth is expected for all these professions in the years ahead.

Revenues by Region in percent (without intercompany revenues)

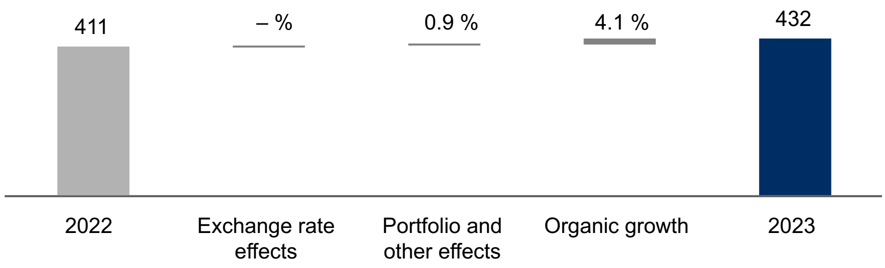


Revenues by Category in percent



Bertelsmann Investments

Revenue Breakdown in € millions



Bertelsmann Investments (BI) is made up of Bertelsmann's global fund network, the Bertelsmann Next unit, and the Investments & Participations unit. BI's revenues in 2023 were €432 million (previous year adjusted: €411 million), while operating EBITDA adjusted was €21 million (previous year adjusted: €37 million). The venture capital organization's business performance is mainly reflected in its EBIT. At €-219 million, BI's EBIT was below the previous year's figure (€-51 million), primarily due to market-driven write-downs on investments, and currency effects.

Bertelsmann Investments made 35 new and 16 follow-on venture capital investments in the reporting period. As of the reporting date, its active venture capital portfolio comprised 363 investments.

Bertelsmann Asia Investments (BAI) concentrates on investments in globally active companies based in China. BAI strengthened its portfolio companies with follow-on investments in the 2023 financial year and, in this connection, further expanded its investments primarily in Colorful Pines, an online platform for the elderly, and the automotive technology company ClearMotion. New investments were made in Harvers Biotech, a technology company in the field of synthetic biology, among others. The portfolio company Stori, Latin America's leading neobank, delivered a particularly strong business performance, primarily due to high new customer gains and the market launch of a new financial product.

As part of Bertelsmann's Group-wide Boost strategy, Bertelsmann India Investments (BII) 2023 made follow-on investments in the logistics platform Lets Transport and in Rupeek, one of India's leading fintech platforms for gold-backed lending, as well as a new investment in Nat Habit, a Delhi-based beauty and wellness company.

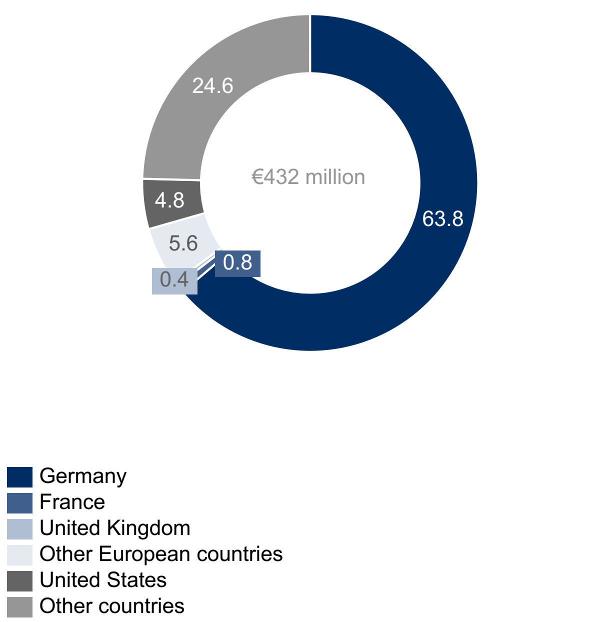
Bertelsmann Digital Media Investments (BDMI) made 19 new and seven follow-on investments. These included new investments in Percent, an online marketplace for debt capital, and in the SaaS platform company Tracer, which optimizes and aggregates marketing data. A follow-on investment was made in Certa, another SaaS company in the United States, which specializes in lifecycle management. BDMI made a successful exit from Zergnet, an American platform company for online content recommendations.

Bertelsmann Central Investments (BCI) bundles the Group's central investment activities in the regions of Southeast Asia, Latin America, Europe and Africa. In the financial year 2023, it made further fund investments in these regions, including in Openspace Ventures+ II in Southeast Asia, in the Web3 fund Greenfield Mainnet I, and in the 468 Capital fund in Europe. Investments were also made in the European sustainability fund AENU. As of December 31, 2023, BCI made investments worth €12 million in four funds investing in AI. Through these funds, BCI holds shares in 28 AI start-ups, such as Aleph Alpha and Builder.ai.

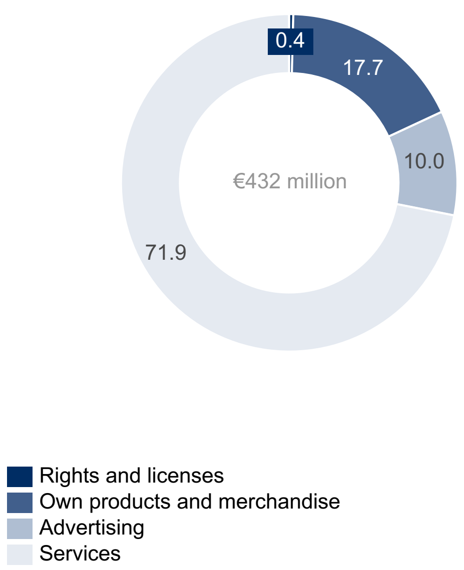
The Bertelsmann Next unit, newly created in 2022, mainly drives entrepreneurial development in the growth sectors of digital health, HR tech and mobile ad tech. In Digital Health, investments and capital commitments of around €90 million have already been made since the launch of the Next initiative, including investments in the healthcare companies Patient21, Doccla, QuantHealth, and DeepC during the reporting period. The development of the Pharma Tech segment was advanced with the acquisition of the Rote Liste/Red List, as well as an investment in Author-it Software Corporation. In HR Tech, BI strengthened its subsidiary Embrace during the reporting period by acquiring Studyflix, the biggest career platform for pupils and students in German-speaking countries. Embrace also announced its acquisition of the HR-solutions provider Milch & Zucker, which includes a job advertisement and applicant management system supported by AI applications.

The sale of DDV Mediengruppe to Mediengruppe Madsack was signed in the fourth quarter of the 2023 financial year. The transaction is subject to approval by the German Federal Cartel Office. The shares in DDV Mediengruppe are held by BI's Investments & Participations unit.

Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



General Statement by Company Management on the Economic Situation

In the past financial year 2023, Bertelsmann once again surpassed the revenue threshold of €20 billion despite portfolio- and currency-related declines. The effect of the Group's diversified positioning and the growth momentum generated from the Boost strategy is increasing. Revenue growth was achieved in particular by Penguin Random House, the Arvato Group's service businesses and Bertelsmann Education Group. Significant increases in these businesses more than offset the lower revenues in the TV business due, among other things, to weaker TV advertising markets. Earnings performance was also characterized by the overall social situation, which continued to be challenging, hampering the TV business in particular.

Due to the loss of Majorel's contribution to the Group's revenue and operating earnings from November due to the sale of shares, revenues were expected to remain stable compared with the previous year and operating EBITDA adjusted was expected to decrease slightly. Stable Group revenues were generated in the reporting period, reaching €20.2 billion, merely 0.4 percent below the level of the previous year at €20.2 billion, and was thus in line with the estimates (forecast in the Annual Report 2022: stable revenue). Organic revenue growth amounted to 0.8 percent. At €3,119 million, operating EBITDA adjusted declined by 2.3 percent, slightly below the previous year's level of €3,192 million (forecast in the 2022 Annual Report: slight decline).

Intensive work to implement the Boost strategy was ongoing in 2023. The growth initiatives also support the further development and the continuing expansion in line with the five strategic priorities: national media champions, global content, global services, education and investment portfolio. For the national media champions, RTL Group achieved continued strong growth in the streaming business. In Germany, the RTL+ content offering was also expanded with an all-inclusive entertainment app. At the end of the reporting period, RTL Group also announced the upcoming sale of RTL Nederland. Penguin Random House expanded the book publishing business through acquisitions, by increasing its shareholding in the US publisher Sourcebooks and the subsequent acquisition of the publishing assets of the nonfiction US publisher Callisto Media, and achieved creative successes such as Prince Harry's "Spare." BMG announced its plan to take over digital sales of its artists' music itself going forward and, within the framework of the Boost strategy, continued to invest in the acquisition of music catalogs. Global services were also further expanded. The acquisition of Majorel by Teleperformance was completed. Since April, the direct marketing and printing activities have been operating under the new Bertelsmann Marketing Services brand. Bertelsmann Education Group's global education business benefited from the continued favorable market developments for training in the field of healthcare. Afya completed the acquisition of two medical schools in Brazil. Alliant opened its new campus for nursing and health sciences in the United States in April. Bertelsmann expanded its investment portfolio with 35 new and 16 follow-on investments during the reporting period.

Net assets and financial position remain strong. Bertelsmann's leverage factor of 1.8 continued to be considerably lower than the defined level of 2.5 (December 31, 2022: 1.8). As of December 31, 2023, the cash and cash equivalents were reported at €3.0 billion (December 31, 2022: €3.2 billion). The rating agencies Moody's and S&P continue to 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	2023	2022
Organic revenue growth	0.8	4.1
Exchange rate effects	(1.6)	2.8
Portfolio and other effects	0.4	1.4
Reported revenue growth	(0.4)	8.3

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. Exchange rate effects are calculated by comparing the revenues of the current year with the exchange rates of the previous year. Portfolio effects are calculated to the exact month: in the case of acquisitions, the relevant months in the current year and in the following year are adjusted; in the case of sales, the non-comparable months in the previous year of the current year and in the previous year of the following year are excluded.

Operating EBITDA Adjusted

in € millions	2023	2022
EBIT (earnings before interest and taxes)	1,899	1,553
Less special items	(88)	(562)
attributable to: RTL Group	(121)	(94)
attributable to: Penguin Random House	(186)	(272)
attributable to: BMG	(36)	(7)
attributable to: Arvato Group	680	(22)
attributable to: Bertelsmann Marketing Services	(79)	(25)
attributable to: Bertelsmann Education Group	(122)	(46)
attributable to: Bertelsmann Investments	(225)	(75)
attributable to: Corporate/Consolidation	–	(21)
Less amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	(1,259)	(1,099)
Less adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	128	22
Operating EBITDA adjusted	3,119	3,192

Operating EBITDA adjusted 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 results from disposals of investments. This means operating EBITDA adjusted is a meaningful performance indicator. Not included in the special items are disposal effects of real estate transactions. To preclude a double adjustment, amortization/depreciation, impairment and reversals already included in the special items are eliminated by means of a correction.

Economic Debt

in € millions	2023	2022
Gross financial debt	5,221	5,477
Less cash and cash equivalents	2,954	3,228
Net financial debt	2,267	2,249
Less investments in special fund	–	(125)
Pension provisions	700	710
Profit participation capital	413	413
Lease liabilities	1,333	1,538
Economic debt	4,713	4,785

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 plus provisions for pensions, profit participation capital and lease liabilities. Most of the short-term liquidable investments in a special fund set up in 2021 were liquidated in the reporting period. On December 31, 2022, these were deducted from the economic debt for the final time in the amount of €125 million. Economic debt is modified for the purposes of calculating the leverage factor.

Leverage Factor

in € millions	2023	2022
Economic debt	4,713	4,785
Modifications	250	250
Economic debt^{LF}	4,963	5,035
Operating EBITDA adjusted	3,119	3,192
Modifications	(312)	(319)
Operating EBITDA adjusted^{LF}	2,807	2,873
Leverage factor	1.8	1.8

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

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 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 internal control system (ICS), as an integral component of the RMS, monitors the effectiveness of the risk response measures that have been implemented for risk management purposes in all of the involved divisions at the local and central level. Sustainability aspects are also addressed and continually updated, based on regulatory requirements. The RMS also includes a compliance management system (CMS).

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 occur. There is also a Group-wide reassessment of critical risks every six months. 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 Group auditor inspects the risk early-warning system for its capacity to identify developments early on that could threaten the existence of Bertelsmann SE & Co. KGaA according to section 91(2) of Germany's Stock Corporation Act (AktG), and then reports the findings to the Supervisory Board of Bertelsmann SE & Co. KGaA. Corporate Audit conducts ongoing reviews of the adequacy and functional capability of the RMS in all divisions apart from RTL Group, M6 and Afya (Bertelsmann Education Group). The RMS of RTL Group, M6 and Afya is evaluated by the respective internal auditing department and by the external auditor. Up until its exit from the Group, Majorel also had its own internal auditing department. 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. 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. Divisional risk management meetings are held to ensure compliance with statutory and internal requirements. Based on the insights gained as of the date that the Combined Management Report was prepared, the Executive Board had no indications that the two systems were inadequate or ineffective. 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 accounting-related ICS are to ensure that external and internal accounting are proper and reliable in accordance with applicable laws and that information is made available without delay to the various recipients. Reporting should also present a true and fair view of Bertelsmann's net assets, financial position and results of operations. The following statements pertain to the Consolidated Financial Statements (including the Notes to the Consolidated Financial Statements and the Combined Management Report), interim reporting and internal management reporting.

The ICS for the accounting process consists of the following areas: The Group's internal rules for accounting and the preparation of financial statements (e.g., IFRS manual, guidelines and circulars) are made available without delay to all employees involved in the accounting process. The Consolidated Financial Statements are prepared in a reporting system that is uniform throughout the Group. Extensive automatic system controls ensure the consistency of the data in the financial statements. The system is subject to ongoing development through a documented change process. Systematized processes for coordinating intercompany transactions serve to prepare the corresponding consolidation steps. Circumstances that could lead to significant misinformation in the Consolidated Financial Statements are monitored centrally by employees of Bertelsmann SE & Co. KGaA, and then verified by external experts as required. Central contact persons from Bertelsmann SE & Co. KGaA and the divisions are also in continuous contact with local subsidiaries to ensure IFRS-compliant accounting as well as compliance with reporting deadlines and obligations. These preventive measures are supplemented by specific controls in the form of automated and manual analyses by the Corporate Financial Reporting department of Bertelsmann SE & Co. KGaA. The purpose of such analyses is to identify any remaining inconsistencies. The controlling departments at the Group and division levels are also integrated into the internal management reporting. Internal and external reporting are reconciled during the segment reconciliation process. The further aim of 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, M6, Majorel and Afya 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. The accounting-related ICS also 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, M6, Majorel and Afya evaluate the accounting-related processes as part of their auditing work. As part of the auditing process, the Group auditor also reports to the Audit and Finance Committee of the Bertelsmann SE & Co. KGaA Supervisory Board about any significant vulnerabilities of the accounting-related ICS that were identified during the audit, and the findings regarding the risk early-warning system.

Major Risks to the Group

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

Overview of Major Risks to the Group

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

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

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

Strategic and Operational Risks

The global economy expanded at a relatively subdued rate in 2023. Framework conditions mainly responsible for the slowdown in 2022 such as higher energy prices, supply bottlenecks and China’s zero-Covid policy showed significant improvement. However, high inflation rates and the tightening of monetary policy resulting in significantly higher financing costs had a dampening effect on consumer spending. The real gross domestic product (GDP) rose by 3.1 percent, compared to 3.4 percent in 2022. The future outlook also remains subdued. Economic development is subject to a high degree of uncertainty. If restrictive monetary policies are abandoned prematurely, the risk of yet another rise in inflation should not be neglected. On the other hand, the first central banks could reach the end of their tightening cycles over the course of the year, which would support the economy. Furthermore, the dampening effects of geopolitical tensions and crises on the global economy are unforeseeable. Bertelsmann’s business development is also subject to other macroeconomic risks. Although potential negative effects of the coronavirus pandemic to Bertelsmann’s business are no longer reported, regulation in the advertising markets and a further shift in advertising budgets in favor of streaming providers are giving rise to greater risks, particularly at RTL Group. In the short and medium term, negative economic developments due to increasing macroeconomic uncertainties, customer and supplier risks, a changing market environment, legal and regulatory risks, price and margin erosion as well as reduced audience and market shares at RTL Group all represent significant Group risks. How these risks develop depends to a large extent on changes in customer behavior due to factors such as the continued digitalization, increasing regulation, the development and implementation of products and services by competitors, bad debt losses, and default and interference along the production chains in individual sectors. In addition, the structural decline in the printing businesses continues. The printing and services businesses in particular are significantly affected by rising personnel and material costs. In some cases, it is possible to transfer this upwards pressure on prices, but often only with a time delay. Additional cost measures will be required in individual divisions as part of the offsetting measures. Information security and financial market risks as well as staff-related risks represent moderate risks for Bertelsmann.

In addition to increased competition for audience attention and the acquisition of programming content, a major risk for RTL Group is the accelerated fragmentation of markets in the digital environment with possible negative effects on TV advertising revenues. To counter these risks, RTL Group is continuously revising and developing the channel and program strategies. By establishing leading positions locally in the streaming market, RTL Group counters risks stemming from the growing use of non-linear services. The introduction of low-priced, ad-supported subscription models by streaming providers may increase competition in the advertising markets. RTL Group seeks to secure advertising revenue through the active expansion of addressable TV and to diversify its earning base by finding sources of income that are not dependent on advertising. In the past year, the macroeconomic environment deteriorated significantly, as described above. RTL Group is responding to such economic downturns and the resulting effects on the advertising market with ongoing monitoring of market development and scenario analyses derived therefrom, as well as strict cost control. Changes in the local or European legal framework could result in a need to adjust revenue streams. RTL Group seeks to identify changes in legislation early and to implement any necessary adjustments in a timely manner.

The major risk for Penguin Random House lies in potentially changing market conditions and the resulting effects on profitability. Furthermore, there are risks of bad debt loss which are limited through debtor management, and in some cases through credit insurance. In the area of procurement and supply chains, rising costs for raw materials and energy represent additional risks. Supply chain risks are countered through ongoing supplier and cost management and by ongoing review of the materials used. Penguin Random House is also finding itself exposed to general economic risks that could lead to lower sales. The risks are addressed through innovative marketing activities, and by maintaining a flexible cost structure that allows for a quick response in the event of an economic downturn.

Risks that affect BMG concern the client portfolio, in particular contract extensions with artists and authors as well as contractual relationships with business partners concerning digital and physical distribution as well as film, TV and advertising. In the area of digital sales, there are risks associated with potential changes to remuneration models of digital streaming platforms. There are also risks resulting from growth through acquisitions, especially related to business integration and scaling of the technical platform and organization. Market and sell-side risks, especially changes in the market environment with increased competitive pressures and declining sales volumes, are addressed through pricing and high revenue diversification in the dimensions of repertoire (client groups, music genres), geographic coverage as well as segments. Furthermore, measures for minimizing risk include strategic alliances, contractual protection clauses to secure advance payments made, the realization of prepayments received and minimum revenue guarantees.

In an environment of macroeconomic uncertainty, the Arvato Group is particularly exposed to the risk of losing key customers. This risk is being countered through contracts offering comprehensive service packages with simultaneously flexible cost structures. Growing competition for qualified professionals as well as the continued rise in labor costs represent significant personnel-related risks. The risks are addressed by using targeted HR instruments. A further slowdown of the economy could also result in declining revenues and thus lower margins, which would necessitate cost-cutting measures and capacity downsizing. Broad diversification across regions and sectors as well as the constant optimization of cost and organizational structures help to reduce this risk. On the supplier side, there are risks associated with the availability of services and the further rise in factor costs. Countermeasures include an active exchange with existing suppliers and entering into long-term framework agreements. Moreover, new legislation could have a negative impact on business models. This risk is reduced by observing legislative developments and adjusting business processes.

The potential loss of customers also represents a growing risk for Bertelsmann Marketing Services. The persistent increase in digital substitution is accelerating the decline in the printing business, in particular in the magazine and catalog print segments. A deterioration in the economic environment may also lead to a decline in circulation and a more rapid decline of the print market. The market environment, which is characterized by overcapacity, is also causing price and margin pressures. The ongoing volatile price situation on the raw materials and energy markets on the supplier side remains a risk. Risk mitigation strategies are based, in particular, on the expansion of innovative print and marketing services, ongoing initiatives to expand existing customer relationships and to sign up new customers as well as constantly optimizing cost structures and processes. Rising factor costs are to be gradually offset by higher service prices in the printing and marketing business.

For the Bertelsmann Education Group, the market entry of new competitors, particularly in the US healthcare market, may lead to the substitution of existing products. Any resulting change in the market environment may lead to growing price and margin pressure and to reduced new customer acquisition, which could negatively impact the planned growth targets particularly to the extent that product opportunities or the innovative power to improve existing products turn out to be insufficient as a response to market changes. These risks are being countered in particular through strategic partnerships, long-term customer agreements, targeted customer retention measures and an expansion of the product portfolio. Relias is also exposed to potential risks from non-compliance with contractual obligations and the terms for licensing of third-party content. To reduce this risk, the contractual licensing conditions are continuously monitored. Additionally, higher education is highly regulated in the United States and Brazil, especially in relation to government-backed financial aid programs. Failure to comply with existing or future laws and regulations could have a material adverse effect on Afya's and Alliant's business operations. Countermeasures include ongoing monitoring of the political and regulatory environment in order to address potential risks at an early stage and ensuring full compliance with all regulatory standards and continually upholding high academic quality. Furthermore, the Bertelsmann Education Group is exposed to certain macroeconomic risks (e.g., currency effects and political uncertainty) in Brazil and the United States.

The key risks for the venture capital activities at Bertelsmann Investments are declining portfolio valuations and the absence of sales proceeds. These risks are being addressed through a standardized investment process and the continuous monitoring of the investment portfolio, including possible exit opportunities. Lower than expected rates of economic development and changing framework conditions in the mobile advertising market represent significant risks in the Bertelsmann Next unit. For the other investments, risks arise in particular from a challenging market environment with potentially adverse effects on subscription and advertising revenues as well as on factor costs.

The increasing pace of change in the markets and in Bertelsmann's business segments means all employees will need to be even 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. Furthermore, the skills shortage has continued to worsen in many operational business areas, and suitable measures, in particular customized training opportunities, comprehensive health programs, competitive remuneration and flexible working models, are required to counteract this shortage. Bertelsmann is also enhancing its talent management by continually digitalizing recruiting processes and measures, and is making it easier for employees to switch jobs within the Group by further 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.

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, the 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. The objective of this action is the disclosure of information to substantiate a possible claim for damages. The proceedings follow the imposition of a fine in 2007 by the German Federal Cartel Office for abuse of market dominance with regard to discount scheme agreements (share deals) granted by Ad Alliance GmbH (formerly IP Deutschland GmbH) and SevenOne Media GmbH to media agencies. Cartel Media appealed the regional court decisions. The court case will now continue at the higher regional court in Düsseldorf. A hearing is scheduled for September 2024. 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." In September 2019, the judicial expert issued his final report which confirmed the "halo effect" but assessed that Fun Radio's results were over-corrected. 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. In the meantime, four of the six claimants withdrew their claim from the proceedings. On January 23, 2023, the Court decided to award damages for unfair competition. Fun Radio appealed the Court’s decision on January 26, 2023, and is confident to achieve a favorable decision before the Court of appeal.

In November 2019, the Spanish Competition Authority (CNMC) arrived at a decision in disciplinary proceedings imposing a fine on Atresmedia and Mediaset, and barring both operators from specified courses of conduct. The parties were ordered to take steps to align their commercial and contractual relations to the requirements of the decision. The fine imposed on Atresmedia amounts to €38 million. In 2020, Atresmedia challenged the decision by filing an application for judicial review with the Administrative Chamber of the Audiencia Nacional, Spain’s national court. The application was found admissible. Consequently, Atresmedia will proceed with an appeal in the aforementioned court. The directors and legal advisors of Atresmedia believe that the application for judicial review against the CNMC’s decision is likely to succeed.

The investment environment in China is subject to changes that are ongoing and difficult to foresee. The Chinese government is tackling what it sees as undesirable social developments by implementing regulatory interventions, e.g., in parts of the Web 3.0 environment. This is influencing the focus of BAI’s investment activities, the growth expectations of the businesses and possible exit channels with regard to the existing portfolio that are increasingly shifting away from the United States to Hong Kong and China. In the context of current political developments, increasing economic challenges and growing social tensions can be observed. In addition, ongoing global geopolitical tensions may also adversely affect BAI's portfolio. In the meantime, an agreement has been concluded with regard to the threat of delisting Chinese companies from US stock exchanges in the event of non-compliance with the regulatory requirements relating to the selection of the auditing firm and the compliance with disclosure requirements, although the practical implementation of this agreement has yet to be ascertained. Bertelsmann lawyers and external legal counsel are working closely with the Group legal department to monitor further developments in order to anticipate legal and economic consequences for the businesses of Bertelsmann early on.

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

Information Security Risks

The ability to provide information in a timely, complete and confidential way, and to process it without disruptions, is crucial to Bertelsmann’s success, and it continues to grow in importance. Bertelsmann is addressing the operating environment, which is made tougher by cyber threats, at the management level by operating a Group-wide Information Security Management System (ISMS, based on ISO 27001) and the measures thereby initiated. The ISMS’s goals are the structured management of cyber risks and to monitor compliance with minimum Group standards that are refined based on the state of the art. In order to have access to cutting-edge cyber security technologies and specialist expertise in regular operations and emergencies, Bertelsmann – in addition to providing and further developing its own resources – also uses a network of external partners, and is an active member of the German Cyber Security Organization (Deutsche Cyber-Sicherheitsorganisation: DCSO). Furthermore, Bertelsmann addresses the increased risk with specific measures that directly increase resilience in cyber security – for example, by supporting the activities of Security Operations Centers and authentication technologies as well as specific requirements for application and cloud security. An indicative assessment of information security risks was conducted in the 2023 financial year on the basis of the method used to assess operative Group risks. The results indicate that information security risks are moderate, analogous to the categorization of major Group risks.

Climate-Related Risks

Bertelsmann is actively dealing with the potential risks resulting from climate change. Transitory and physical climate risks are recorded as part of the annual risk inventory. In the short and medium term, in addition to risks in the supply chain, there are risks that might lead to increasing costs in the value chain or to changes in demand patterns. Active supplier management, natural hazard and business interruption insurance policies, business continuity plans, and the adaptation of business models to developing markets have a risk-mitigating effect. For financial risks related to increasing factor costs, particularly due to higher energy prices, please refer to the supplier risks in the “Major Risks to the Group” section. Additional information on the “Bertelsmann Climate Neutral 2030” climate strategy can be found in the “Environmental Matters” section in the “Combined Non-Financial Statement.”

Financial Market Risks

As an international corporation, Bertelsmann is exposed to various forms of financial market risk, especially interest rate and currency risks. These risks are primarily monitored centrally by the Finance Department on the basis of guidelines set up by the Executive Board. Derivative financial instruments are used solely for hedging purposes. Currency derivatives are primarily used to hedge future obligations that are subject to a foreign currency risk. Some firm commitments denominated in foreign currency are partially hedged when they are made, with the hedged amount being adapted over time. A number of subsidiaries are based outside the eurozone. The resulting translation risks to the leverage factor (ratio of economic debt to operating EBITDA adjusted) is managed over the long term by aligning the debt in the main foreign currencies with the current leverage factor and the maximum permitted leverage of 2.5 for the entire Group. Foreign currency translation risks arising from net investments in foreign entities are not hedged. The cash flow risk from interest rate changes is centrally monitored and controlled as part of interest rate management. The aim is to achieve a balanced ratio of different fixed-interest rates through the selection of appropriate maturity periods for the originated financial assets and liabilities affecting liquidity, and through the ongoing use of interest rate derivatives. The liquidity risk is regularly monitored on the basis of the budget planning. The syndicated loan and appropriate liquidity provisions form a sufficient risk buffer for unplanned payments. Counterparty risks exist in the Group in respect to invested cash and cash equivalents, as well as in case a counterparty to derivative transactions defaults. Transactions involving money market securities and other financial instruments are exclusively conducted with a defined group of banks with high credit ratings. Within the guidelines, a risk limit specified by the Executive Board has been issued for financial assets and derivatives for each counterparty. Compliance with this limit is regularly monitored by the Finance Department. The guidelines concerning the investment of cash and cash equivalents are continuously monitored and extended if necessary. Financial investments are made on a short-term basis, so that the investment volume can be reduced if the credit rating changes. Financial market risks remain at a moderate level.

General Statement on the Risk Situation

The risks identified in the 2023 financial year are not endangering. Neither are there any substantial discernible risks that could threaten the existence of the Group.

Some risks emerged in the reporting period compared to the previous year. Despite the increase of individual risks in various categories, the overall risk situation is on the previous year's level. This is attributable, on the one hand, to the fact that pandemic-related risks have become less relevant and, on the other hand, to the exit of Majorel from the Group, which results in a reduction in individual categories. Due to high inflation and large uncertainties regarding a potential slowdown of the economy due to macroeconomic uncertainties, customer risks and risks arising from economic development represent the major challenges. Supplier risks, risks arising from a changing market environment, pricing and margin risks, legal and regulatory risks, the possible loss of audience and market share at RTL Group and supplier risks constitute other key risks. However, as a result of the diversification of Group businesses, there are no cluster 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, better-than-expected development of advertising technology and streaming services as well as higher demand for content, and more positive development in audience and advertising market shares are major opportunities. The increasing digitalization and fragmentation of the media landscape are opening up new 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. The increased presence in the digital sector also 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, RTL Group's strategy of creating national streaming champions could generate significant value through potential synergies.

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

BMG’s focus is on growth through signing new contracts with artists and authors, especially the acquisition of music rights and their monetization in the core areas of recorded music and music publishing. Moreover, the growing international market penetration of subscription-based music streaming services offers opportunities for better monetization. This will be achieved by increasing price levels for subscription-based streaming services among end customers, by more advantageous contractual agreements between digital streaming platforms and BMG, and through market expansion, for example in the areas of gaming or fitness.

At the Arvato Group, strategic partnerships and major projects can provide additional opportunities for acquiring new customers. The global e-commerce market is expected to continue its persistent growth over the next few years. The Arvato Group can participate in this growth through further business expansion, particularly with the logistics service provider Arvato and the financial services provider Riverty. Ongoing digitalization is opening up further growth opportunities for the range of multi-cloud-based IT services, particularly in the sovereign IT services segment.

Bertelsmann Marketing Services businesses may decline less steeply through additional volumes from existing and new customers in the printing area. Furthermore, increased consolidation in the market could result in an additional strengthening of Bertelsmann Marketing Services’ own competitive position. The Digital Marketing unit can grow sustainably through data-based multi-channel marketing and campaign management services as well as modern communication solutions.

In particular, a further shift toward online and skill-based learning and training formats, and the persisting high demand for medical university education, offer further growth opportunities for the education business. The growing skills shortage in the fields of healthcare and education also offers opportunities for organic growth for Bertelsmann Education Group. For example, Relias in the United States has the potential to grow more rapidly than expected through additional offerings for healthcare professionals in the area of compliance and workforce management solutions for hospitals and nursing homes. At Afya, there is further growth potential from continued market consolidation in medical education as well as increasing demand for digital healthcare solutions.

For the venture capital activities of Bertelsmann Investments, there is the opportunity to realize higher-than-expected contributions to earnings thanks to increasing portfolio valuations or through the sale of portfolio companies. At Bertelsmann Next and for the other investments, there are opportunities arising in particular from improved macro-economic conditions that could, for example, lead to a stronger organic growth dynamic.

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 2024. Global economic growth will remain at a historically weak level. One of the primary reasons for the subdued outlook is the central banks' interest rate hikes. More restrictive monetary policies are intended to curb the post-pandemic inflation surge. The delayed effects of the more restrictive monetary policies in particular will have a heavier impact on the global economy in 2024. The economic slowdown varies from country to country depending on the respective interest rate sensitivity. In addition, there are the dampening effects of geopolitical tensions and crises. However, the first central banks could reach the end of their tightening cycles over the course of the year, which would boost the economy. According to the forecast published by the Institute for the World Economy (IfW) in Kiel, global production is estimated to increase by 2.8 percent in 2024, compared to a rise of 3.0 percent in 2023.

Against the backdrop of declining inflation, a recovery of private household income and rising foreign demand, economic growth in the eurozone is likely to once again be slightly higher. The IfW estimates real economic growth of 0.7 percent in 2024. Economic output in Germany is likely to rise again in 2024. The IfW expects Germany's GDP to grow by 0.1 percent in real terms. The growth rate in France is expected to be 0.6 percent in real terms. For the United Kingdom, GDP is expected to increase by 0.4 percent in real terms in 2024. In the United States, the IfW expects real economic growth of 2.1 percent in 2024.

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 2024, the TV advertising markets are expected to grow moderately in the countries of the DACH region and to grow strongly in Hungary, while stable development is expected in France and the Netherlands. The streaming markets in Germany and Hungary are expected to grow strongly. The streaming markets in the Netherlands are expected to grow moderately. The book markets are expected to remain stable overall. In the relevant music market, the music publishing and recorded music market segment is expected to see strong growth. The markets for logistics, IT and financial services are predicted to show moderate growth in 2024. The German offset printing market is expected to record a strong decline, while the book printing market in North America is expected to show a slight decline. Overall, sustained moderate to strong growth is anticipated for the relevant US education markets and the Brazilian market for medical university education.

Expected Business Development

The following assessments are subject to a particularly high degree of uncertainty. If restrictive monetary policies are abandoned prematurely, the risk of yet another rise in inflation should not be neglected. Likewise, the further economic consequences of the Ukraine war are not foreseeable and therefore cannot be properly forecast. Assessing the effects on the markets relevant for Bertelsmann and the anticipated overall economic development therefore represents a challenge. In addition, further 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. The following expectations are based on the assumption of a continued gradual 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 2024 financial year, Bertelsmann anticipates stable to strongly growing European TV advertising markets, stable book markets, and growing service, music and education markets. The growth stimuli created through strategic portfolio expansions will continue to have a positive impact on Bertelsmann's growth profile.

In addition to the assumed market developments, the predicted economic developments in the geographic core markets of Western Europe and the United States are the basis of the expected business development. With revenue and earnings share within the eurozone currently expected at around two-thirds, the range of growth is above all based on the forecasted economic development in this economic zone. In view of the economic expectations, Bertelsmann expects revenues and earnings to show a moderate increase in the 2024 financial year, also in view of the growth initiatives implemented for ongoing operations, i.e., not including sales already made or planned (Majorel, RTL Nederland, DDV Mediengruppe). Depending on the further development of the German and French TV advertising markets, this could lead to a moderate burden on earnings for RTL Group. In light of the sale of Majorel shares in November 2023, the subsequent deconsolidation, and the planned sales (RTL Nederland and DDV Mediengruppe), a strong decline is expected for both reported revenue and operating EBITDA adjusted. In consideration of the planned sale of RTL Nederland, revenues will decline slightly and earnings strongly at RTL Group. Revenues and earnings from the Arvato Group will decline strongly due to the sale of Majorel shares. For Penguin Random House, on the other hand, significant revenue growth and a strong earnings increase is expected in light of the already implemented Boost initiatives. These expectations are based on operational planning for the 2024 financial year and on the exchange rates calculated for 2024.

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 established 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

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

in € millions	2023	2022
Revenues	111	106
Other operating income	165	103
Cost of materials	(20)	(21)
Personnel costs	(122)	(154)
Amortization, depreciation and write-downs	(20)	(21)
Other operating expenses	(225)	(327)
Income from other participations	175	173
Interest income	4	145
Write-downs of long-term financial assets	(20)	(6)
Taxes on income	(11)	24
Earnings after taxes	37	22
Other taxes	(2)	(2)
Net income	35	20
Income brought forward	524	724
Transfer to other retained earnings	–	–
Net retained profits	559	744

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 €35 million (previous year: €20 million) is primarily attributable to the drop in other operating expenses and the rise in other operating income. In contrast to this, the decline in interest income had a negative impact on the development in net income.

The increase in other operating income by €62 million is primarily attributable to the reversal of provisions for unrealized foreign exchange losses. The decrease of €102 million in other operating expenses is largely attributable to the decrease in losses from derivatives for managing exchange rate fluctuation risks and lower losses from currency hedging transactions.

Income from other participations is primarily affected by the amount of income from profit and loss transfer agreements with Bertelsmann Capital Holding GmbH, Gütersloh, and Reinhard Mohn GmbH, Gütersloh. The profit transfer received from Bertelsmann Capital Holding GmbH decreased year-on-year by €356 million, in particular due to measurement effects. In contrast to this, the profit transfer from Reinhard Mohn GmbH increased by €462 million due to dividends received. In addition, the income from other participations was burdened in the previous year by a restructuring subsidy paid to a subsidiary.

The decrease in interest income is largely down to the collection of fewer dividends from securities held by Bertelsmann Pension Trust e.V.

The taxes on income for the 2023 financial year relate to expenses for previous years.

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

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

in € millions	12/31/2023	12/31/2022
Assets		
Fixed assets		
Intangible assets	8	9
Tangible assets	356	364
Long-term financial assets	18,964	19,049
	19,328	19,422
Current assets		
Receivables and other assets	5,668	5,167
Securities	650	879
Cash-in-hand and bank balances	950	621
	7,268	6,667
Prepaid expenses and deferred charges	19	22
	26,615	26,111
Equity and liabilities		
Equity	10,074	10,259
Provisions	606	769
Liabilities	15,931	15,079
Deferred income	4	4
	26,615	26,111

The total assets of Bertelsmann SE & Co. KGaA rose €504 million from the previous year to €26,615 million. A high ratio of equity (38 percent) and long-term financial assets (71 percent) to total assets continues to characterize net assets and financial position.

The decrease in long-term financial assets, at €131 million, concerns the sale of shares previously held in a special fund. The offsetting increase is mainly related to investments in securities by Bertelsmann Pension Trust e.V. The €329 million increase in cash-in-hand and bank balances is related to financing activities.

Equity decreased by the dividend of €220 million paid out for the 2022 financial year less the net income of €35 million for the reporting year. The liabilities decreased by €146 million due to the repayment of bonds and obligations. The offsetting increase in liabilities due to a €1,016 million increase in liabilities to affiliated companies is attributable to the increase in the amount of cash funds that were deposited by subsidiaries with Bertelsmann SE & Co. KGaA.

Risks and Opportunities for Bertelsmann SE & Co. KGaA

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

Outlook for Bertelsmann SE & Co. KGaA

As the parent company of the Bertelsmann Group, Bertelsmann SE & Co. KGaA receives from its subsidiaries dividend distributions and income or expenses from profit and loss transfer agreements, as well as income from services provided to its subsidiaries. Consequently, the performance of Bertelsmann SE & Co. KGaA is primarily determined by the business performance of the Bertelsmann Group (see the section “Outlook”). Bertelsmann SE & Co. KGaA expects its results for the 2024 financial year to allow a dividend payment at the same level as the dividend for the reporting year.

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 2023 financial year. 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 content of this section is not part of the statutory audit but has been subjected to a separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

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 German Commercial Code (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 worldwide (see section “Corporate Profile”). Taking responsibility – for employees, society and the 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.

In addition to the Non-Financial Statement, voluntary reporting following the principles of the United Nations Global Compact and environmental reporting referencing the standards of the Global Reporting Initiative (GRI) are published in the middle of the financial year.

Company Principles and Guidelines

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

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

Corporate Responsibility Management

Organization

The advisory body for the management and strategic development of corporate responsibility (CR) at Bertelsmann is the CR Council. The CR Council consists of executives from the corporate divisions and the Chief Human Resources Officer of Bertelsmann, who chairs the advisory body. The CR Council focuses on the further development of Group-wide ESG priorities in line with the corporate strategy, anchoring corporate responsibility more strongly in the corporate divisions and ESG reporting as well as the cross-divisional coordination of ESG activities. At the Group level, the CR department coordinates and supports the work of the CR Council in close cooperation with other Group functions. In line with the Bertelsmann corporate structure, the local management teams are responsible for implementing corporate responsibility through specific measures. The corporate divisions and companies have established their own resources and implemented their own structures and processes for this, in accordance with local requirements.

Topics

To identify thematic ESG priorities, Bertelsmann carries out regular relevance analyses. For this purpose, external and internal stakeholders are surveyed on pre-selected ESG topics. The external stakeholders estimate the impact of Bertelsmann's business activity on ESG topics, while the internal stakeholders assess their business relevance. This process serves to identify ESG priorities that are necessary for understanding the business development, the business performance, the position of the Group and the impact of its activity on employees, society and the environment. The ESG priorities are analyzed within the company boundaries, unless otherwise stated. Based on the relevance analysis carried out, the following eight ESG priorities were adopted by the Bertelsmann Executive Board: creative/journalistic independence & freedom of expression; content responsibility; fair working conditions; diversity, equity & inclusion; health & well-being; learning; responsibility in the supply chain; and climate change. The Bertelsmann ESG Program was extended to 2024 and continues to be in the process of implementation. Its content with relevance for the 2023 financial year is explained elsewhere in this non-financial statement. ESG topics, including their performance indicators, are increasingly important for Bertelsmann's businesses. In addition, ESG is an enabler for the corporate strategy – in addition to People, Communication and Tech & Data. ESG performance indicators have not yet been incorporated into the Group's value-oriented management system (see the section "Value-Oriented Management System"). However, Bertelsmann plans to incorporate ESG performance indicators into its value-oriented management system in the medium term.

Risks

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

For the non-financial matters defined in the German Commercial Code (HGB) – employee and social matters, respect for human rights, anti-corruption and bribery matters, and environmental matters – no major risks that were very likely to have serious negative effects, either individually or collectively, were identifiable as part of the 2023 reporting. For more information on the relevant risks, please see the section "Risks and Opportunities."

Employee Matters

Motivated employees are the most important resource for creativity and entrepreneurship and thus for Bertelsmann's success. This corporate identity – anchored in the corporate constitution and the Bertelsmann Essentials – is the basis for the Executive Board guidelines on HR work. Supplementary provisions are specified in the Bertelsmann Code of Conduct.

The Chief Human Resources Officer (CHRO) of Bertelsmann is responsible for employee matters. The main Group-wide focus of his work includes setting the strategic HR agenda, aligning top management and talent development with the Group's strategic growth priorities, the design of the "Workforce Transformation" by means of the targeted learning opportunities of Bertelsmann University, the expansion of "Digital HR," and continually developing corporate responsibility, ESG reporting and the corporate culture.

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

Fair Working Conditions

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

At Bertelsmann, remuneration issues are an integral part of fair working conditions. The compensation system is designed to ensure that remuneration is driven by market, function and performance considerations, taking into account business-specific characteristics. Numerous domestic and foreign subsidiaries have operational/divisional success and profit-sharing models adapted to local requirements. In 2023, a total of €63 million was distributed as part of such success and profit-sharing schemes globally for the previous year.

Continual dialogue between employees and company management at Bertelsmann represents another element for fair working conditions. Employees are involved in the development and improvement of working conditions through HR interview tools (including performance and development dialogue, agreements on objectives, team talk), as well as the employee surveys that are conducted regularly. 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 five positions on the Supervisory Board of Bertelsmann SE & Co. KGaA available to employees on a voluntary basis. In 2023, three seats are held by members of works councils of German Group companies, one seat is held by a representative of the international employees, and one seat is held by the Chair of the International Management Representative Committee of Bertelsmann. In addition, managers, general workforce, employees with disabilities and trainees all have various dialogue formats and platforms for exchanging ideas, advancing topics and voicing their concerns. The Bertelsmann Group Dialogue Conference is an event where the CEO, CHRO of Bertelsmann and members of the Corporate Works Council from the corporate divisions in Germany can exchange ideas.

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

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

In 2023, the most important measures included the Bertelsmann Employee Survey and the adoption of a policy on human rights and fair working conditions.

Diversity, Equity & Inclusion (DEI)

Diversity in the workforce is a prerequisite for creativity, innovation and Bertelsmann's long-term business success. This conviction is conveyed in the Bertelsmann Essentials and in the Bertelsmann DEI policy. In that policy, the Bertelsmann Executive Board emphasizes its goal of further increasing diversity of staff at all levels and in every respect, and of creating conditions that foster the appreciation and inclusion of employees and ensure equal opportunities.

The DEI strategy and the DEI-relevant aspects of the Bertelsmann ESG Program are implemented by the CR department with support from a Group-wide working group and from other bodies in the corporate divisions. The focus in 2023 was on promoting equal opportunities and an inclusive working environment along the following dimensions of diversity: gender, disability, sexual orientation and gender identity. Some corporate divisions also set their own additional priorities.

On December 31, 2023, the genders were almost evenly distributed across the entire staff, with 53 percent women (previous year: 54 percent) and 47 percent men (previous year: 46 percent). The Group Management Committee was comprised of 19 members (previous year: 20), of which six were women (previous year: seven). The proportion of female executives remained stable with the previous year at 35 percent in top management and 36 percent in senior management (see table). In 2023, the focus was on revising the target group definition for top management and senior management. This revised target group serves as the basis for reporting from 2024 onward. In the talent pools, the targeted proportion of women of 40 percent for the top management pool and 50 percent for the senior management and career development pools, respectively, was met for the 2023/2024 talent pool cohorts. The Executive Board and the Supervisory Board are notified annually of progress.

Proportion of Women in Top Management and Senior Management

in percent	2023	2022
Top management[1, 2]	35	35
Senior management[1, 3]	36	36

1 Top management and senior management comprise 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 temporary employees as of December 31; with gender indication 2023 (100 percent), with gender indication 2022 (100 percent), limited comparability.
3 Basis: permanent and temporary employees as of December 31; with gender indication 2023 (93 percent), with gender indication 2022 (92 percent), limited comparability.

The company defined strategic objectives relating to DEI as part of the Bertelsmann ESG Program. These include the closer involvement of the Executive Board and top management into DEI engagement, the strategic further development of Diversity Management into Diversity, Equity & Inclusion Management, the professionalization of the governance structures for DEI in the corporate divisions, and awareness raising and competence development.

Against this backdrop, measures were continued in 2023 to drive the integration of DEI in prioritized phases of the Employee Life Cycle. Resources and expertise for DEI were also set up in the corporate divisions, and corresponding working groups were made a permanent element. In addition, measures to raise awareness and develop skills were implemented, including as part of the international Bertelsmann DEI month.

The Bertelsmann Action Plan for Inclusion (2019–2024) aims to improve participation for employees with disabilities in the German Bertelsmann companies and is evaluated annually.

The over-35 employee networks at Bertelsmann address DEI topics in their individual business context. The cross-divisional LGBTIQ+ employee network “be.queer” contributed to raising awareness with activities related to Pride Month. The women’s networks of the German corporate divisions intensified their cooperation. In 2023, an international exchange forum was created to promote the networks.

Health & Well-being

Bertelsmann aims to create a health-promoting working environment and conditions for avoiding occupational health risks. In 2023, the topic was confirmed by the Bertelsmann Executive Board as a Group-wide ESG priority, and Health, Safety & Well-being is now part of the CHRO’s strategic HR agenda. The CR department is responsible for developing and implementing the Health, Safety & Well-being strategy. In cooperation with an international, cross-divisional working group, the department develops the strategic framework for health-related topics.

Due to the still-ongoing coronavirus endemic, preventative and protective measures were continued. Employees were still provided with items such as free-of-charge test kits, masks and disinfectants at the workplace. In accordance with the respective national recommendations, vaccinations were offered for risk groups.

In addition to the strategic and organizational further development of the topic and the coronavirus crisis management, two other action areas were defined as part of the Bertelsmann ESG Program: the empowerment of executives to create a healthy, safe working environment and corporate culture; and the support of employees to adopt healthy working habits and lifestyle and to strengthen individual resilience.

In 2023, further advancements were made in the Group-wide coverage of external counseling services for employees (Employee Assistance Program) outside of Germany in order to provide employees worldwide with access to job-related social counseling. Furthermore, additional measures focused on the mental health of all employees. The results of the health-related section of the Employee Survey were analyzed in relation to mental health in the corporate divisions, and a range of communication measures was implemented. Both the management and the employees were addressed with a Group-wide initiative to raise awareness of mental health. In addition, training courses to promote a health-oriented leadership style were carried out in some corporate divisions, and an international “Fit for Work” initiative was conducted.

Learning

Bertelsmann aims to empower employees on all levels to adapt to the challenges of a quickly changing environment and to continuously learn with and from one another. Among other things, this is reflected in the fact that great importance is attached to an open attitude that embraces experimentation in the Bertelsmann Essentials. “Workforce Transformation” through targeted learning opportunities is part of the CHRO’s strategic HR agenda.

The Chief Learning Officer is responsible for the Group’s learning strategy, which is implemented by Bertelsmann University and in Germany by the Bertelsmann vocational college. The HR Committee regularly discusses and agrees on this and supports implementation of the learning strategy in the corporate divisions. Furthermore, the implementation is complemented by individual training initiatives in the corporate divisions. Employees around the world are thereby offered central and division-specific learning opportunities, and free access to more than 15,000 online courses by LinkedIn Learning.

The company defined strategic objectives relating to the topic of learning as part of the Bertelsmann ESG Program. These include developing a re- and upskilling approach, empowering and networking executives to facilitate the future-oriented design of the Bertelsmann transformation, expanding the offerings on business-critical competencies for employees (e.g., Tech & Data) and promoting a learning culture.

Various measures were implemented in 2023 in this context. To identify and close qualification gaps, regular reporting on success-critical Tech & Data roles was continued and supplemented with a needs assessment for determining the necessary skills in the area of artificial intelligence. In addition to the digital program series “BeReady,” for example, the strategy programs “Managing Strategy for Action” were held at Harvard Business School and “Leading Transformation and Disruption” at Stanford University to empower and network Bertelsmann’s top executives. As part of the new three-year Bertelsmann Tech & Data Scholarship initiative with more than 50,000 scholarships, the first round of both the Udacity technology stipend program “Next Generation Tech Booster” for external candidates as well as the “Employee Scholarship” program with Udacity, Coursera and Harvard Online for Bertelsmann employees were completed. Both programs have entered their second round. The digital peer-to-peer learning format “Your Campus” and the learning format “Your Growth Booster” aimed at strengthening learning skills took place in order to promote a learning culture.

Social Matters

Creative / Journalistic Independence & Freedom of Expression

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

Representatives from Bertelsmann’s corporate content divisions – RTL Group, Penguin Random House and BMG – collaborate in the context of the “Freedom of the Press” cross-divisional working group to discuss issues relating to this topic and to share information, current challenges and best practices.

The company defined strategic objectives relating to creative/journalistic independence as part of the Bertelsmann ESG Program. These include guaranteeing the safety and health of journalists, continuously developing high-quality news reporting output and creating an environment that supports creative/journalistic independence and that reflects the diversity of perspectives and the differences of people and their opinions, ideas and stories.

In 2023, RTL Group’s channels continued their extensive coverage of the war in Ukraine, which was associated with great efforts in regard to protecting reporters on site in Ukraine and in Russia. Against the backdrop of the war in Israel and the Gaza Strip, wide-ranging programming changes and special reports on the situation on the ground were rapidly initiated. In 2023, the “Freedom of the Press” working group dealt with the topic of “cancel culture” and with the influence of artificial intelligence on journalism and the freedom of the press.

Content Responsibility

Content responsibility at Bertelsmann means reflecting on the repercussions of content creation and distribution, to protect the rights and interests of media users, customers and third parties as far as possible. Overriding principles and guidelines of media ethics are set by national and international laws governing the press, broadcasting and multimedia. These are complemented 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 accurate and responsible treatment of information, opinion and images." As a result, the company expects careful research, high-quality reporting and transparency in case of errors – because thorough journalistic work is more important than ever in the face of online disinformation ("fake news") and artificial intelligence. Cross-divisional verification teams provide their expertise in discerning between authentic and manipulated photos and videos, or those taken out of context.

Furthermore, the issue of content responsibility is anchored in various ways in the corporate 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.

The company shoulders a special responsibility when creating and distributing content for children and teenagers, who experience their living environment as digital natives. In the area of youth media protection, content is monitored in accordance with different restrictions for each medium and region to see if it could adversely affect the development of children or teenagers. 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 corporate 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.

The company defined strategic objectives relating to the topic of content responsibility as part of the Bertelsmann ESG Program. These include, for example, expanding coverage of socio-political topics, ensuring complete youth media protection in the streaming business and digital provision, and developing journalistic guidelines for publishing content. In addition, cross-industry partnerships with artists involving social topics were expanded.

In 2023, numerous special programs and new formats in the magazine programs of RTL Deutschland significantly expanded on the topic of "life support." Included among these were health consultation programs and business reporting aimed at female target groups. In its second "Diversity Week," RTL Deutschland focused its content on the topic of inclusion. RTL Deutschland dedicated yet another topic week to the subject of "Let's Do It! – Sustainable Shopping" across all media channels. There was also extensive reporting on sporting events for disabled athletes in Germany and France: As a partner to the Special Olympics Media Alliance, RTL Deutschland reported on the world's largest inclusive sporting event in Berlin. In France, Groupe M6 participated in the nationwide initiative "Jouons Ensemble" ("Let's play together") of the French media authority Arcom. Another measure involved the revision of the existing "Journalistic Guidelines" – the in-house guiding framework for editorial staff – with relation to new requirements in areas such as cross-media production, social media activities by journalists and artificial intelligence. Furthermore, UFA accompanied the two-month Arctic expedition for the documentary "Arcwatch – Hoffnung im Eis" ("Arcwatch – Hope in the Ice"), which is the sequel to the award-winning documentary "Expedition Arktis" ("Arctic Drift") and deals with the effects of climate change in the Arctic.

Respect for Human Rights

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

To ensure compliance, 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 and also carries out the role of the Bertelsmann Human Rights Officer. The Integrity & Compliance (I&C) department is responsible for implementing the topic of compliance, 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. It is the task of I&C to inform employees about the key legal provisions and internal company guidelines, including those concerning respect for human rights. I&C coordinates the collaboration with RTL Group, Afya and Alliant (as well as Majorel up until the date of deconsolidation), each of which has separate compliance organizations.

Bertelsmann is committed to fulfilling the human-rights due diligence obligations within its supply chains. Business partners are required to respect human rights, as expressly stipulated by the Supplier Code of Conduct. This includes, for example, a ban on coercive and child labor, the reaffirmation of the right to freedom of association and the right to engage in collective bargaining, and a ban on discrimination and intimidation. A new supply chain screening tool was introduced in 2023. Bertelsmann uses this tool to analyze its suppliers in regard to human rights and environmental risks based on criteria required by law (e.g., countries, industries and potential impact of Bertelsmann on suppliers). As soon as a risk is identified, measures are taken to minimize the risk or to remedy any violations that have already occurred. Training on supply chain due diligence takes place and orientation assistance is provided.

When it comes to business partners, the Supplier Code of Conduct also stipulates that Bertelsmann does not tolerate discrimination because of any characteristic specified under applicable anti-discrimination law or company policy. Actual and/or suspected infringements of these principles can be reported by Bertelsmann employees and third parties by using channels of the existing compliance management system. Every indication of a potential compliance violation is handled based on a defined procedure in line with the Executive Board’s guideline for dealing with compliance violations. Given sufficient evidence, an investigation is initiated with the aim of fully clarifying each case. If Bertelsmann learns of actual and/or suspected human rights violations at suppliers, the company enters into dialogue with the responsible actors and requests appropriate remedial action.

Compulsory Code of Conduct training for all employees reinforces the fundamental understanding of human rights, raises awareness of anti-discrimination and informs employees of their rights and duties. In order to refresh the existing knowledge, all employees having previously completed Code of Conduct training were also assigned compulsory refresher training in 2023. Additionally, contact persons for the German “General Equal Treatment Act” (AGG) are available at sites in Germany. Employees were informed of their rights concerning this matter. In 2023, both Bertelsmann and individual subsidiaries issued own statements in accordance with the UK Modern Slavery Act condemning all forms of modern slavery, coercive and child labor, and exploitation and discrimination, and that present measures to prevent these human rights violations. The company also published the new Supplier Code of Conduct to fulfil human-rights due diligence obligations in supply chains and the new Declaration of Principles on the observance of human rights.

Anti-Corruption and Bribery Matters

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

The I&C department, reporting to the Corporate Compliance Committee, continuously develops the Group's corruption prevention measures.

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

The introduction of the new online compliance training on "Protection Against Corruption," which is compulsory for a selected circle of nominated employees, is among the most important measures of 2023. The aim of this training is to provide an overview of applicable laws and internal guidelines for protection against corruption. Employees are informed about their responsibilities, rights and obligations and receive pointers on how violations of applicable regulations can be avoided. Groupe M6, Afya and Alliant have their own training programs.

Environmental Matters

Bertelsmann aspires to become climate-neutral by 2030. The company's environmental management is based on the climate strategy "Bertelsmann Climate Neutral 2030" and the Bertelsmann ESG Program. In addition, guidelines such as for energy and paper procurement, constitute the framework for environmental and climate protection.

The "Bertelsmann Climate Neutral 2030" climate strategy prioritizes measures to avoid and reduce emissions – ahead of offsetting remaining emissions. The Group aims to significantly reduce greenhouse gas emissions generated at its own sites due to business travels by its employees and in the manufacture of its products by 2030, and to offset all remaining emissions. The Group's target of cutting recorded greenhouse gas emissions by 50 percent compared to 2018 was validated by the Science Based Targets initiative (SBTi) and is in line with the 1.5-degree target of the Paris Climate Agreement in accordance with SBTi.

On the basis of the climate strategy, own targets for corporate divisions of Bertelsmann were derived, and relevant measures were identified. The achievement of these division-specific targets is discussed as part of annual strategy meetings between the Executive Board and divisional heads. The "be green" working group with representatives from the corporate divisions provides a platform for cross-divisional coordination and the exchange on environmental topics.

In 2023, the focus of the collaboration was on implementing the strategic objectives of the Bertelsmann ESG Program. This included, in particular, the implementation of measures to achieve the target for sourcing 100 percent of purchased electricity from renewable sources, further expanding photovoltaic systems, developing a new comprehensive Bertelsmann Environmental Policy and further developing the Group-wide environmental reporting.

As part of the annual environmental data survey conducted at the Group sites globally, data are collected regarding energy and materials consumption, the procurement of materials and purchased services as well as mobility and IT equipment of employees. These data are used to quantify greenhouse gas emissions using the Group-wide green.screen IT platform and to present these emissions in specific environmental footprint reports at site, divisional and company level. These environmental key figures help those responsible on various levels of the Group to evaluate opportunities and risks and to report to business partners. They are also used as an information basis for ESG ratings.

For the first time in the 2023 financial year, purchased electricity was sourced almost exclusively from renewable sources. The share of green electricity in the electricity procurement by all reported sites with an electricity consumption of more than 100 megawatt hours was 99 percent (previous year: 76 percent). The ongoing conversion to renewable energies using certificates of origin at the company's own sites and the declining trend of gravure printing made a significant contribution to lower greenhouse gas (GHG) emissions (Scope 1 and 2 combined, measured in carbon dioxide equivalents CO_2e). The total of the direct (Scope 1) and energy-related indirect (Scope 2) greenhouse gas emissions amounted to 165,900 tons of CO_2e in 2023. Bertelsmann's CO_2 emissions totaled 8.2 tons of CO_2e per €1 million revenue (Scope 1 and 2, previous year: 12.9 tons CO_2e per €1 million revenue).

Environmental Key Figures

	2023	2022
Green electricity share in percent (for reported sites with an electricity consumption of more than 100 megawatt hours)	99	76
GHG emissions in tons of CO_2e Scope 1 and 2 (combined)	165,900	261,800
GHG emissions in tons of CO_2e Scope 1 and 2 (combined) per € 1 million revenue	8.2	12.9

EU Taxonomy

With EU regulation 2020/852 (hereinafter "EU Taxonomy"), the EU Commission describes what qualifies as an "environmentally sustainable activity" and the criteria for classifying an economic activity as environmentally sustainable. For the environmental objectives 1 "Climate Change Mitigation" and 2 "Climate Change Adaptation," the EU Taxonomy reporting includes information on the proportion of Taxonomy-eligible and Taxonomy-aligned economic activities in revenues, investments (CapEx) and operating expenses (OpEx). For 2023, compulsory reporting includes for the first time the proportion of Taxonomy-eligible revenues, investments and operating expenses in relation to the other environmental objectives (3 "Sustainable Use and Protection of Water and Marine Resources," 4 "Transition to a Circular Economy," 5 "Pollution Prevention and Control," and 6 "Protection and Restoration of Biodiversity and Ecosystems").

Economic activities are deemed Taxonomy-eligible when they are listed in the EU Taxonomy. They are deemed Taxonomy-aligned when they (a) make a substantial contribution to implementing one or more environmental objectives, (b) do no significant harm (DNSH) to any of the other environmental objectives as well as (c) are being conducted in compliance with the minimum safeguards for labor and human rights.

Bertelsmann is a media, services and education company that operates with a variety of business models in around 50 countries worldwide (see the section “Corporate Profile”). Bertelsmann has identified its Taxonomy-eligible economic activities on this basis. The analysis is carried out at the Group level together with the corporate divisions in order to ensure the completeness of the Taxonomy-eligible economic activities. In 2023, Bertelsmann conducted an analysis of its Taxonomy-eligible economic activities in relation to the previously mentioned other environmental objectives 3 to 6 for the first time. Furthermore, Bertelsmann analyzed the Taxonomy criteria for determining Taxonomy alignment for the first two environmental objectives.

Bertelsmann has reviewed the application of the EU Commission’s Delegated Regulation 2022/1214 (hereinafter “Complementary Climate Delegated Act”) with regard to individual economic activities in certain energy sectors. Bertelsmann operates CHP plants for generating electricity predominantly for internal purposes. The revenues, investments and operating expenses connected with these CHP plants are immaterial for Bertelsmann. Moreover, in Bertelsmann’s view, the economic activities described in Annex XII of the Complementary Climate Delegated Act are not congruent with Bertelsmann’s economic activities in connection with the CHP plants.

Taxonomy Eligibility
With regard to the environmental objective “Climate Change Mitigation”, Bertelsmann reports via the Arvato Group division’s revenues from the economic activities “8.1. Data processing, hosting and related activities” and “8.2. Data-driven solutions for reducing greenhouse gas emissions.” Regarding the environmental objective “Climate Change Adaptation”, Bertelsmann analyzed the following economic activities with respect to their Taxonomy eligibility: “8.3. Programming and broadcasting activities”, “11. Education” and “13.3. Motion picture, video and television program production, sound recording and music publishing activities.” These economic activities represent an “adapted enabling activity” as defined in the EU Taxonomy, and they relate to the corporate divisions RTL Group, BMG and Bertelsmann Education Group. According to the requirements of the Commission Notices of the EU Commission on questions of interpretation of the EU Taxonomy, a climate risk and vulnerability assessment is a prerequisite for such enabling activities in order to disclose revenues, investments and operating expenses as Taxonomy-eligible. Since a climate risk and vulnerability assessment was not carried out for these economic activities, Bertelsmann does not report Taxonomy-eligible revenues, investments and operating expenses in relation to the environmental objective “Climate Change Adaptation.” The previous year's values were adjusted accordingly. The analysis of the listed economic activities for the environmental objectives 3 to 6 in the EU Taxonomy did not result in any additional economic activities relevant for Bertelsmann. Within the framework of the information on investments, Bertelsmann reports other economic activities that can be seen in the section “EU Taxonomy Indicators.”

Taxonomy Alignment
Bertelsmann does not report Taxonomy-aligned revenues, investments and operating expenses in relation to the environmental objectives 1 “Climate Change Mitigation” and 2 “Climate Change Adaptation” for 2023. The technical screening criteria for a substantial contribution in order to implement both environmental objectives or the DNSH criteria set out in Appendix A to Annex I or Annex II of the EU Taxonomy are not complied with for the economic activities relevant for Bertelsmann. In view of the need for cumulative compliance with the requirements of the technical screening criteria for a substantial contribution, of the DNSH criteria, and compliance with the minimum safeguards, for Taxonomy alignment, no further checks were made to determine whether other Taxonomy criteria were met.

EU Taxonomy Indicators
Reporting is based on the indicators for Taxonomy-eligible revenues, investments (CapEx) and operating expenses (OpEx) defined in Article 8 of the EU Taxonomy.

If revenues, investments or operating expenses in connection with an economic activity can be assigned to more than one environmental objective, they are allocated in full to the “Climate Change Mitigation” objective to avoid double counting. The calculation of the performance indicators for Taxonomy-eligible economic activities was carried out taking into consideration the FAQ documents published by the EU Commission and the publication “Particularities in reporting according to Article 8 of the Taxonomy Regulation” of the IDW

(Institute of Public Auditors in Germany), which address questions of interpretation relating to the EU Taxonomy.

Revenues: The basis for the revenues is the revenues reported in the consolidated financial statements in accordance with IFRS 15.

CapEx: Investments comprise additions to intangible assets (IAS 38), property, plant and equipment (IAS 16), and leases (IFRS 16). Apart from investments in music, film and broadcasting rights at RTL Group and BMG, as well as capital expenditure in intangible assets of the Bertelsmann Education Group, specifically for online education, Bertelsmann invests in modernizing and improving energy efficiency at its sites. In this context, investments were made, e.g., in photovoltaic systems. In 2023, Taxonomy-eligible investments totaled €282 million. These are in particular investments in data centers of €38 million, additions from leases for land, land rights and buildings of €194 million, acquisitions of buildings of €9 million and construction of new buildings of €16 million. In 2023, Bertelsmann does not report any Taxonomy-aligned investments. Please refer to the following sections of the Notes to the Consolidated Financial Statements for total investments:

- Note 9 “Intangible Assets”: “Additions from business combinations” as well as “Other additions” in “Other intangible assets,”
- Note 10 “Property, Plant and Equipment and Right-of-Use Assets”: “Additions from business combinations” as well as “Other additions” in “Property, plant and equipment” as well as “Additions” from changes in right-of-use assets.

OpEx: Operating expenses within the meaning of the EU Taxonomy comprise operating repair and maintenance expenditures (including maintenance expenses for Taxonomy-eligible software) and expenses arising from short-term leases. Other expenses in connection with the daily operation of property, plant and equipment are not included in operating expenses. The expenses from operating repair and maintenance expenses and short-term leases amounted to €276 million in 2023 (OpEx denominator in accordance with EU Taxonomy). Operating expenditures for 2023 as defined by the EU Taxonomy account for an immaterial share (1.5 percent) of total operating expenses (cost of materials, royalties, licenses and personnel costs as well as other operating expenses) in the consolidated income statement. For this reason, Bertelsmann forgoes the calculation of the OpEx numerator, as the operating expenses as defined by the EU Taxonomy are not material to the company's business models. In application of the exemption option granted by the EU Commission (Second Commission Notice dated December 19, 2022), Bertelsmann therefore reports Taxonomy-eligible operating expenses of €0 million or 0 percent.

The tables in the following section provide an overview of the required EU taxonomy indicators for 2023.

EU Taxonomy Indicators

Revenues

Financial year 2023				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities	Code	Revenues	Proportion of revenues, 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) revenues, 2022	Category enabling activity	Category transitional activity
		in € millions	in %	Y; N; N/EL [1,2]	Y; N; N/EL [1,2]	Y; N; N/EL [1,2]	Y; N; N/EL [1,2]	Y; N; N/EL [1,2]	Y; N; N/EL [1,2]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Revenues of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**														0		
Of which enabling activities		0	0														0	E	
Of which transitional activities		0	0														0		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Data processing, hosting and related activities	CCM 8.1	161	1	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1		
Data-driven solutions for GHG reductions	CCM 8.2	11	0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Revenues of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**172**	**1**	1	0	0	0	0	0								1		
A. Revenues of Taxonomy-eligible activities (A.1+A.2)		**172**	**1**	1	0	0	0	0	0								1		
B. Taxonomy-non-eligible activities																			
Revenues of Taxonomy-non-eligible activities		**19,997**	**99**																
Total (A+B)		**20,169**	**100**																

1 Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective, N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective, N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

2 Taxonomy-eligibility and -alignment per environmental objective:

Environmental objectives	Proportion of Revenues/Total Revenues	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate Change Mitigation: CCM	0%	1%
Climate Change Adaptation: CCA	0%	0%
Water and Marine Resources: WTR	0%	0%
Circular Economy: CE	0%	0%
Pollution Prevention and Control: PPC	0%	0%
Biodiversity and ecosystems: BIO	0%	0%

Investments

Financial year 2023				Substantial contribution criteria						DNSH criteria (“Does Not Significantly Harm”)									
Economic Activities	Code	CapEx	Proportion of CapEx, 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx, 2022	Category enabling activity	Category transitional activity
		in € millions	in %	Y; N; N/EL [1, 2]	Y; N; N/EL [1, 2]	Y; N; N/EL [1, 2]	Y; N; N/EL [1, 2]	Y; N; N/EL [1, 2]	Y; N; N/EL [1, 2]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**																
Of which enabling activities		0	0															E	
Of which transitional activities		0	0																T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Transport by passenger cars and light commercial vehicles	CCM 6.5	1	0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Construction of new buildings	CCM 7.1	16	1	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3		
Renovation of existing buildings	CCM 7.2	8	1	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	8	1	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	3	0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Acquisition and ownership, and lease, of buildings	CCM 7.7	203	15	EL	N/EL	N/EL	N/EL	N/EL	N/EL								10		
Data processing, hosting and related activities	CCM 8.1	38	3	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1		
Data-driven solutions for GHG reductions	CCM 8.2	5	0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**282**	**21**	21	0	0	0	0	0								15		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		**282**	**21**	21	0	0	0	0	0								15		
B. Taxonomy-non-eligible activities																			
CapEx of Taxonomy-non-eligible activities		**1,061**	**79**																
Total (A+B)		**1,343**	**100**																

1 Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective, N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective, N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.
2 Taxonomy-eligibility and -alignment per environmental objective:

Environmental objectives	CapEx Proportion/Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate Change Mitigation: CCM	0%	21%
Climate Change Adaptation: CCA	0%	0%
Water and Marine Resources: WTR	0%	0%
Circular Economy: CE	0%	0%
Pollution Prevention and Control: PPC	0%	0%
Biodiversity and ecosystems: BIO	0%	0%

Operating Expenses

Financial year 2023				Substantial contribution criteria						DNSH criteria (“Does Not Significantly Harm”)									
Economic Activities	Code	OpEx	Proportion of OpEx, 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx, 2022	Category enabling activity	Category transitional activity
		in € millions	in %	Y; N; N/EL [1, 2]	Y; N; N/EL [1, 2]	Y; N; N/EL [1, 2]	Y; N; N/EL [1, 2]	Y; N; N/EL [1, 2]	Y; N; N/EL [1, 2]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**														0		
Of which enabling activities		0	0														0	E	
Of which transitional activities		0	0														0		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0**	0	0	0	0	0	0								0		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		**0**	**0**	0	0	0	0	0	0								0		
B. Taxonomy-non-eligible activities																			
OpEx of Taxonomy-non-eligible activities		**276**	**100**																
Total (A+B)		**276**	**100**																

1 Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective, N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective, N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.
2 Taxonomy-eligibility and -alignment per environmental objective:

Environmental objectives	OpEx Proportion/ Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate Change Mitigation: CCM	0%	0%
Climate Change Adaptation: CCA	0%	0%
Water and Marine Resources: WTR	0%	0%
Circular Economy: CE	0%	0%
Pollution Prevention and Control: PPC	0%	0%
Biodiversity and ecosystems: BIO	0%	0%

Consolidated Financial Statements

Consolidated Income Statement

in € millions	Notes	2023	2022
Revenues	1	20,169	20,245
Other operating income	2	330	341
Cost of materials	13	(6,420)	(6,553)
Royalty and license fees		(1,551)	(1,496)
Personnel costs	3	(6,640)	(6,485)
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	4	(1,259)	(1,099)
Other operating expenses	5	(3,529)	(3,535)
Results from investments accounted for using the equity method	11	67	6
Impairment and reversals on investments accounted for using the equity method	11	–	(7)
Results from disposals of investments		731	136
EBIT (earnings before interest and taxes)		1,899	1,553
Interest income	6	50	30
Interest expenses	6	(187)	(140)
Other financial income	7	47	73
Other financial expenses	7	(247)	(221)
Financial result		(337)	(258)
Earnings before taxes from continuing operations		1,563	1,295
Income tax expense	8	(237)	(246)
Earnings after taxes from continuing operations		1,326	1,049
Earnings after taxes from discontinued operations		–	3
Group profit or loss		1,326	1,052
attributable to:			
Bertelsmann shareholders			
Earnings from continuing operations		923	668
Earnings from discontinued operations		–	3
Earnings attributable to Bertelsmann shareholders		923	671
Non-controlling interests			
Earnings from continuing operations		402	381
Earnings from discontinued operations		–	–
Earnings attributable to non-controlling interests		402	381

Consolidated Statement of Comprehensive Income

in € millions	Notes	2023	2022
Group profit or loss		1,326	1,052
Items that will not be reclassified subsequently to profit or loss			
Remeasurement component of defined benefit plans		(30)	503
Changes in fair value of equity instruments		2	(1)
Share of other comprehensive income of investments accounted for using the equity method		(1)	23
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Exchange differences			
– changes recognized in other comprehensive income		(141)	13
– reclassification adjustments to profit or loss		27	5
Cash flow hedges			
– changes in fair value recognized in other comprehensive income		14	(11)
– reclassification adjustments to profit or loss		(23)	32
Share of other comprehensive income of investments accounted for using the equity method		(2)	33
Other comprehensive income net of tax	17	(155)	597
Group total comprehensive income		1,171	1,649
attributable to:			
Bertelsmann shareholders		777	1,275
Non-controlling interests		394	374

Consolidated Balance Sheet

in € millions	Notes	12/31/2023	12/31/2022
Assets			
Non-current assets			
Goodwill	9	8,403	8,876
Other intangible assets	9	4,077	3,967
Property, plant and equipment and right-of-use assets	10	2,808	3,185
Investments accounted for using the equity method	11	549	621
Minority stakes and other financial assets	12	1,414	1,716
Trade and other receivables	14	66	101
Other non-financial assets	15	1,194	1,124
Deferred tax assets	8	969	812
		19,480	20,402
Current assets			
Inventories	13	2,154	2,259
Trade and other receivables	14	5,356	5,044
Other financial assets	12	503	256
Other non-financial assets	15	1,322	1,321
Current income tax receivables		95	184
Cash and cash equivalents	16	2,954	3,228
		12,383	12,292
Assets held for sale		758	141
		13,142	12,433
		32,622	32,835
Equity and liabilities			
Equity	17		
Subscribed capital		1,000	1,000
Capital reserve		2,345	2,345
Retained earnings		9,597	9,193
Bertelsmann shareholders' equity		12,942	12,538
Non-controlling interests		2,223	2,505
		15,165	15,043
Non-current liabilities			
Provisions for pensions and similar obligations	18	700	710
Other provisions	19	227	156
Deferred tax liabilities	8	157	175
Profit participation capital	20	413	413
Financial debt	21	4,616	5,199
Lease liabilities	22	1,066	1,227
Trade and other payables	23	609	674
Other non-financial liabilities	23	392	385
		8,180	8,939
Current liabilities			
Other provisions	19	257	261
Financial debt	21	604	278
Lease liabilities	22	268	311
Trade and other payables	23	5,702	5,403
Other non-financial liabilities	23	2,073	2,489
Current income tax payables		63	111
		8,967	8,853
Liabilities related to assets held for sale		309	–
		9,277	8,853
		32,622	32,835

The prior-year comparatives have been adjusted. Further details are presented in the section "Prior-Year Information."

Consolidated Cash Flow Statement

in € millions	2023	2022
Group earnings before interest and taxes	1,899	1,558
Taxes paid	(314)	(339)
Depreciation and write-ups of non-current assets	1,283	1,135
Results from disposals of investments	(731)	(141)
Gains/losses from disposals of non-current assets	(34)	(24)
Change in provisions for pensions and similar obligations	(131)	(97)
Change in other provisions	128	(140)
Change in net working capital	(551)	(988)
Fair value measurement of investments	229	232
Interest received	95	66
Other effects	43	120
Cash flow from operating activities	1,915	1,382
Investments in:		
– intangible assets	(456)	(586)
– property, plant and equipment	(441)	(450)
– financial assets	(179)	(372)
– purchase price payments for consolidated investments (net of acquired cash)	(362)	(264)
Disposals of subsidiaries and other business units	488	197
Disposals of other fixed assets	410	357
Cash flow from investing activities	(539)	(1,118)
Issues of bonds and promissory notes	–	835
Redemption of bonds and promissory notes	(146)	(1,188)
Redemption of other financial debt	(113)	(218)
Proceeds from other financial debt	90	193
Redemption of lease liabilities	(328)	(311)
Interest paid	(318)	(279)
Dividends to Bertelsmann shareholders	(220)	(220)
Dividends to non-controlling interests and payments to partners in partnerships	(276)	(293)
Change in equity	(139)	(187)
Other effects	(171)	(66)
Cash flow from financing activities	(1,622)	(1,734)
Change in cash and cash equivalents	(246)	(1,470)
Exchange rate changes and other changes in cash and cash equivalents	(9)	29
Cash and cash equivalents as of 1/1	3,228	4,669
Cash and cash equivalents as of 12/31	2,974	3,228
Less cash and cash equivalents of disposal groups	(20)	–
Cash and cash equivalents as of 12/31 (according to the consolidated balance sheet)	2,954	3,228

The prior-year comparatives have been adjusted. Further details are presented in the section “Prior-Year Information.”

Consolidated Statement of Changes in Equity

in € millions	Subscribed capital	Capital reserve[1]	Retained earnings: Other retained earnings	Retained earnings: Accumulated other comprehensive income[2]: Exchange differences	Retained earnings: Accumulated other comprehensive income[2]: Fair value reserve	Retained earnings: Accumulated other comprehensive income[2]: Cash flow hedges	Retained earnings: Accumulated other comprehensive income[2]: Share of other comprehensive income of investments accounted for using the equity method	Bertelsmann shareholders' equity	Non-controlling interests	Total
Balance as of 1/1/2022	1,000	2,345	8,230	36	16	3	(19)	11,611	1,995	13,606
Group profit or loss	–	–	671	–	–	–	–	671	381	1,052
Other comprehensive income	–	–	471	65	–	18	50	604	(7)	597
Group total comprehensive income	–	–	1,142	65	–	18	50	1,275	374	1,649
Dividend distributions	–	–	(220)	–	–	–	–	(220)	(284)	(504)
Transactions with subsidiaries that do not result in a loss of control[3]	–	–	(129)	–	–	–	–	(129)	(123)	(252)
Equity transactions with shareholders	–	–	(349)	–	–	–	–	(349)	(407)	(756)
Other changes[4]	–	–	20	–	(8)	(11)	–	1	543	544
Balance as of 12/31/2022	1,000	2,345	9,043	101	8	10	31	12,538	2,505	15,043
Balance as of 1/1/2023	1,000	2,345	9,043	101	8	10	31	12,538	2,505	15,043
Group profit or loss	–	–	923	–	–	–	–	923	402	1,326
Other comprehensive income	–	–	(27)	(111)	2	(8)	(2)	(146)	(8)	(155)
Group total comprehensive income	–	–	896	(111)	2	(8)	(2)	777	394	1,171
Dividend distributions	–	–	(220)	–	–	–	–	(220)	(273)	(493)
Transactions with subsidiaries that do not result in a loss of control[3]	–	–	(156)	(7)	–	–	–	(163)	(69)	(231)
Equity transactions with shareholders	–	–	(376)	(7)	–	–	–	(383)	(342)	(725)
Other changes[4]	–	–	13	–	–	(3)	–	10	(334)	(324)
Balance as of 12/31/2023	1,000	2,345	9,574	(16)	10	(1)	30	12,942	2,223	15,165

The prior-year comparatives have been adjusted. Further details are presented in the section "Prior-Year Information."

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

2 As of December 31, 2023, €-14 million relates to assets classified as held for sale in accordance with IFRS 5 (December 31, 2022: €0 million).

3 Transactions with subsidiaries that do not result in a loss of control mainly result from put options in connection with the share increase in subsidiaries of Penguin Random House and from the further increase of shares under company law in the education company Afya. Bertelsmann increased its shareholding in Afya to 50 percent (December 31, 2022: 40 percent) through the acquisition of additional Class A shares. In the previous year, transactions with subsidiaries that do not result in a loss of control mainly result from the change in non-controlling interests with put options.

4 In the financial year 2023, the other changes in non-controlling interests mainly resulted from the disposal of the interest in Majorel, while the initial consolidation of subsidiaries of Penguin Random House has the opposite effect. The prior-year comparatives of other changes in non-controlling interests mainly resulted from the acquisition of the education company Afya.

Segment Information (Continuing Operations)

in € millions	RTL Group 2023	RTL Group 2022	Penguin Random House 2023	Penguin Random House 2022	BMG 2023	BMG 2022	Arvato Group 2023	Arvato Group 2022	Bertelsmann Marketing Services 2023	Bertelsmann Marketing Services 2022
Revenues from external customers	6,839	7,199	4,532	4,222	902	863	5,397	5,495	1,170	1,416
Intersegment revenues	15	25	–	1	3	3	79	69	147	156
Divisional revenues	6,854	7,224	4,532	4,223	905	866	5,476	5,564	1,317	1,572
Operating EBITDA adjusted	1,173	1,323	664	666	194	195	895	877	29	21
EBITDA margin (in percent)[1]	17.1	18.3	14.6	15.8	21.4	22.5	16.3	15.8	2.2	1.3
Impairment (-)/reversals (+) on intangible assets, property, plant and equipment and right-of-use assets	(4)	(1)	(96)	–	(14)	–	(5)	(39)	(28)	–
Results from investments accounted for using the equity method	62	14	–	4	–	–	9	8	–	–
Impairment (-)/reversals (+) on investments accounted for using the equity method	–	(5)	–	–	–	–	–	(2)	–	–
Invested capital	7,756	7,504	2,721	2,844	2,233	2,211	2,383	2,421	(72)	55

in € millions	Bertelsmann Education Group 2023	Bertelsmann Education Group 2022	Bertelsmann Investments[2] 2023	Bertelsmann Investments[2] 2022	Total divisions 2023	Total divisions 2022	Corporate 2023	Corporate 2022	Consolidation 2023	Consolidation 2022	Continuing operations 2023	Continuing operations 2022
Revenues from external customers	876	622	430	410	20,145	20,227	24	18	–	–	20,169	20,245
Intersegment revenues	–	–	2	1	247	255	35	34	(282)	(289)	–	–
Divisional revenues	876	622	432	411	20,392	20,482	59	52	(282)	(289)	20,169	20,245
Operating EBITDA adjusted	283	192	21	37	3,258	3,311	(134)	(120)	(6)	1	3,119	3,192
EBITDA margin (in percent)[1]	32.3	30.8	4.9	8.9	16.0	16.2	n/a	n/a	n/a	n/a	15.5	15.8
Impairment (-)/reversals (+) on intangible assets, property, plant and equipment and right-of-use assets	–	–	–	(1)	(147)	(41)	–	–	–	1	(147)	(40)
Results from investments accounted for using the equity method	(12)	(30)	8	11	67	7	–	–	–	(1)	67	6
Impairment (-)/reversals (+) on investments accounted for using the equity method	–	–	–	–	–	(7)	–	–	–	–	–	(7)
Invested capital	2,536	2,550	1,388	1,462	18,944	19,047	110	223	(8)	(8)	19,046	19,260

The prior-year comparatives for Bertelsmann Marketing Services (previously Bertelsmann Printing Group), Bertelsmann Investments and Corporate have been adjusted. The Arvato division was renamed to Arvato Group. Further details on segment reporting are presented in note 27 “Segment Reporting.”

1 Operating EBITDA adjusted as a percentage of revenues.

2 The business development of the venture capital organizations of Bertelsmann Investments is determined primarily on the basis of EBIT. EBIT of Bertelsmann Investments amounted to €-219 million (previous year: €-51 million).

Reconciliation to Operating EBITDA Adjusted (Continuing Operations)

in € millions	2023	2022
EBIT from continuing operations	1,899	1,553
Less special items		
Impairment on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations	(18)	(7)
Adjustment to carrying amounts on assets held for sale	(19)	–
Impairment (-)/reversals (+) on other financial assets at amortized cost	(4)	(32)
Impairment (-)/reversals (+) on investments accounted for using the equity method	–	(7)
Results from disposals of investments	731	136
Fair value measurement of investments	(229)	(232)
Restructuring and other special items	(549)	(420)
Less amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	(1,259)	(1,099)
Less adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	128	22
Operating EBITDA adjusted from continuing operations	3,119	3,192

Information by Geographical Area (Continuing Operations)

	Germany		France		United Kingdom		Other European countries		United States		Other countries		Continuing operations	
in € millions	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenues from external customers	5,786	6,020	1,894	1,979	1,294	1,437	3,983	4,073	5,107	4,875	2,105	1,861	20,169	20,245
Non-current assets[1]	3,551	3,592	1,269	1,347	1,542	1,503	3,090	3,615	4,042	4,130	1,793	1,841	15,288	16,028

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

Information on Revenue Sources (Continuing Operations)

	Own products and merchandise		Services		Advertising		Rights and licenses		Continuing operations	
in € millions	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenues from external customers	4,705	4,456	8,206	8,237	3,532	3,779	3,726	3,773	20,169	20,245

General Principles

The Bertelsmann SE & Co. KGaA Consolidated Financial Statements as of December 31, 2023, were prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the related interpretations (IFRIC) of the IFRS Interpretations Committee (IFRS IC) that are applicable in the European Union (EU-IFRS). The supplementary requirements set out in section 315e of the German Commercial Code (HGB) were also met. The Consolidated Financial Statements are prepared in euros. Unless otherwise stated, all amounts are given in millions of euros (€ million). In individual cases, rounding may result in individual figures not adding up to the totals shown and percentages may not add up exactly to the figures shown. For the sake of clarity, certain items in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet and the consolidated cash flow statement are combined. These items are disclosed and explained in greater detail in the notes.

Bertelsmann SE & Co. KGaA is a partnership limited by shares with its registered office in Gütersloh, Germany. It is entered in the commercial register of the Gütersloh Local Court (Amtsgericht) under HRB 9194. The address of the company's registered headquarters is: Carl-Bertelsmann-Strasse 270, 33335 Gütersloh.

Bertelsmann operates in the core business fields of media, services and education in around 50 countries worldwide. The geographic core markets are Western Europe – in particular, Germany, France and the United Kingdom – and the United States. In addition, Bertelsmann is active in the growth markets Brazil, India and China. The Bertelsmann divisions are RTL Group (entertainment), Penguin Random House (books), BMG (music), Arvato Group (previously Arvato; services), Bertelsmann Marketing Services (previously Bertelsmann Printing Group; direct marketing and printing activities), Bertelsmann Education Group (education) and Bertelsmann Investments (venture capital activities and Bertelsmann Next growth area). Further information on the main activities of Bertelsmann SE & Co. KGaA and its subsidiaries is presented in detail in the Combined Management Report.

Impact of New Financial Reporting Standards

Bertelsmann applies the exception offered by the amendment to IAS 12 Income Taxes, relating to the international tax reform Pillar Two, regarding the non-recognition of deferred tax assets and liabilities related to Pillar Two income taxes. Further explanations are presented in the section "Income Taxes."

The effects of the first-time application of further new accounting standards, amendments of existing financial reporting standards of the IASB and published interpretations of the IFRS IC are not material to the Bertelsmann Group overall.

Impact of Issued Financial Reporting Standards That Are Not Yet Effective

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

Impact of External Events on the Consolidated Financial Statements

Despite further adverse external events such as the ongoing geopolitical tensions in Ukraine and the conflict in the Middle East, the Bertelsmann Group’s core businesses performed robustly in the financial year 2023. The economic challenges and associated uncertainties have been, from the outset, and will continue to be regularly monitored by management order to intervene at an early stage if necessary. The balance sheet effects were therefore continuously analyzed for the particularly relevant issues, which are impairment of goodwill and individual assets, leasing, royalties to authors, program rights, inventories, trade receivables, deferred tax assets, contingent losses and revenues. Due to the ongoing tense geopolitical and economic situation in Russia, the Group took measures in the Arvato Group division to close its business in this region. However, the resulting effects are immaterial for the Bertelsmann Group overall. Bertelsmann continued to be faced with high inflation and rising interest rates in the 2023 financial year. The direct and indirect effects of this development were appropriately taken into account in the accounting decisions made. Furthermore, no significant negative effects on the financial position or financial performance of the Bertelsmann Group are currently expected for the accounting areas classified as vulnerable.

The assessments are based on judgments, estimates and assumptions that contain additional uncertainties in the current situation characterized by geopolitical and economic challenges. Management is of the opinion that these uncertainties have been taken into account to an adequate degree.

Consideration of Climate Change

The preparation of Consolidated Financial Statements is based on the assumption that the various business models, products and services as well as cost structures can adapt to the consequences of advancing climate change to such an extent that climate change does not result in a significant impact on the estimates and assumptions for accounting purposes as of December 31, 2023.

Consolidation

Principles of Consolidation

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

Subsidiaries are companies controlled by Bertelsmann SE & Co. KGaA in accordance with IFRS 10. Consolidation begins on the date on which the ability to exercise control exists and ends when Bertelsmann loses the ability to exercise control. Profit or loss and each component of total comprehensive income are attributed to the shareholders of the parent company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. In accordance with IFRS 3, business combinations are accounted for using the acquisition method. Non-controlling interests are measured at the proportionate fair value of the assets and liabilities. If the consideration transferred for the business combination or the fair values attributable to the identifiable assets and liabilities of the company acquired can only be identified preliminarily on the date of initial accounting, the business combination is accounted for using these preliminary values. Initial accounting is finalized in accordance with IFRS 3.45, taking into account the maximum one-year measurement period. Comparative information for reporting periods prior to the completion of initial accounting is presented as if it had already been completed on the acquisition date. Changes in the parent’s ownership interest in a subsidiary that do not lead to a loss of control are accounted for as equity transactions. After the loss of control of a subsidiary, it is deconsolidated in accordance with the requirements of IFRS 10.25 in conjunction with IFRS 10.B98 f. Any investment retained in the former subsidiary, as well as any amounts owed by or to the former subsidiary, are accounted for in accordance with the applicable IFRSs from the date when control is lost.

Joint ventures in accordance with IFRS 11 and associates are included in the Consolidated Financial Statements using the equity method in accordance with IAS 28. Associates are companies over which Bertelsmann exercises a significant influence. This is generally the case for voting rights between 20 percent and 50 percent. Smaller shareholdings are accounted for using the equity method if there is a significant influence in accordance with IAS 28.6. When changing the accounting treatment of investments to the equity method, IFRS 3 is applied correspondingly so that the fair value of the previously held interest is used in determining the cost of the investment accounted for using the equity method on the transition date. The difference between the fair value and the carrying amount of the previously held interest is recognized in profit or loss. The portfolio of investments held by the venture capital organizations of the Bertelsmann Investments division includes, among others, investments in associates recognized at fair value through profit or loss in accordance with IAS 28.18 in conjunction with IFRS 9. When applying the equity method to an associate or a joint venture that is an investment entity, Bertelsmann, which is a non-investment entity, generally retains as investor the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

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

Scope of Consolidation

As of December 31, 2023, Bertelsmann is the majority shareholder of RTL Group, with an interest of 76.3 percent. Penguin Random House, BMG, Arvato Group, Bertelsmann Marketing Services, Bertelsmann Education Group and Bertelsmann Investments are each wholly owned by Bertelsmann. In April, the content agency Territory was transferred from Bertelsmann Investments to Bertelsmann Marketing Services with retroactive effect from January 1, 2023. Territory's recruiting and employer branding services, combined under the Embrace brand, were carved out from the agency and remain in the Bertelsmann Investments division. Further details are presented in note 27 "Segment Reporting."

Composition of Scope of Consolidation

	Subsidiaries		Joint ventures[2]		Associates[2]		Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
RTL Group	328	336	11	11	25	24	364	371
Penguin Random House	117	116	–	–	–	1	117	117
BMG	64	63	–	–	–	–	64	63
Arvato Group	75	212	4	4	–	2	79	218
Bertelsmann Marketing Services	43	34	1	1	–	–	44	35
Bertelsmann Education Group	55	57	–	–	4	4	59	61
Bertelsmann Investments	56	60	–	–	1	1	57	61
Corporate[1]	37	40	–	–	–	–	37	40
Total	775	918	16	16	30	32	821	966

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

Changes in Scope of Consolidation

	Germany	France	United Kingdom	Other European countries	United States	Other countries	Total
Consolidated as of 12/31/2022	242	97	166	196	90	175	966
Additions	7	6	7	6	5	1	32
Disposals	34	26	9	44	3	61	177
Consolidated as of 12/31/2023	215	77	164	158	92	115	821

A total of 168 (previous year: 162) companies were excluded from the scope of consolidation. These consist of the associates in the venture capital organizations of the Bertelsmann Investments division and entities without significant business operations and of negligible importance for the financial position and financial performance of the Bertelsmann Group. The complete list of the Bertelsmann Group's shareholdings will be published in the "Bundesanzeiger" ("Federal Gazette") as an annex to these Consolidated Financial Statements in accordance with section 313 (2) of the German Commercial Code (HGB) and will be available at the General Meeting.

Acquisitions and Disposals

In the financial year 2023, the cash flow from acquisition activities totaled €-362 million (previous year: €-264 million), of which €-235 million (previous year: €-215 million) related to new acquisitions during the reporting period less cash and cash equivalents acquired, €-117 million (previous year: €-49 million) related to payments in connection with acquisitions made in previous years and €-10 million (previous year: €0 million) related to an advance payment on the acquisition of the agency Milch & Zucker in the financial year 2024. The consideration transferred in accordance with IFRS 3 amounted to a total of €338 million (previous year: €612 million), taking into account contingent consideration of €27 million (previous year: €56 million). Furthermore, put options were recognized in connection with the increase of shares in Sourcebooks made by the Penguin Random House division. As of December 31, 2022, a forward in the amount of €1 million was also recognized in connection with an acquisition made by the Penguin Random House division.

In January 2023, the education company Afya, which belongs to Bertelsmann Education Group, acquired 100 percent of the shares in Sociedade Educacional e Cultural Sergipe DelRey Ltda (DelRey). DelRey comprises Centro Universitário Tiradentes Alagoas (“UNIMA”) and Faculdade Tiradentes Jaboatão dos Guararapes (“FCM Jaboatão”), two medical schools in northeastern Brazil. The consideration transferred amounted to €145 million and comprises an immediate payment of €102 million and further payments totaling €42 million in three annual installments. In addition, the consideration transferred includes a free-of-charge offer for Afya’s digital solutions to the seller’s universities until the end of 2030. The fair value of this service at the acquisition date was measured at €1 million. The purchase price allocation resulted in goodwill of €13 million, mainly reflecting synergy and networking effects. Goodwill is not tax-deductible and was allocated to the Afya cash-generating unit. In the financial year 2023, transaction-related costs amounted to €2 million and were recognized in profit or loss as other operating expenses. Since initial consolidation, DelRey has contributed €44 million to Group revenue and €11 million to Group profit or loss.

As disclosed in the interim financial statements 2023, in January 2023, Penguin Random House consummated a transaction to increase its share in Sourcebooks LLC by an additional eight percent from 45 percent to 53 percent. As a result of obtaining control, the investment, which was previously accounted for using the equity method, has been consolidated from the date of acquisition. Obtaining control led to the derecognition of the investment previously accounted for using the equity method. After the half-year closing, Penguin Random House had an opportunity to not only look at the data but get a better qualitative understanding of Sourcebooks’ business model, which is different to Penguin Random House's model. This enabled Penguin Random House to carry out a more thorough assessment to analyze the Sourcebooks business beyond looking at data, and it determined that there was a significantly higher future potential and higher profitability of the Sourcebooks business than it had previously realized. This led to a remeasurement, resulting in the fair value of the investment already held amounting to €93 million and income of €77 million. The purchase price allocation resulted in goodwill of €74 million, which is primarily attributable to the international expansion of business operations through new distribution channels and new markets outside the United States. Goodwill is not tax-deductible and was allocated to the cash-generating unit Penguin Random House. Further, in connection with the acquisition, put options on the remaining 47 percent of the shares were recognized against equity for the present value of the redemption amount. In the financial year 2023, transaction-related costs were immaterial and were recognized in profit or loss as other operating expenses. Since initial consolidation, Sourcebooks has contributed €176 million to revenue and €24 million to Group profit or loss.

In May 2023, Penguin Random House acquired the publishing assets of US nonfiction publisher Callisto Media Inc. The transaction is in the scope of IFRS 3 due to the acquisition of employees and intellectual property rights and related processes. The consideration transferred amounted to €63 million, of which €57 million was paid in cash. The earn-out consideration amounted to €6 million. In addition, a loan in the amount of €7 million was repaid in the course of the transaction. The preliminary purchase price allocation resulted in goodwill of €44 million, which is primarily attributable to cost synergies. Goodwill is tax-deductible and was allocated to the cash-generating unit Penguin Random House. In the financial year 2023, transaction-related costs amounted to €1 million and were recognized in profit or loss as other operating expenses. Since initial consolidation, Callisto has contributed €23 million to revenue and €2 million to Group profit or loss. If consolidated as of January 1, 2023, Callisto would have contributed €34 million to revenue and €-25 million to Group profit or loss.

In addition, the Bertelsmann Group made several acquisitions in the financial year 2023, none of which was material on a stand-alone basis. In total, the impact of these acquisitions on the Group’s financial position and financial performance was also minor. Payments net of acquired cash and cash equivalents amounted to €-72 million; the consideration transferred in accordance with IFRS 3 for these acquisitions amounted to €110 million taking into account contingent consideration of €20 million. The other acquisitions resulted in goodwill totaling €60 million, which reflects synergy and future growth potential and is partly not tax-deductible. Transaction-related costs amounted to €1 million in the financial year 2023 and were recognized in profit or loss as other operating expenses.

The preliminary purchase price allocations consider all the facts and circumstances prevailing as of the respective dates of acquisition that were known prior to preparation of the Consolidated Financial Statements. In particular, the valuations have not yet been finalized. Therefore, the fair values of identifiable assets – especially intangible assets – and liabilities acquired have only been determined preliminary. The accounting for the acquisitions will be finalized within the 12-month measurement period in accordance with IFRS 3, based on facts and circumstances that existed at the date of gain of control, and the purchase price allocations will be adjusted accordingly.

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

The following table shows the fair values of the assets and liabilities of the acquisitions on their dates of initial consolidation based on the purchase price allocations, some of which are currently preliminary:

Effects of Acquisitions

in € millions	DelRey	Sourcebooks	Callisto	Other	Total
Non-current assets					
Other intangible assets	129	72	18	37	256
Property, plant and equipment and right-of-use assets	16	2	–	2	20
Other non-current assets	1	2	–	–	4
Current assets					
Inventories	–	22	6	16	43
Trade and other receivables	6	43	6	13	68
Other current assets	–	7	–	5	12
Cash and cash equivalents	1	2	–	17	20
Liabilities					
Financial debt	–	(5)	(7)	(1)	(13)
Lease liabilities	(12)	(1)	–	(2)	(14)
Other financial and non-financial liabilities	(11)	(61)	(4)	(38)	(114)
Net assets acquired	131	81	19	49	281
Goodwill	13	74	44	60	192
Non-controlling interests	–	(42)	–	–	(42)
Fair value of pre-existing interests	–	(93)	–	–	(93)
Consideration transferred in accordance with IFRS 3	145	20	63	110	338
Less convertible loan	–	(20)	–	–	(20)
Less deferred payments	(43)	–	–	–	(43)
Less contingent consideration	–	–	(6)	(20)	(27)
Consideration paid in cash	102	–	57	89	248
Cash and cash equivalents acquired	(1)	(2)	–	(17)	(20)
Repaid financial debt	–	–	7	–	7
Cash outflow from acquisitions in accordance with IFRS 3	101	(2)	64	72	235
Payments on prior year's acquisitions					117
Advance payments on acquisitions					10
Total cash flow from acquisition activities					362

On the acquisition date, the fair value of the acquired receivables was €68 million. Of that amount, €67 million is attributable to trade receivables and €1 million to other receivables. Trade receivables were impaired in the amount of €3 million, so that the gross amount is €70 million. The other receivables are impaired only to an insignificant extent, so that the fair value corresponds to the gross amount.

Since initial consolidation, all new acquisitions made in the financial year 2023 in accordance with IFRS 3 have contributed €311 million to revenue and €39 million to Group profit or loss. If consolidated as of January 1, 2023, these would have contributed €358 million to revenue and €9 million to Group profit or loss.

In November 2022, Fremantle acquired 55 percent of 72 Films, an independent TV production company focusing on documentaries and factual entertainment. At the acquisition date, the estimated consideration transferred amounted to €51 million, of which €44 million was paid in cash. The earn-out consideration was estimated at €7 million. Also in November 2022, Fremantle acquired 51 percent of Wildstar Films, a production company focused on natural history documentaries. At the acquisition date, the estimated consideration transferred amounted to €19 million, of which €13 million was paid in cash. The earn-out consideration was estimated at €5 million and the deferred payment at €1 million. For the Bertelsmann Consolidated Financial Statements as of December 31, 2022, the purchase price allocations for both acquisitions were prepared on a provisional basis in accordance with IFRS 3. During the measurement period, the Group finalized the valuation of the intangible assets recognized on acquisition and liabilities assumed on acquisition, and thus the prior-year comparatives in the consolidated balance sheet were adjusted accordingly.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed after completion of the purchase price allocations in comparison with amounts published in the Bertelsmann Consolidated Financial Statements as of December 31, 2022:

	72 Films		Wildstar Films	
in € millions	Published in 2022	Restated in 2023	Published in 2022	Restated in 2023
Non-current assets				
Other intangible assets	–	16	–	5
Property, plant and equipment and right-of-use assets	1	1	5	5
Other non-current assets	2	–	–	–
Current assets				
Inventories	12	7	–	–
Trade and other receivables	4	4	7	7
Other current assets	1	1	3	3
Cash and cash equivalents	7	7	17	17
Liabilities				
Lease liabilities	–	–	(2)	(2)
Other financial and non-financial liabilities	(25)	(22)	(21)	(22)
Net assets acquired	2	14	9	13
Goodwill	50	49	14	18
Non-controlling interests	(1)	(6)	(4)	(6)
Consideration transferred in accordance with IFRS 3	51	57	19	25

In April 2023, Bertelsmann announced its acceptance of a proposed takeover offer by the French company Teleperformance for its interest in the global customer experience company Majorel. The takeover was completed in November 2023 and Bertelsmann sold its 39.5 percent interest in Majorel to Teleperformance for €977 million. The purchase price was settled by the transfer of 2.3 million Teleperformance shares for a total of €292 million and a cash payment of €685 million. Net of transaction-related costs, the transaction resulted in an overall gain of €697 million recognized in the item “Results from disposals of investments.”

After considering cash and cash equivalents disposed of, the Bertelsmann Group recorded cash flows in the amount of €488 million (previous year: €197 million) from all disposals. The disposals resulted in a gain from deconsolidation of €715 million (previous year: €54 million), which is recognized in the item “Results from disposals of investments.” The following table shows their impact on the Bertelsmann Group’s assets and liabilities at the time of deconsolidation:

Effects of Disposals

in € millions	Majorel	Other	Total
Non-current assets			
Goodwill	165	11	176
Other intangible assets	35	14	50
Property, plant and equipment and right-of-use assets	331	3	334
Other non-current assets	47	6	53
Current assets			
Inventories	–	3	3
Other current assets	621	23	644
Cash and cash equivalents	217	40	256
Liabilities			
Provisions for pensions and similar obligations	32	2	34
Financial debt	124	1	125
Lease liabilities	141	2	143
Other financial and non-financial liabilities	471	54	525

Discontinued Operations

Earnings after taxes from discontinued operations of €3 million, as presented in the financial year 2022, comprised follow-on effects related to the disposal of companies of the former Direct Group division.

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

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

Assets Held for Sale and Related Liabilities

in € millions	RTL Nederland	Other	Total as of 12/31/2023	Total as of 12/31/2022
Assets				
Non-current assets				
Goodwill	404	17	421	–
Other intangible assets	7	2	9	–
Property, plant and equipment and right-of-use assets	27	30	57	18
Investments accounted for using the equity method	5	–	5	123
Deferred tax assets	1	1	2	–
Other non-current assets	–	1	1	–
Current assets				
Inventories	96	4	99	–
Trade and other receivables	118	26	144	–
Other current assets	3	6	9	–
Current income tax receivables	–	2	2	–
Cash and cash equivalents	–	19	20	–
Impairment on assets held for sale	–	(11)	(11)	–
Assets held for sale	661	97	758	141
Liabilities				
Non-current liabilities				
Provisions for pensions and similar obligations	–	4	4	–
Other provisions	4	–	4	–
Financial debt	–	1	1	–
Lease liabilities	20	3	23	–
Trade and other payables	–	20	20	–
Other non-current liabilities	2	–	2	–
Current liabilities				
Other provisions	4	2	6	–
Financial debt	–	1	1	–
Lease liabilities	4	3	8	–
Trade and other payables	123	24	147	–
Other current liabilities	69	24	93	–
Current income tax payables	–	1	1	–
Liabilities related to assets held for sale	226	83	309	–

As of December 31, 2023, the carrying amounts of the assets classified as held for sale and related liabilities are mainly attributable to the RTL Group division. In December 2023, RTL Group announced that it had signed an agreement for the intended sale of RTL Nederland. The total consideration amounts to €1.1 billion and will be paid upon closing. The transaction is subject to regulatory approvals and the information and consultation processes with the respective works councils. Closing is expected for mid-2024. The disposal group RTL Nederland includes not only the directly attributable goodwill of €159 million, but also the fair value proportionate share of the goodwill for the cash-generating unit “RTL Group, Group level” of €245 million attributable to the disposal.

As of December 31, 2023, further assets classified as held for sale and related liabilities are attributable to the DDV Mediengruppe disposal group within the Bertelsmann Investments division, to the Arvato Russia disposal group within the Arvato Group division and to Alliant Mexico within the Bertelsmann Education Group division.

For disposal groups, which were measured at fair value less costs to sell, impairment losses were recognized in the amount of €19 million. These impairment losses were attributable to planned or completed disposals in the Arvato Group division. The fair values are based on level 3 of the hierarchy of non-recurring fair values. Valuations for level 3 are based on information from contract negotiations. The impairment losses recognized in profit or loss are included in the item “Other operating expenses.”

As of December 31, 2022, the carrying amounts of the assets classified as held for sale and related liabilities were mainly attributable to the Arvato Group and Bertelsmann Marketing Services divisions.

Foreign Currency Translation

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

The financial statements of subsidiaries, joint ventures and associates that were prepared in foreign currencies are translated into euros using the functional currency concept set out in IAS 21 before they are included in the Consolidated Financial Statements. Assets and liabilities are translated into the reporting currency at the closing rate at the end of the reporting period, while income statement items are translated at the average rate for the financial year. Foreign currency translation differences are recognized in other comprehensive income. Such differences arise from translating items in the balance sheet at a closing rate that differs from the previous closing rate, and from using the average rate for the period and the closing rate at the end of the reporting period to translate the Group profit or loss. At the time of deconsolidation of Group companies, the respective accumulated exchange differences recognized in other comprehensive income and accumulated in a separate component of equity are reclassified from equity to profit or loss. The following euro exchange rates were used for currency translation purposes for the most significant foreign currencies for the Bertelsmann Group:

Euro Exchange Rates for Significant Foreign Currencies

		Average rates		Closing rates	
Foreign currency unit per €1		2023	2022	12/31/2023	12/31/2022
Australian dollar	AUD	1.6278	1.5162	1.6263	1.5693
Brazilian real	BRL	5.4024	5.4411	5.3618	5.6386
Canadian dollar	CAD	1.4596	1.3709	1.4642	1.4440
Chinese renminbi	CNY	7.6604	7.0920	7.8509	7.3582
British pound	GBP	0.8696	0.8520	0.8691	0.8869
US dollar	USD	1.0813	1.0530	1.1050	1.0666

Accounting and Measurement Policies

Recognition of Income and Expense

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

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

- Own products and merchandise: As a rule, the revenues resulting from these contracts are recognized at a point in time when control is transferred. Depending on the underlying respective terms of sale, this is generally upon delivery to the customer. Expected returns from sales of products, mainly from physical books and magazines, are shown as liabilities in the balance sheet position “Trade and other payables.” Return assets are presented in the balance sheet position “Other non-financial assets.” In individual business models at RTL Group, giveaways to customers meet the criteria of a separate performance obligation. Any giveaways to an agent are capitalized as costs to obtain a contract and are amortized over the expected term of the subscription.
- Services: Services are generally rendered over a period of time, and the revenue is recognized based on an appropriate output method or input method for measuring progress. If permissible, revenues are recognized in the amount of the invoice if this amount corresponds to the value of the performance provided. Revenue from financial services is presented separately as revenue if it results primarily from interest rate effects.
- Advertising: Advertising services are generally rendered over a period of time, and the revenue is recognized based on an appropriate output method for measuring progress. If several performance obligations are identified in an advertising contract, the transaction price is allocated on the basis of the relative stand-alone selling prices.
- Rights and licenses: The timing of revenue recognition for business models generating revenue from licenses depends on whether the license represents a right to access the intellectual property through the entire licensing period or a right to use when the license is granted. In particular, the underlying contracts are analyzed to determine whether the customer is exposed to significant changes to the intellectual property or whether the intellectual property remains in the condition defined upon entering into the contract throughout the term of the contract with regard to its content and scope. While revenues from licenses granted for a right to use are realized at the date of the transfer of control, revenues from licenses for rights to access are realized over a period of time throughout the term of the contract. The majority of licenses granted in the TV business represent a right to use the intellectual property at the date the license is granted. As a result, revenue is recognized at the point in time the license is granted to the licensee. In contrast, rights to access are used extensively in the music business, and these revenues are recognized throughout the term of the contract.

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

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

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

Interest income and expenses relating to financial assets measured at amortized cost are recognized on an accrual basis using the effective interest method in accordance with IFRS 9. Dividends are only recognized in profit or loss when the right to receive payment of the dividend is established. Other income is recognized when the economic benefits are probable and the amount can be measured reliably. Expenses are deferred on the basis of underlying facts or the period of time to which they relate.

Goodwill

In accordance with IFRS 3, goodwill resulting from a business combination is initially recognized at cost, with subsequent recognition at cost less accumulated impairment losses. Goodwill is subject to impairment testing at least annually in accordance with IAS 36. In the Bertelsmann Group, goodwill is tested for impairment as outlined in the section “Impairment.”

Other Intangible Assets

Non-current, internally generated intangible assets are capitalized at cost in accordance with IAS 38 if the corresponding requirements are met. Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, also in accordance with IAS 38. Intangible assets acquired as part of a business combination are initially recognized at fair value on the acquisition date in accordance with IFRS 3. Intangible assets with finite useful life are amortized on a straight-line basis over their estimated useful life. Impairment and reversals are determined by applying the requirements for impairment testing in accordance with IAS 36. As a rule, capitalized software has a useful life of between three and five years. Acquired customer relationships are amortized over a period of two to 15 years, while the amortization period for trademarks and music and publishing rights is three to 25 years. Licenses are amortized on a straight-line basis over the term of the license agreement, assumed useful life or depending on performance (based on the ratios of income from use generated in the reporting period to the estimated total income from use over the entire useful life). Intangible assets with indefinite useful life are not amortized. Instead, they are subject to at least annual impairment testing in accordance with IAS 36 and, if applicable, written down to their recoverable amount.

Property, Plant and Equipment

Items of property, plant and equipment are accounted for in accordance with IAS 16 and carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined on a straight-line basis over the estimated useful life of the asset. In the financial year 2023, depreciation was generally based on the following useful lives:

- buildings: 10 to 50 years
- technical equipment and machinery: four to 15 years
- other equipment, fixtures, furniture and office equipment: three to 15 years

Land is not subject to depreciation.

Impairment

Goodwill and intangible assets with indefinite useful life are tested for impairment in accordance with IAS 36 annually as of December 31 and if a triggering event occurs. Intangible assets with a finite useful life as well as property, plant and equipment and right-of-use assets are tested for impairment at the end of each reporting period in accordance with IAS 36 only if there are any indications of impairment. An impairment loss in accordance with IAS 36 has occurred when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal and value in use are generally determined using the discounted cash flow method, which is based on future cash flow forecasts, which are part of company forecasts. Corresponding to the consideration of the right-of-use assets recognized in the balance sheet for determining the carrying amount, the lease payments are not deducted when determining the recoverable amount. In addition, any requirements for reinvestments as regards right-of-use assets are taken into account in the model. For assets held for sale, only the fair value less costs to sell is used as a basis for comparison.

For determining the value in use, estimated future cash inflows or outflows from future restructurings or from improvement or enhancement of the cash-generating units' performance are excluded unless, as of the end of the reporting period, the cash-generating unit is committed to the restructuring and related provisions have been made. If an active market exists, the market price or, if applicable, the price in the most recent comparable transaction, is used for fair value measurement. If there is no active market, the fair value less costs of disposal is generally calculated using the discounted cash flow method. If it is not possible to allocate cash flows to assets, the relevant impairment losses are determined on the basis of cash flows attributable to the cash-generating unit to which the assets belong. Projected cash flows are based on internal estimates for three detailed planning periods. Generally, two further detailed planning periods are applied in addition. For periods beyond this detailed horizon, a perpetual annuity is recognized, taking into account individual business-specific growth rates. Discounting is generally based on the weighted average cost of capital (WACC) after tax. Specific WACCs are derived for cash-generating units with different risk profiles. The Bertelsmann Group performs sensitivity analyses on the cash-generating units, especially on those where the headroom between the recoverable amount and the carrying amount is low.

If the reasons for an impairment loss recognized in prior periods no longer exist, the impairment loss is reversed up to a maximum of the carrying amount of the respective asset if the impairment loss had not been recognized. The latter does not apply to goodwill. The impairment loss and reversals of impairment losses are both recognized immediately in profit or loss.

Leases

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

Financial Assets

In accordance with the IFRS 9 classification and measurement approach for financial assets, there are three classification categories for financial assets in the Bertelsmann Group:

- at amortized cost,
- at fair value with changes in fair value through other comprehensive income (FVOCI) and
- at fair value with changes in fair value through profit or loss (FVTPL).

The allocation to the respective classification categories is based on the following criteria:

- the entity’s business model for managing the financial assets and
- contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial instruments depends on the classification categories:

- At amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on the principal amount outstanding are measured at amortized cost. This category mainly comprises trade receivables and other financial receivables. Any gain or loss arising on derecognition and impairment losses are recognized directly in profit or loss.
- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding, are measured at fair value with changes in fair value through other comprehensive income. The Bertelsmann Group does not hold any debt instruments measured at fair value through other comprehensive income. Bertelsmann exercises the option for measurement of equity instruments at fair value through other comprehensive income mainly for individual immaterial investments. With deferred taxes taken into consideration, the gains and losses resulting from fluctuations in the fair value of these equity instruments are recognized through other comprehensive income. Gains and losses from the fair value are not reclassified to profit or loss after derecognition of the equity instruments. Dividends from such equity instruments continue to be recognized in profit or loss.
- FVTPL: Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. Gains and losses resulting from fluctuations in fair value are recognized in profit or loss.

Impairment and measurement of expected credit losses:
Bertelsmann applies the expected credit loss (ECL) model in accordance with IFRS 9 for debt instruments at amortized cost and for contract assets. Accordingly, the amount of expected credit losses recognized as a loss allowance depends on the extent to which the default risk has increased since initial recognition. According to the so-called general approach, a distinction is made between the following two measurement bases:

- 12-month ECL: At initial recognition and if the default risk has not increased significantly from the initial recognition of the debt instrument, a loss allowance is recognized for expected credit losses within the next 12 months.
- Lifetime ECL: If the default risk has increased significantly, a loss allowance for expected credit losses is recognized for the entire life of the debt instrument.

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

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

Measurement at Fair Value

In the case of financial assets and financial liabilities measured at fair value, the valuation technique applied depends on the respective inputs present in each case. If listed prices can be identified for identical assets on active markets, they are used for measurement (level 1). If this is not possible, the fair values of comparable market transactions are applied, and financial methods that are based on observable market data are used (level 2). If the fair values are not based on observable market data, they are identified using established financial methods or on the basis of observable prices obtained as part of the most recently implemented qualified financing rounds, taking into account the life and developmental cycle of the respective entity (level 3).

Inventories

Inventories – including raw materials and supplies, finished goods, work in progress and merchandise – are accounted for in accordance with IAS 2 and recognized at the lower of historical cost or net realizable value at the end of the reporting period. Similar inventories are measured at average cost or using the FIFO (first-in, first-out) method. In addition, inventories include all short-term film, television and similar rights that are intended for broadcast or sale within the Group's normal operating cycle. In particular, this includes films and TV shows currently in production, co-productions and acquired broadcasting rights. The carrying amount of such items at the end of the reporting period is also the lower of historical cost or net realizable value. The consumption of film and television rights starts from the date of initial broadcast and depends on the number of planned broadcasts. The broadcast-based consumption of film and television rights is as follows:

- Free television thematic channels: Program rights are consumed on a straight-line basis over a maximum of six runs.
- Free television other channels:
  - Blockbusters, mini-series, other films, series, TV movies and (co-)productions are consumed, run by run, over a maximum of four transmissions following a degressive approach for amortization depending on the agreed total number of transmissions.
  - Soaps, in-house productions, quiz and game shows, sports and other events, documentaries and music shows are fully consumed upon the first transmission.
  - Children's programs and cartoons are consumed over the license period on a linear basis as there is a very slow saturation and a very high number of repetitions for the target group kids (three to 13 years of age).
- Pay television channels: Program rights are consumed on a straight-line basis over the license period.

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

Income Taxes

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

In accordance with IAS 12, deferred tax assets and liabilities are recognized for temporary differences between the tax base and the carrying amounts shown on the IFRS consolidated balance sheet, and for as yet unused tax loss carryforwards and tax credits. Deferred tax assets are reviewed at each balance sheet date and recognized to the extent it is probable that taxable income will be available against which the deductible temporary differences, tax loss carryforwards and tax credits can be utilized. Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by valuation allowances. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred taxes are not recognized for:

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

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

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

With the publication of the law on December 27, 2023, the legislative process for the introduction of the global minimum top-up tax (Pillar Two) in Germany, the country of the parent company, is complete. The regulations apply to the Bertelsmann Group from January 1, 2024. In addition, Pillar Two legislation has been adopted in the following countries relevant to the Group and will enter into force on January 1, 2024: Austria, Belgium, Denmark, Finland, France, Hungary, Ireland, Italy, Japan (income inclusion rule only), Korea, Luxembourg, Malaysia (from January 1, 2025), the Netherlands, Norway, Romania, Sweden, Switzerland (domestic minimum top-up tax only) and the United Kingdom. As the Pillar Two legislation had not yet been effective as of December 31, 2023, the Bertelsmann Group is not currently subject to any additional tax burden. The Bertelsmann Group makes use of the exemption for the recognition of deferred taxes in connection with Pillar Two income taxes, which was subject of the amendments to IAS 12 published in May 2023.

The Bertelsmann Group is currently in the process of assessing the impact of Pillar Two once the legislation becomes effective. Based on the first indicative analysis, the effective tax rates in the following countries are below 15 percent, taking into account the transitional arrangement for the country-by-country safe harbor: Argentina, Brazil, Malaysia (due to government support programs) and Ireland (due to the local tax rate of 12.5 percent). If Pillar Two had already come effective in 2023, the expected additional tax burden based on the Consolidated Financial Statements 2023 would be around €8 million.

Accumulated Other Comprehensive Income

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

In addition, in accordance with IAS 28.10, changes in other comprehensive income for entities accounted for using the equity method are recognized in this item. Remeasurement effects of defined benefit pension plans (actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the returns implied by the net interest cost on the plan assets, and effects of the asset ceiling) are recognized in the other retained earnings in the year in which these gains and losses are incurred as part of the reconciliation of total comprehensive income for the period in the statement of changes in equity. Deferred taxes on the aforementioned items are also recognized directly in equity.

Provisions

Provisions for pensions and similar obligations are calculated using the projected unit credit method in accordance with IAS 19. The net interest expense included in pension expense is recognized in the financial result. Remeasurement effects of defined benefit pension plans (actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the returns implied by the net interest cost on the plan assets, and effects of the asset ceiling) are recognized immediately in equity under other comprehensive income and are not reclassified to profit or loss in a subsequent period (recycled). With the exception of the other personnel-related provisions calculated in accordance with IAS 19, all other provisions are recognized in accordance with IAS 37. Provisions are measured in the amount of the most likely outcome. Non-current provisions are discounted. The discount rates take into account current market expectations and, if necessary in individual cases, specific risks for the liability. As a rule, income from the reversal of provisions is generally included in the income statement line item to which the provision was previously charged.

Financial Liabilities

Trade payables and other primary financial liabilities, including profit participation certificates, are initially measured at their fair value less transaction costs. Subsequent measurement is based on amortized cost using the effective interest method, unless the financial liability is classified as initially recognized at fair value through profit or loss. Future payments related to put options issued by the Bertelsmann Group on the equity interests of subsidiaries are accounted for as a financial liability. The liability is initially recognized at the present value of the redemption amount, with a corresponding charge directly to equity. In the case of a business combination with the transfer of the risks and rewards of the non-controlling interests underlying the put option to the Bertelsmann Group, the goodwill increases by a corresponding amount upon initial recognition. Subsequent measurement of liabilities from put options is recognized in profit or loss.

Derivative Financial Instruments

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

Changes in the fair values of derivatives are recognized as follows:
- Fair value hedge: Changes in the fair value of these derivatives used to hedge assets or liabilities are recognized in profit or loss; the corresponding gain or loss on the change in fair value of the underlying balance sheet item is also directly included in the income statement.
- Cash flow hedge: The effective portion of the changes in the fair value of derivatives used to hedge future cash flows is recognized in other comprehensive income. Upon receiving an underlying non-financial asset or a non-financial liability, the amount is reclassified from accumulated other comprehensive income to the respective item. In other cases, the reclassification of the previously recognized gains and losses from equity to the income statement is performed when the hedged underlying transaction affects profit or loss. The ineffective portion of the changes in the fair value of the hedging instrument is recognized in profit or loss.
- Stand-alone hedge: Changes in the fair value of derivatives that do not meet the criteria for recognition as hedges are recognized in profit or loss.

No hedge of net investment in foreign operations was made in the financial year 2023.

Share-Based Payments

Share-based payments for employees of the Bertelsmann Group include equity-settled share-based payment transactions and cash-settled share-based payment transactions. Equity-settled share-based payment transactions are granted to certain directors and senior employees in the form of share options. The options are granted at the market price on the grant date and are exercisable at that price. For share options, the fair value of the options granted is recognized as personnel costs with a corresponding increase in equity. The fair value is measured at the grant date and allocated over the vesting period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial option pricing model, taking into account the terms and conditions at which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options vesting. Share options forfeited solely due to share prices not achieving the vesting threshold are excluded. The financial liability arising under cash-settled share-based payment transactions is measured initially at fair value at grant date using an option pricing model. Until the liability is settled, its fair value shall be remeasured at the end of each reporting period and at the date of settlement, with any value changes recognized in profit or loss as personnel costs of the period.

Non-Current Assets Held for Sale and Related Liabilities

Non-current assets or disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through a sale transaction and not from continued use. These non-current assets and the associated liabilities are presented in separate balance sheet positions in accordance with IFRS 5. They are measured at the lower of the carrying amount or fair value less costs to sell. Depreciation/amortization is not recognized if a non-current asset is classified as held for sale or forms part of a disposal group that is classified as held for sale. Components of entities that fulfill the requirements of IFRS 5.32 are classified as discontinued operations and thus are carried separately in the income statement and cash flow statement. All the changes in amounts made during the reporting period that are directly connected with the sale of a discontinued operation in any preceding period are also stated in this separate category. If a component of an entity is no longer classified as held for sale, the results of this entity component that were previously carried under discontinued operations are reclassified to continuing operations for all the reporting periods shown.

Significant Judgments, Estimates and Assumptions

The preparation of the Consolidated Financial Statements requires the use of accounting judgments, estimates and assumptions that may impact the carrying amounts of assets, liabilities, income and expenses recognized. Estimates and the underlying assumptions are reviewed on an ongoing basis. As a rule, adjustments to estimates are taken into account in the period in which the change is made and in future periods. Amounts actually realized may differ from estimated amounts. The following section presents accounting judgments, estimates and assumptions that are material in the Bertelsmann Consolidated Financial Statements for understanding the uncertainties associated with financial reporting:

Judgments

- Control of entities in which the Bertelsmann Group holds less than half of the voting rights: Management considers that the Bertelsmann Group has control of Groupe M6, which belongs to RTL Group, even though it holds less than 50 percent of the voting rights. RTL Group is the controlling shareholder of Groupe M6, while the balance of other holdings remains highly dispersed, and the other shareholders have not organized their interest in such a way that they intend to vote differently from the Bertelsmann Group.
- Significant influence although the Bertelsmann Group holds less than 20 percent of the equity shares in another entity: Although the Bertelsmann Group holds less than 20 percent of the equity shares of Atresmedia, management considers that the Group exercises a significant influence on Atresmedia in view of the representation of RTL Group on the Board of Directors and other governing bodies of Atresmedia.
- Leases: Some real estate lease contracts include extension or termination options. Payments from these optional periods are included in the lease liability, provided it is reasonably certain that the lease will be extended beyond the non-cancellable lease period or that a termination option will not be exercised. In assessing whether an option to extend or terminate will be exercised, management considers all facts and circumstances that are associated with an economic incentive to exercise the option or not to exercise it. These include, in particular, the amount of lease payments compared to market prices in the optional period, completed or expected leasehold improvements, and the importance of the underlying asset to the Bertelsmann Group’s operations.

Estimates and Assumptions

- Recognition of income and expense: In the event of return rights, mostly for print products, estimates must be made with regard to the anticipated return volume, as revenues are recognized taking the anticipated returns into account. Return ratios determined using statistical methods are used to identify the anticipated returns. The transaction prices to be determined using the contract-based five-step model defined in IFRS 15 often include both fixed and variable consideration. The variable components are determined on the basis of estimates, which are made and updated in accordance with constraint conditions. Variable considerations are therefore only included to the extent that it is highly probable that revenue already recognized will not have to be reversed as soon as the uncertainty about the actual amount of the consideration no longer exists. External factors influencing the estimate, such as the long period until the value is determined, past experience and the number of performance obligations within a contract, are taken into account as far as possible. For various business models, qualitative estimates must be made as part of principal-agent considerations as to who is to be regarded as a customer of a Bertelsmann company and whether a Bertelsmann company is to be regarded as principal or agent in a transaction. Disclosures on anticipated returns are presented in note 23 “Liabilities.”
- Investments in minority stakes held by venture capital organizations: The measurement of various minority stakes held by venture capital organizations recognized at fair value (December 31, 2023: €1,007 million; December 31, 2022: €1,119 million) that are not based on prices quoted on active markets is generally based on observable prices obtained as part of the most recently implemented qualified financing rounds, taking into account the life and developmental cycle of the respective entity. Further adjustments are made for financial instruments with contractual lockups. Further explanations are presented in note 25 “Additional Disclosures on Financial Instruments.”
- Assumptions are also made for fair value measurement of other financial assets and financial liabilities. In this regard, Bertelsmann uses various financial methods that take into account the market conditions and risks in effect at the end of the respective reporting periods. The inputs to these models are taken from observable market data where possible, but where these are not available, fair value measurement is based on assumptions by management. These assumptions relate to inputs such as cash flows, discount rate, liquidity risk and default risks. If a right to early termination or repayment exists for financial debt, the determination of the remaining term takes into account whether there is actually an intention to exercise such right. Further explanations are presented in note 25 “Additional Disclosures on Financial Instruments.”
- In the case of purchase price allocations, assumptions are also made regarding the measurement of assets and liabilities assumed as part of business combinations. This applies in particular with regard to the acquired intangible assets, as measurements are based on fair value. As a rule, this is the present value of the future cash flows after taking into account the present value of the tax amortization benefit. In addition, the definition of uniform useful lives within the Group is based on management’s assumptions. General information on useful lives is presented in the sections “Other Intangible Assets” and “Property, Plant and Equipment.”
- In connection with non-current assets held for sale and related liabilities as well as the impairment tests for intangible assets, property, plant and equipment, and right-of-use assets, the determination of the fair value less costs to sell requires management judgments as it relates to estimates of proceeds of the disposal, residual obligations and direct disposal costs. The classification as assets held for sale and discontinued operations also requires management judgment.
- Trade and other receivables: Calculation of loss allowance for accounts receivable is based on historical credit loss rates for groups of financial assets with similar credit risk characteristics and on forward-looking information, including customer-specific information and forecasts of future economic conditions. Further explanations are presented in note 25 “Additional Disclosures on Financial Instruments.”

- Advance payments: Sales estimates and assumptions on future sales success are made in connection with advances paid to authors to secure exploitation rights for their publications. Disclosures on advance payments are presented in note 13 “Inventories.”
- Impairment: The management’s estimates of cash flow, on which impairment tests are based, are based on factors including assumptions of economic trends and the associated risks, the regulatory environment, the competitive environment, market share, investments, EBITDA margins and growth rates. A combination of long-term trends, industry forecasts and in-house knowledge, with special emphasis on recent experience, is used in forming the assumptions about the development of the various relevant markets in which the Bertelsmann Group operates. The relevant markets are an area highly exposed to the general economic conditions. The development of the relevant markets is just one of the key operational drivers used by the Bertelsmann Group to assess individual business models. The most important assumptions include estimated growth rates, the weighted average cost of capital and tax rates. All these different elements are variable, interrelated and difficult to isolate as the main drivers of the various business models and respective valuations. Changes to these estimates as a result of more recent information could have a material impact on the amount of the possible impairment. The growth rates applied are based on long-term real growth rates for the relevant economies, growth expectations for the relevant sectors and long-term inflation forecasts for the countries in which the cash-generating units operate. The values allocated to the key assumptions are in line with external sources of information. The figures obtained using the respective discount rates reflect the recoverable amount of the cash-generating units. Material changes in the market or competitive environment may impair the value of cash-generating units. Details on impairment testing for intangible assets (including goodwill) in the Bertelsmann Group are presented in note 9 “Intangible Assets.” In addition, in the case of sports and film rights, estimates are made with regard to anticipated revenues.
- Pension obligations: Pension obligations are measured using the projected unit credit method. Using this approach, biometric calculations, the prevailing long-term capital market interest rates and, in particular, assumptions about future salary and pension increases are taken into account. As a result of the decrease in the discount rate for measuring provisions for pensions, actuarial losses amounting to €151 million before related tax effects were recognized in the item “Remeasurement component of defined benefit plans.” Details on the assumptions made in pension accounting are presented in note 18 “Provisions for Pensions and Similar Obligations.”
- Provisions for onerous contracts and warranties are also based to a significant extent on management estimates with regard to their amount and probability of occurrence. Assessments of whether there is a present obligation, whether an outflow of resources is probable and whether it is possible to reliably determine the amount of the obligation are generally based on the expertise of in-house or third-party specialists. More recent information could change the estimates and thus impact the Group’s financial position and financial performance. The legal and regulatory environment in which Bertelsmann operates does not bear significant litigation risks. With regard to risk provisioning, a provision for potential losses from litigation is recognized when the risks of a loss are considered probable and when a reliable estimate of the anticipated financial impact is possible. For significant contingent liabilities for which the possibility of a future loss is more than remote but less than probable, the Bertelsmann Group estimates the possible loss where the Group believes that an estimate can be made. Contingent liabilities from litigation that were of subordinate significance from a Group perspective existed at the end of the reporting period. Management regularly reviews the recognition, measurement and use of provisions along with the disclosure requirements for contingent liabilities.

- Put option liabilities: Put option liabilities are measured according to an underlying fair value or are based on forecasted performance targets. The performance targets are based, for example, on a multiple of earnings, meaning that judgment is required where there are adjustments to forecasted results or to the probability of meeting each performance target. In addition, the determination of the transaction-specific discount rates for non-current put option liabilities requires judgment. Further information on put options can be found in note 23 “Liabilities.”
- Lease liabilities are recognized at the present value of the outstanding lease payments using maturity-, currency- and risk-specific incremental borrowing rates. The starting point for determining the incremental borrowing rates is risk-free, country- and maturity-specific interest rates for government bonds. These interest rates are adjusted by a specific risk premium for Bertelsmann SE & Co. KGaA as well as a lease-specific risk premium and a security discount. The lease-specific risk premium takes into account in particular that the lease contracts are not concluded by Bertelsmann SE & Co. KGaA itself, but by its subsidiaries, as well as the different payment profile of a lease contract in contrast to a bullet government bond. Further explanations on lease liabilities are presented in note 22 “Lease Liabilities.”
- The activities of the Group companies are subject to the respective applicable tax laws and pronouncements. Assumptions and estimates also form the basis for judgments regarding the ability to realize uncertain tax positions and future tax benefits that may arise from the interpretation of tax regulations. Recognition of an asset or liability from an uncertain tax position is performed in accordance with IAS 12 if payment or refund in respect of the legal uncertainty is probable. Measurement of the uncertain tax assets and tax liabilities is at its most likely amount in accordance with IFRIC 23. Deferred tax assets are only carried to the extent that it is probable that they can be utilized against future taxable profits. When assessing the probability of the ability to use deferred tax assets in the future, various factors are taken into account, including past earnings, company forecasts, tax planning strategies and loss carryforward periods. Information relating to the ability to realize tax benefits is presented in note 8 “Income Taxes.”
- Estimates and assumptions also relate to the share-based payments. The conditions of the cash-settled share-based payment transactions and the stock option plans are presented in greater detail in the section “Share-Based Payments” in note 17 “Equity.”

Prior-Year Information

In November 2022, Fremantle acquired 55 percent of 72 Films, an independent TV production company focusing on documentaries and factual entertainment. Also in November 2022, Fremantle acquired 51 percent of Wildstar Films, a production company focused on natural history documentaries. For the Bertelsmann Consolidated Financial Statements as of December 31, 2022, the purchase price allocations for both acquisitions were prepared on a provisional basis in accordance with IFRS 3. During the measurement period in the financial year 2023, the provisional amounts recognized at the acquisition date were retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Due to the finalization of the purchase price allocation in the financial year 2023, the prior-year comparatives have been adjusted accordingly. Further explanations are presented in the section “Acquisitions and Disposals.”

Notes to the Income Statement and the Balance Sheet

1 Revenues

In the financial year 2023, Group revenues of €19,760 million were generated from contracts with customers in accordance with IFRS 15 (previous year: €19,896 million). The other revenues amounting to €409 million (previous year: €349 million) not in the scope of IFRS 15 resulted almost entirely from financial services in the Arvato Group division. The following table only shows the revenues from contracts with customers in accordance with IFRS 15 by division and broken down by revenue source, geographical area and timing of revenue recognition. The categorization of revenue sources and geographical areas shown corresponds to that used in segment reporting.

In April 2023, the content agency Territory was transferred from Bertelsmann Investments to Bertelsmann Marketing Services with retroactive effect from January 1, 2023. Territory's recruiting and employer branding services, combined under the Embrace brand, were carved out from the agency and remain in the Bertelsmann Investments division. The prior-year comparatives have been adjusted accordingly. Further details are presented in note 27 "Segment Reporting."

Revenue from Contracts with Customers

	2023							
in € millions	RTL Group	Penguin Random House	BMG	Arvato Group	Bertelsmann Marketing Services	Bertelsmann Education Group	Bertelsmann Investments	Total divisions[1]
Revenue Sources								
Own products and merchandise	166	4,288	96	59	14	6	76	4,704
Services	346	173	7	4,930	1,143	870	309	7,777
Advertising	3,476	–	–	–	13	–	43	3,532
Rights and licenses	2,851	71	799	–	–	–	2	3,723
	6,839	4,532	902	4,988	1,170	876	430	19,736
Geographical Areas								
Germany	2,416	310	93	1,714	757	5	274	5,569
France	1,319	10	63	446	52	–	3	1,894
United Kingdom	305	454	115	340	78	–	2	1,293
Other European countries	1,607	372	100	1,518	146	–	24	3,768
United States	1,012	2,642	465	513	123	331	21	5,107
Other countries	179	743	65	457	14	540	106	2,105
	6,839	4,532	902	4,988	1,170	876	430	19,736
Timing								
Point in time	2,306	4,357	212	60	25	11	84	7,056
Over time	4,532	174	690	4,928	1,144	865	346	12,681
	6,839	4,532	902	4,988	1,170	876	430	19,736

2022								
in € millions	RTL Group	Penguin Random House	BMG	Arvato Group	Bertelsmann Marketing Services	Bertelsmann Education Group	Bertelsmann Investments	Total divisions[1]
Revenue Sources								
Own products and merchandise	231	3,986	64	62	22	3	87	4,455
Services	347	168	3	5,084	1,373	619	277	7,871
Advertising	3,714	–	–	–	21	–	44	3,779
Rights and licenses	2,907	68	796	–	–	–	2	3,773
	7,199	4,222	863	5,146	1,416	622	410	19,878
Geographical Areas								
Germany	2,589	298	69	1,671	888	4	267	5,786
France	1,367	14	59	467	70	–	2	1,979
United Kingdom	317	450	105	464	98	1	2	1,437
Other European countries	1,696	371	104	1,567	177	–	26	3,941
United States	999	2,406	465	487	168	322	27	4,874
Other countries	231	683	61	490	15	295	86	1,861
	7,199	4,222	863	5,146	1,416	622	410	19,878
Timing								
Point in time	2,542	4,053	216	66	40	5	105	7,027
Over time	4,657	169	647	5,080	1,376	617	305	12,851
	7,199	4,222	863	5,146	1,416	622	410	19,878

1 Excluding Corporate activities.

During the reporting period, the revenues from contracts with customers comprise performance obligations satisfied at a certain point in time of €7,056 million (previous year: €7,027 million) and performance obligations satisfied over a certain period of time of €12,681 million (previous year: €12,851 million). If revenue is recognized at a point in time, the respective timing of revenue recognition is determined by the contractually agreed terms of sale. For performance obligations satisfied over time, a sufficient measure of progress is determined generally based on output methods to recognize revenue accordingly. Input methods are used to determine revenue recognition in business models for which they more accurately measure progress. Revenues amounting to €1 million (previous year: €5 million) result from performance obligations already satisfied in previous periods. Bertelsmann makes use of practical expedients set out in IFRS 15 and does not disclose any unsatisfied performance obligations for contracts with an original duration of no more than 12 months, or for contracts for which revenue can be recognized according to the amount invoiced for simplification purposes. As of December 31, 2023, Bertelsmann expects future revenues from existing long-term service level agreements of €1,595 million (previous year: €1,513 million), which will be attributable to unsatisfied (or partially unsatisfied) performance obligations as of the end of the reporting period and is expected to be recognized in the amount of €616 million (previous year: €523 million) in the next financial year and in the amount of €979 million (previous year: €990 million) in the following years.

2 Other Operating Income

in € millions	2023	2022
Income from reimbursements	45	52
Income from sideline operations	37	44
Gains from disposals of non-current assets	43	28
Foreign exchange gains	–	16
Sundry operating income	205	201
	330	341

The item “Sundry operating income” consists of a number of individually immaterial matters in the subsidiaries.

3 Personnel Costs

in € millions	2023	2022
Wages and salaries	5,338	5,202
Statutory social security contributions	813	805
Expenses for pensions and similar obligations	127	160
Profit sharing	74	63
Other employee expenses	288	255
	6,640	6,485

The contributions paid by the employer to state pension plans amounted to €424 million in the financial year 2023 (previous year: €420 million).

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

in € millions	2023	2022
Amortization/depreciation, impairment and reversals on		
– intangible assets	567	490
– property, plant and equipment and right-of-use assets	692	609
	1,259	1,099

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

5 Other Operating Expenses

in € millions	2023	2022
Administrative expenses	1,379	1,338
Selling and transmission expenses	605	622
Advertising costs	402	382
Loss allowances on receivables, loans and non-financial assets	341	306
Consulting and audit fees	194	274
Fair value measurement of investments	229	232
Fair value measurement of other receivables	25	–
Operating taxes	101	91
Losses on disposals of non-current assets	9	4
Adjustment to carrying amounts on assets held for sale	19	–
Foreign exchange losses	2	–
Sundry operating expenses	222	286
	3,529	3,535

The item “Administrative expenses” includes repair and maintenance costs of €236 million (previous year: €225 million) and costs for IT services of €361 million (previous year: €339 million). In the financial year 2023, expenses from short-term leases in the amount of €40 million (previous year: €41 million) and expenses from leases for low-value assets in the amount of €19 million are also included in this item (previous year: €17 million). The item “Loss allowances on receivables, loans and non-financial assets” comprises mainly loss allowances on advance payments for royalties and licenses of the Penguin Random House division amounting to €259 million (previous year: €242 million). The item “Fair value measurement of investments” mainly comprises effects from the measurement of financial instruments held in the portfolio of the Bertelsmann Investments division. Bertelsmann Investments assigns its minority stakes and fund-of-fund investments held by venture capital organizations to the fair value through profit or loss category in accordance with IFRS 9. Further details are presented in note 12 “Minority Stakes and Other Financial Assets.”

The item “Sundry operating expenses” consists of a number of individually immaterial matters in the subsidiaries. In the financial year 2022, this item included, among others, the ”Regulatory Termination Fee” of US$200 million paid to Paramount Global.

6 Interest Income and Interest Expenses

in € millions	2023	2022
Interest income		
Interest income on cash and cash equivalents	36	18
Other interest income	15	12
	50	30
Interest expenses		
Interest expenses on financial debt	(173)	(129)
Interest expenses on interest rate derivatives	(1)	(1)
Other interest expenses	(13)	(10)
	(187)	(140)

Interest expenses on financial debt include interest expenses calculated using the effective interest method, adjusted for the effects of derivative financial instruments entered into as hedging instruments in accordance with IFRS 9 against changes in interest rates under hedge accounting.

7 Other Financial Income and Expenses

in € millions	2023	2022
Other financial income		
Financial income from put/call options	–	25
Non-operating foreign exchange gains	7	–
Sundry financial income	39	48
	47	73
Other financial expenses		
Net interest on defined benefit plans	(18)	(17)
Interest expenses on lease liabilities	(59)	(47)
Dividend entitlement on profit participation certificates	(44)	(43)
Financial expenses from put/call options	(51)	–
Minority interests in partnerships	–	(3)
Non-operating foreign exchange losses	–	(48)
Other non-operating expenses from derivatives	(10)	(4)
Sundry financial expenses	(66)	(59)
	(247)	(221)

To better reflect the economic content, income and expenses from non-operating foreign currency hedging transactions are offset against the results from the measurement of the economically hedged items in foreign currency, and are recognized as non-operating foreign exchange gains or losses. In the financial year 2023, the net results from these non-operating foreign currency transactions of €14 million (previous year: €131 million) were offset against the net results from hedged foreign currency transactions amounting to €-6 million (previous year: €-179 million).

8 Income Taxes

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

in € millions	2023	2022
Earnings before income taxes (total)	1,563	1,300
Current income taxes from continuing operations	(375)	(332)
Deferred income taxes from continuing operations	138	86
Income taxes from continuing operations	(237)	(246)
Current income taxes from discontinued operations	–	–
Deferred income taxes from discontinued operations	–	(2)
Income taxes from discontinued operations	–	(2)
Total income taxes	(237)	(248)
Net income after income taxes (total)	1,326	1,052

Tax loss carryforwards of €257 million (previous year: €150 million) were utilized in the financial year 2023, reducing current tax expenses by €52 million (previous year: €32 million). Of the tax loss carryforwards utilized, €1 million (previous year: €1 million) was due to German corporate income tax, €1 million (previous year: €1 million) was due to German trade tax and €255 million (previous year: €148 million) was due to foreign income taxes. These amounts include €12 million (previous year: €25 million) for tax loss carryforwards for which no deferred tax assets were recognized in the past. These relate to German corporate tax of an immaterial amount (previous year: €0 million), to German trade tax of an immaterial amount (previous year: €0 million) and to foreign income taxes in the amount of €12 million (previous year: €25 million). As a result of this utilization, current tax expense decreased by €3 million (previous year: €5 million).

The recognition of previously unrecognized tax loss carryforwards, deductible temporary differences and tax credits resulted in a reduction in deferred tax expense of €88 million (previous year: €149 million). A net deferred tax expense of €1 million (previous year: €17 million) arises as a result of the write-down or reversal of historically written down deferred tax assets.

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

Deferred Taxes

	12/31/2023			12/31/2022		
in € millions	Assets	Equity and liabilities	Recognized in profit or loss in the financial year	Assets	Equity and liabilities	Recognized in profit or loss in the financial year
Goodwill	46	148	2	46	155	11
Other intangible assets	102	383	30	108	408	24
Property, plant and equipment and right-of-use assets	67	339	25	72	396	11
Investments accounted for using the equity method	1	5	(3)	1	2	–
Minority stakes and other financial assets	11	57	14	11	75	(36)
Inventories	185	3	(16)	205	4	(20)
Trade and other receivables	132	35	(11)	152	33	(10)
Other non-financial assets	38	115	(16)	55	112	(14)
Cash and cash equivalents	1	7	–	–	8	(4)
Provisions for pensions and similar obligations	925	604	(15)	865	620	(24)
Other provisions	122	25	44	132	68	(35)
Financial debt	7	18	14	1	25	(9)
Lease liabilities	352	10	(28)	402	9	(16)
Trade and other payables	147	56	(40)	187	57	44
Other non-financial liabilities	20	16	(4)	21	11	(13)
Loss carryforwards/tax credits	478		143	362		177
Total	2,633	1,821	138	2,620	1,983	86
Offset	(1,664)	(1,664)		(1,808)	(1,808)	
Carrying amount	969	157		812	175	

The item “Property, plant and equipment and right-of-use assets” includes deferred tax assets of €25 million (previous year: €23 million) and deferred tax liabilities of €274 million (previous year: €336 million) in connection with right-of-use assets in accordance with IFRS 16.

No deferred tax liabilities were recognized for temporary differences in connection with investments in subsidiaries in the amount of €501 million (previous year: €656 million) as Bertelsmann can control their reversal, and it is probable that these temporary differences will not be reversed in the foreseeable future. Deferred tax assets of €591 million (previous year: €465 million) were recognized according to IAS 12.82. The recoverability of these deferred tax assets is covered through company forecasts and tax planning strategies. Current and deferred tax assets and liabilities are offset against each other if they relate to the same tax authority and meet the criteria for offsetting. The term of the deferred taxes on temporary differences is mostly long-term.

Deferred tax assets in other comprehensive income amount to €355 million (previous year: €266 million).

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

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

Expiration

in € millions	12/31/2023	12/31/2022
Temporary differences (unlimited carryforward period)	140	106
Tax loss carryforwards		
Unlimited carryforward period	4,956	5,176
To be carried forward for more than 5 years	14	33
To be carried forward for up to 5 years	67	106
Tax credits		
Unlimited carryforward period	1	1
To be carried forward for more than 5 years	1	1
To be carried forward for up to 5 years	1	2

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

Reconciliation to Actual Tax Expense

in € millions	2023	2022
Earnings before income taxes from continuing operations	1,563	1,295
Income tax rate applicable to Bertelsmann SE & Co. KGaA (in percent)	31.20	31.10
Expected tax expense from continuing operations	(488)	(403)
The tax effects of the following items led to differences between the expected and actual tax expense:		
Adjustment to different national tax rates	162	104
Effect of changes in tax rate and tax law	3	1
Non-tax-deductible impairment on goodwill	(3)	(2)
Tax effects in respect of results from disposals of investments	178	17
Current income taxes for previous years	(14)	34
Deferred income taxes for previous years	14	(3)
Effects of measurements of deferred tax assets	33	109
Permanent differences	(112)	(73)
Other adjustments	(10)	(30)
Total of adjustments	250	157
Actual tax expense from continuing operations	(237)	(246)

Effects from measurement of deferred tax assets take into account the effects from the recognition of deferred tax assets based on estimates of future taxable income derived from internal forecasts. Permanent differences mainly include effects from tax-free income and fair value measurement effects.

Effective Income Tax Rate

in percent	2023	2022
Corporate income tax including solidarity surcharge	15.83	15.83
Trade tax	15.37	15.27
Effective income tax rate	31.20	31.10

The effective tax rate is based on the tax rate of the German Group parent entity Bertelsmann SE & Co. KGaA and includes corporate income tax, the solidarity surcharge and trade tax. In addition, the Group operates mainly in the United States with a tax rate from 21.00 percent to 25.10 percent and in France with a tax rate of 25.00 percent to 25.83 percent.

9 Intangible Assets

in € millions	Goodwill	Other intangible assets: Music and film rights	Other rights and licenses	Internally generated intangible assets	Advance payments	Total	Total
Cost							
Balance as of 1/1/2022	8,608	3,355	2,487	1,223	28	7,093	15,701
Exchange differences	26	44	(46)	25	–	23	49
Acquisitions through business combinations	701	12	1,014	28	1	1,055	1,756
Other additions	–	386	166	35	36	623	623
Reductions through disposal of investments	(53)	–	(4)	(3)	–	(7)	(60)
Other disposals	–	(38)	(46)	(20)	–	(104)	(104)
Reclassifications in accordance with IFRS 5	44	–	2	–	–	2	46
Reclassifications and other changes	18	34	(119)	110	(34)	(9)	9
Balance as of 12/31/2022	9,344	3,792	3,454	1,399	31	8,676	18,020
Exchange differences	(61)	(38)	17	(18)	–	(39)	(100)
Acquisitions through business combinations	192	–	256	–	–	256	448
Other additions	–	176	164	60	61	461	461
Reductions through disposal of investments	(14)	–	(11)	–	–	(11)	(25)
Other disposals	–	(37)	(39)	(21)	–	(97)	(97)
Reclassifications in accordance with IFRS 5	(624)	(6)	(146)	(2)	(3)	(157)	(781)
Reclassifications and other changes	20	44	(80)	65	(49)	(20)	–
Balance as of 12/31/2023	8,857	3,931	3,615	1,482	40	9,068	17,925
Accumulated amortization							
Balance as of 1/1/2022	462	1,798	1,401	1,101	–	4,300	4,762
Exchange differences	4	11	15	28	–	54	58
Amortization	–	186	207	79	–	472	472
Impairment losses	10	1	7	3	–	11	21
Reversals of impairment losses	–	(3)	–	–	–	(3)	(3)
Reductions through disposal of investments	(8)	–	(4)	(3)	–	(7)	(15)
Other disposals	–	(39)	(40)	(19)	–	(98)	(98)
Reclassifications in accordance with IFRS 5	–	–	2	–	–	2	2
Reclassifications and other changes	–	2	(24)	–	–	(22)	(22)
Balance as of 12/31/2022	468	1,956	1,564	1,189	–	4,709	5,177
Exchange differences	–	(13)	(16)	(17)	–	(46)	(46)
Amortization	–	190	242	101	–	533	533
Impairment losses	18	14	–	1	3	18	36
Reversals of impairment losses	–	(3)	–	(1)	–	(4)	(4)
Reductions through disposal of investments	–	–	(1)	–	–	(1)	(1)
Other disposals	–	(37)	(35)	(23)	–	(95)	(95)
Reclassifications in accordance with IFRS 5	(32)	(6)	(101)	(2)	–	(109)	(141)
Reclassifications and other changes	–	(1)	(3)	(12)	1	(15)	(15)
Balance as of 12/31/2023	454	2,100	1,650	1,236	4	4,990	5,444
Carrying amount as of 12/31/2023	8,403	1,830	1,963	247	37	4,077	12,480
Carrying amount as of 12/31/2022	8,876	1,836	1,890	210	31	3,967	12,843

Other rights and licenses include brands and publishing rights, acquired customer relationships along with acquired software, and other licenses. In the financial year, BMG acquired music catalogs in the amount of €197 million (previous year: €380 million), €85 million of which related to various music catalogs in the United States, €62 million to various music catalogs in the United Kingdom, €29 million to various music catalogs in Germany, and €21 million to various music catalogs in other countries. Internally generated intangible assets mostly include own film and TV productions and internally generated software. In the financial year 2023, the reclassifications in accordance with IFRS 5 are mainly attributable to Majorel. As in the previous year, no intangible assets were subject to restrictions on disposal as of the end of the reporting period.

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

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

	Goodwill		Other intangible assets with indefinite useful life	
in € millions	12/31/2023	12/31/2022	12/31/2023	12/31/2022
RTL Group	4,983	5,410	164	164
RTL Group, Group level	1,834	2,079	–	–
Fremantle	1,251	1,256	–	–
RTL Deutschland	1,264	1,269	–	–
Groupe M6	600	613	164	164
RTL Nederland	–	159	–	–
Other	33	34	–	–
Penguin Random House	1,198	1,082	–	–
BMG	386	387	–	–
Arvato Group	434	602	–	–
Riverty	356	363	–	–
Other	78	239	–	–
Bertelsmann Marketing Services	–	9	–	–
Book Printing Group USA (previously Print USA)	–	9	–	–
Other	–	–	–	–
Bertelsmann Education Group	1,323	1,321	–	–
Afya	413	379	–	–
Relias Learning	904	936	–	–
Alliant University	6	6	–	–
Bertelsmann Investments	79	65	–	–
Embrace	61	20	–	–
Other	18	45	–	–
	8,403	8,876	164	164

Intangible assets with indefinite useful life primarily concern Groupe M6 trademark rights in France (€120 million; previous year: €120 million) and brands related to Gulli (€38 million; previous year: €38 million), which also belong to Groupe M6. In determining that the M6 trademark rights have an indefinite useful life, management has considered various factors such as the historical and expected longevity of the brand, the impact of possible changes in broadcasting technologies, the impact of possible evolutions of the regulatory environment in the French television industry, the current and expected audience share of the M6 channel, and management's strategy to maintain and strengthen the trademark "M6." As of December 31, 2023, based on the analysis of these factors, there is no foreseeable limit to the period of time over which the M6 brand is expected to generate cash inflows. Given their positioning, the market's awareness of the brands and their history, Gulli-related brands are considered to also have an indefinite useful life.

For the purpose of impairment testing in accordance with IAS 36, goodwill from a business combination is allocated to the cash-generating units that are expected to benefit from the synergies of the business combination. As of December 31, 2023, the market price of RTL Group S.A. shares on the Frankfurt Stock Exchange was €34.96 (previous year: €39.44). At that date, the recoverable amount for the goodwill impairment test of RTL Group recognized at Group level was based on the value in use using a discounted cash flow method (level 3), as management considered the share price of RTL Group did not fully reflect its earnings potential due to the expected growth from RTL Group's cross-media platform offerings. The value in use significantly exceeded the carrying amount.

As of December 31, 2023, the market price of Métropole Télévision shares on the Paris Stock Exchange was €12.94 (previous year: €15.35). The recoverable amount of Groupe M6 at that date was based on the value in use using a discounted cash flow method (level 3), as management considered the share price of Groupe M6 did not fully reflect its earnings potential due to the expected growth in AVOD (advertising-funded Video On Demand) offers. The value in use exceeded the carrying amount. As of December 31, 2023, the market price of Afya shares, which represent partly a class of shares other than Bertelsmann shares, on the Nasdaq was US$21.93 (previous year: US$15.62). The recoverable amount derived from the stock market price exceeded the carrying amount.

For the other cash-generating units, the recoverable amount equals the fair value, which is derived from discounted cash flows less costs of disposal and which is based on level 3 of the fair value hierarchy. Projected cash flows were based on internal estimates for three detailed planning periods and, as a rule, two further detailed planning periods were applied. For periods after this detailed horizon, a perpetual annuity was applied, taking into account individual business-specific growth rates.

The cash flow forecasts underlying the impairment testing of the individual cash-generating units bearing material goodwill are based on the following assumptions relating to the market development for the beginning of the detailed planning period: In 2024, the TV advertising markets are expected to grow moderately in the countries of the DACH region and to grow strongly in Hungary, while stable development is expected in France and the Netherlands. The streaming markets in Germany and Hungary are expected to grow strongly. The streaming markets in the Netherlands are expected to grow moderately. The book markets are expected to remain stable overall. In the relevant music market, the music publishing and recorded music market segment is expected to see strong growth. The markets for logistics, IT and financial services are predicted to show moderate growth in 2024. The German offset printing market is expected to record a strong decline, while the book printing market in North America is expected to show a slight decline. Overall, sustained moderate to strong growth is anticipated for the relevant US education markets and the Brazilian market for medical university education.

In addition, recoverable amounts based on discounted cash flows were measured using the following individual business-specific growth rates and discount rates after taxes for periods after the detailed planning period:

Overview of Growth and Discount Rates

	Growth rate in % for the year		Discount rate in % for the year	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
RTL Group				
RTL Group, Group level[1]	0.8	0.8	8.3	7.6
Fremantle	1.8	1.8	8.0	8.0
RTL Deutschland	0.5	0.5	8.1	7.4
Groupe M6[2]	0.5	0.0	8.7	8.2
RTL Nederland	n/a	0.5	n/a	7.4
Other	2.0	2.0	9.8	12.4
Penguin Random House	0.5	0.5	9.1	8.6
BMG	2.0	2.0	9.0	8.0
Arvato Group				
Riverty	1.5	1.5	6.8	7.7
Other	1.0–1.5	1.0–1.5	8.7–10.9	8.8–10.3
Bertelsmann Marketing Services				
Book Printing Group USA (previously Print USA)	0.0	0.0	7.5	8.1
Other	0.0	0.0	8.2	8.5
Bertelsmann Education Group				
Afya	n/a	4.5	n/a	14.2
Relias Learning	2.5	2.5	8.4	8.2
Alliant University	2.0	2.0	8.8	7.7
Bertelsmann Investments				
Embrace	1.5	n/a	8.4	n/a
Other	1.5	0.0–1.5	10.1–13.2	7.7–13.0

1 Discount rate before taxes December 31, 2023: 11.2 percent (previous year: 10.3 percent).
2 Discount rate before taxes December 31, 2023: 11.7 percent (previous year: 11.3 percent).

The key assumptions on which the development of the recoverable amount is based also include the future achievable EBITDA margin, which is derived from internally determined assumptions based on past experience, supplemented by current expectations and underpinned by external market assessments. A further increase in the margin level is assumed for the majority of cash-generating units partly due to forecast economies of scale and efficiency measures.

In the financial year 2023, an impairment loss in the amount of €18 million was recognized on goodwill (previous year: €10 million). The impairment loss is attributable to the cash-generating units Book Printing Group USA (€8 million) and Digital Marketing (€10 million), which belong to the Bertelsmann Marketing Services division. Thus, the goodwill of both cash-generating units has been fully impaired. In the previous year, the impairment loss was fully attributable to the cash-generating unit Mohn Media Group, which belongs to the Bertelsmann Marketing Services division.

The current lower market demand in the book printing business in the United States and the significantly lower finishing depth for book covers led to a recoverable amount of €55 million for the cash-generating unit Book Printing Group USA, which was below the carrying amount. The measurement of the impairment loss was based on the following assumptions: the discount rate was 7.5 percent (previous year: 8.1 percent) and the long-term growth rate was 0.0 percent (previous year: 0.0. percent). For Digital Marketing, the expected only partial compensation from new partners and other businesses for the loss of a significant existing customer led to an impairment of €10 million. The recoverable amount before payment of the reward points recognized as of December 31, 2023, amounted to €1 million. The measurement of the impairment loss was based on the following assumptions: the discount rate was 8.2 percent and the long-term growth rate was 0.0 percent. The Digital Marketing cash-generating unit was created with the reorganization of the reporting structure and the structure of the cash-generating units of the Bertelsmann Marketing Services division and therefore did not exist in a comparable way in the previous year.

Impairment losses on goodwill and other intangible assets with indefinite useful lives are recognized in the income statement under “Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets.”

For the cash-generating unit Fremantle, which belongs to the RTL Group division, the recoverable amount exceeds the carrying amount by €359 million. In the event of an increase in the discount rate by 1.1 percentage points, a decrease in the long-term growth rate by 2.0 percentage points or a decrease in the EBITDA margin by 1.1 percentage points, the recoverable amount would fall below the carrying amount.

For the cash-generating unit We Are Era, which belongs to the RTL Group division and is recognized in the item “Other,” the recoverable amount exceeds the carrying amount by €10 million. In the event of an increase in the discount rate by 1.6 percentage points, a decrease in the long-term growth rate by 2.2 percentage points or a decrease in the EBITDA margin by 0.9 percentage points, the recoverable amount would fall below the carrying amount.

For the cash-generating unit Riverty, which belongs to the Arvato Group division, the recoverable amount exceeds the carrying amount by €112 million. In the event of an increase in the discount rate by 0.6 percentage points or a decrease in the EBITDA margin by 0.8 percentage points, the recoverable amount would fall below the carrying amount.

For the goodwill to be tested at the level of the RTL Group division, the recoverable amount would fall below the carrying amount of the cash-generating unit in the event of a decrease in the EBITDA margin by 2.5 percentage points.

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

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

Right-of-use assets from leased property, plant and equipment are capitalized in accordance with IFRS 16. The balance sheet position “Property, plant and equipment and right-of-use assets” comprises property, plant and equipment owned by the Bertelsmann Group and right-of-use assets from leased property, plant and equipment.

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

in € millions	12/31/2023	12/31/2022
Owned property, plant and equipment	1,753	1,879
Right-of-use assets from leased property, plant and equipment	1,055	1,306
	2,808	3,185

Property, Plant and Equipment

in € millions	Land, rights equivalent to land and buildings	Technical equipment and machinery	Other equipment, fixtures, furniture and office equipment	Advance payments and construction in progress	Total
Cost					
Balance as of 1/1/2022	1,667	2,133	1,439	118	5,357
Exchange differences	–	5	(3)	(2)	–
Acquisitions through business combinations	25	15	62	4	106
Other additions	39	81	179	173	472
Reductions through disposal of investments	–	(1)	(4)	–	(5)
Other disposals	(76)	(110)	(99)	(3)	(288)
Reclassifications in accordance with IFRS 5	(46)	(23)	(1)	–	(70)
Reclassifications and other changes	13	64	48	(142)	(17)
Balance as of 12/31/2022	1,622	2,164	1,621	148	5,555
Exchange differences	(4)	(5)	(13)	1	(21)
Acquisitions through business combinations	–	1	5	–	6
Other additions	30	76	178	142	426
Reductions through disposal of investments	–	–	(1)	–	(1)
Other disposals	(81)	(327)	(112)	(1)	(521)
Reclassifications in accordance with IFRS 5	(101)	(61)	(388)	(9)	(559)
Reclassifications and other changes	21	69	68	(165)	(7)
Balance as of 12/31/2023	1,487	1,917	1,358	116	4,878
Accumulated depreciation					
Balance as of 1/1/2022	926	1,811	979	–	3,716
Exchange differences	–	3	3	–	6
Depreciation	50	84	158	–	292
Impairment losses	8	6	9	–	23
Reversals of impairment losses	(12)	(1)	–	–	(13)
Reductions through disposal of investments	–	(1)	(4)	–	(5)
Other disposals	(68)	(112)	(92)	–	(272)
Reclassifications in accordance with IFRS 5	(34)	(19)	(1)	–	(54)
Reclassifications and other changes	(2)	(15)	–	–	(17)
Balance as of 12/31/2022	868	1,756	1,052	–	3,676
Exchange differences	(4)	(4)	(9)	–	(17)
Depreciation	49	96	151	–	296
Impairment losses	1	13	6	–	20
Reversals of impairment losses	–	(1)	(1)	–	(2)
Reductions through disposal of investments	–	–	(1)	–	(1)
Other disposals	(68)	(320)	(105)	–	(493)
Reclassifications in accordance with IFRS 5	(64)	(50)	(235)	–	(349)
Reclassifications and other changes	(7)	(13)	15	–	(5)
Balance as of 12/31/2023	775	1,477	873	–	3,125
Carrying amount as of 12/31/2023	712	440	485	116	1,753
Carrying amount as of 12/31/2022	754	408	569	148	1,879

As of the end of the reporting period, no property, plant and equipment was subject to restrictions on disposal (previous year: €6 million). In the financial year 2023, impairment testing of cash-generating units of the Bertelsmann Marketing Services division identified imputed shortfalls. Subsequent impairment testing of property, plant and equipment amounting to €13 million (previous year: €54 million) at the individual asset level resulted in an impairment of €2 million (previous year: €2 million), which was mainly attributable to technical equipment and machinery. In the financial year 2022, a reversal of an impairment loss of €12 million resulted from the conclusion of a purchase agreement for a Prinovis business property. Impairment losses totaling €20 million were recognized for property, plant and equipment (previous year: €23 million). In the financial year 2023, the reclassifications in accordance with IFRS 5 are mainly attributable to Majorel.

Right-of-Use Assets

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

The following table shows depreciation and impairment, additions and other changes to the right-of-use assets in the financial year 2023 as well as the carrying amounts of the right-of-use assets from leased property, plant and equipment as of December 31, 2023:

Change in Right-of-Use Assets

in € millions	Land, rights equivalent to land and buildings	Technical equipment and machinery	Other equipment, fixtures, furniture and office equipment	Total
Carrying amount of leased property, plant and equipment as of 1/1/2023	1,279	4	23	1,306
Additions	194	3	18	215
Depreciation and impairment	(364)	(3)	(13)	(380)
Other changes	(78)	(1)	(7)	(86)
Carrying amount of leased property, plant and equipment as of 12/31/2023	1,031	4	21	1,055

in € millions	Land, rights equivalent to land and buildings	Technical equipment and machinery	Other equipment, fixtures, furniture and office equipment	Total
Carrying amount of leased property, plant and equipment as of 1/1/2022	1,101	6	26	1,133
Additions	209	2	14	225
Depreciation and impairment	(288)	(4)	(15)	(307)
Other changes	257	–	(2)	255
Carrying amount of leased property, plant and equipment as of 12/31/2022	1,279	4	23	1,306

In the financial year 2023, the other changes mainly relate to disposals from the sale of Majorel and extensions of existing lease contracts. In the financial year 2022, the item mainly related to lease contracts from acquisitions and extensions of existing lease contracts.

11 Interests in Other Entities

Subsidiaries with Material Non-Controlling Interests

In the Group's view, material non-controlling interests relate to RTL Group and to the education company Afya. The proportion of ownership interests held by non-controlling interests in RTL Group, based in Luxembourg, is 23.7 percent (previous year: 23.7 percent). At RTL Group itself, material non-controlling interests relate to the subsidiary Groupe M6, based in Paris, France. RTL Group has a 48.4 percent interest (previous year: 48.4 percent) in Groupe M6 (after considering treasury shares held by Groupe M6). Deviating from the interests, RTL Group holds 48.5 percent of the voting rights. Of the non-controlling interests of RTL Group, €805 million (previous year: €748 million) is attributable to Groupe M6. In addition, material non-controlling interests are attributable to the education company Afya, which has been fully consolidated since May 2022 and was previously accounted for as an associate. As of December 31, 2023, the non-controlling interests in the company, which belongs to the Bertelsmann Education Group division, amounted to 50.4 percent (previous year: 59.7 percent). As of December 31, 2022, material non-controlling interests were also attributable to the customer experience company Majorel, which was sold to the French company Teleperformance in November 2023. Further explanations are presented in the section "Acquisitions and Disposals."

Change in Bertelsmann Shareholders' Equity

Throughout the financial year 2023, Bertelsmann (acting through Bertelsmann Education Group) continuously increased its interest in the Nasdaq-listed education company Afya to 50 percent (December 31, 2022: 40 percent). The shares were acquired via Nasdaq. The purchase price payment for the 10 percent interest amounted to €113 million. In addition, transaction-related costs with an immaterial amount were recognized directly in equity. The transaction was accounted for as an equity transaction in accordance with IFRS 10. The difference between the purchase price including the immaterial transaction-related costs and the carrying amount of the acquired non-controlling interest was recognized in Bertelsmann shareholders' equity. The transaction resulted in a reduction of the equity attributable to the Bertelsmann shareholders in the amount of €50 million and the equity attributable to the non-controlling interests in the amount of €63 million.

in € millions	Change in Bertelsmann shareholders' equity
Carrying amount of interests acquired	63
Purchase price for non-controlling interests	(113)
Transaction-related costs	–
Decrease in Bertelsmann shareholders' equity	(50)
– thereof decrease in retained earnings	(44)
– thereof decrease in the currency translation reserve	(6)

The following table shows summarized financial information on RTL Group and Afya (fully consolidated since May 2022), including the interests in their subsidiaries, joint ventures and associates. The information disclosed shows the amounts before intercompany eliminations.

Financial Information for Subsidiaries with Material Non-Controlling Interests

	RTL Group		Afya	
in € millions	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Non-current assets	7,175	7,449	1,693	1,497
Current assets	4,547	4,735	224	290
Non-current liabilities	1,708	1,250	524	544
Current liabilities	2,861	3,681	217	179
Bertelsmann shareholders' equity	5,383	5,499	782	653
Non-controlling interests	1,771	1,754	395	411

in € millions	2023	2022	2023	2022
Revenues	6,854	7,224	531	288
Profit or loss	637	728	62	21
– thereof of non-controlling interests	252	256	34	13
Total comprehensive income	600	862	115	(76)
– thereof of non-controlling interests	241	293	57	(24)
Dividends to non-controlling interests	224	269	3	2
Cash flow from operating activities	579	465	205	96
Cash flow from investing activities	(194)	104	(203)	45
Cash flow from financing activities	(399)	(539)	(97)	66
Increase/(decrease) in cash and cash equivalents	(14)	30	(95)	207

Investments Accounted for Using the Equity Method

The investments accounted for using the equity method relate to joint ventures in the amount of €18 million (previous year: €19 million) and to associates in the amount of €531 million (previous year: €602 million).

Investments in Joint Ventures

As of December 31, 2023, investments in 16 (previous year: 16) individually immaterial joint ventures were accounted for in the Consolidated Financial Statements. The following table shows summarized financial information on these joint ventures. The information given represents in each case the Bertelsmann Group's interest.

Financial Information on Individually Immaterial Joint Ventures

in € millions	12/31/2023	12/31/2022
Non-current assets	19	26
Current assets	60	82
Non-current liabilities	7	8
Current liabilities	60	93

in € millions	2023	2022
Earnings after taxes from continuing operations	12	(11)
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	–	1
Total comprehensive income	12	(10)

Investments in Associates

As of December 31, 2023, investments in 30 (previous year: 32) associates were accounted for in the Consolidated Financial Statements. As in the previous year, the investment of RTL Group in Atresmedia, based in San Sebastián de los Reyes, Spain, is individually material for the Group. As of December 31, 2023, the ownership interest of RTL Group in Atresmedia was 18.7 percent (previous year: 18.7 percent). As of December 31, 2023, the stock market value of Atresmedia, which is listed on the Madrid Stock Exchange, amounted to €811 million (previous year: €721 million) with a share price of €3.59 (December 31, 2022: €3.19). As of December 31, 2023, the fair value less costs of disposal amounted to €149 million (previous year: €132 million), which is assigned to level 1 fair value measurement.

As of December 31, 2023, the investment in Atresmedia was tested for impairment in accordance with IAS 36. The recoverable amount of Atresmedia on December 31, 2023 was based on the value in use determined using a discounted cash flow model, as management considered the share price of Atresmedia did not fully reflect its earning potential, which includes the diversification strategy through expansion of its investment portfolio, strengthening its digital streaming offers and building its leading position in locally relevant content production. The ongoing challenging economic environment in Spain combined with strong competition and changing viewing preferences and continued dependence on linear television still leads to high uncertainty in terms of forecasts. As of December 31, 2023, neither an additional impairment loss nor a reversal of an impairment loss had to be recognized on the at-equity investment in Atresmedia. The value in use was measured on the basis of the following assumptions: a discount rate after tax of 9.8 percent (December 31, 2022: 10.0 percent) and a long-term growth rate of 0.0 percent (December 31, 2022: 0.0 percent). In the event of an increase in the discount rate by 0.9 percentage points, a decrease in the long-term growth rate of 1.3 percentage points or a decrease in the EBITDA margin of 0.8 percentage points, the recoverable amount would fall below the carrying amount. The discount rate before taxes was 13.4 percent (December 31, 2022: 13.7 percent).

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

Financial Information on Individually Material Associates

	Atresmedia	
in € millions	12/31/2023	12/31/2022
Non-current assets	702	686
Current assets	762	825
Non-current liabilities	267	295
Current liabilities	437	529
Equity	760	687

in € millions	2023	2022
Revenues	970	951
Earnings after taxes from continuing operations	171	112
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	(8)	127
Total comprehensive income	163	239
Dividends received from the associate	17	18

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

Reconciliation to Carrying Amount

in € millions	12/31/2023	12/31/2022
Equity	760	687
Proportionate equity	142	128
Goodwill	166	166
Impairment on investments accounted for using the equity method	(110)	(110)
Carrying amount	198	184

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

Financial Information on Individually Immaterial Associates

in € millions	12/31/2023	12/31/2022
Non-current assets	388	450
Current assets	137	199
Non-current liabilities	70	88
Current liabilities	133	155

in € millions	2023	2022
Earnings after taxes from continuing operations	23	(4)
Earnings after taxes from discontinued operations	–	–
Other comprehensive income	–	30
Total comprehensive income	23	26

The total carrying amount of the investments in all individually immaterial associates amounts to €333 million (previous year: €418 million) as of December 31, 2023. Of that amount, €82 million (previous year: €162 million) is attributable to the three University Venture Funds, which invest in high-growth companies in the education sector. Bertelsmann holds between 47.3 percent and 100.0 percent of the shares in these funds. As operational management and investment decisions in particular are the responsibilities of the respective fund managers, there is significant influence, but control as defined by IFRS 10 does not exist despite an ownership interest of over 50 percent in some cases.

In January 2023, Global Savings Group (GSG), an at-equity investment held by Groupe M6, completed the acquisition of Pepper.com. The transaction resulted in a dilution of Groupe M6's investment in GSG from 41.49 percent as of December 31, 2022, to 31.47 percent as of December 31, 2023. The positive impact on Group profit or loss amounted to €15 million in 2023 and was recognized under "Results from disposals of investments" in the consolidated income statement.

Results from Investments Accounted for Using the Equity Method

in € millions	2023	2022
Income from investments accounted for using the equity method	87	75
– joint ventures	13	10
– associates	74	65
Expenses from investments accounted for using the equity method	(20)	(69)
– joint ventures	(2)	(21)
– associates	(18)	(48)
Results from investments accounted for using the equity method	67	6
– joint ventures	12	(11)
– associates	55	17

In the financial year 2023, dividends received from investments accounted for using the equity method amounted to €115 million (previous year: €78 million).

12 Minority Stakes and Other Financial Assets

	Current		Non-current	
in € millions	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Loans	31	50	22	25
Minority stakes held by venture capital organizations	15	16	1,060	1,181
Fund-of-fund investments held by venture capital organizations	–	–	148	150
Financial instruments of the consolidated special fund	–	–	–	125
Other financial assets	414	134	155	215
Derivative financial instruments	43	56	29	20
	503	256	1,414	1,716

The item "Minority stakes held by venture capital organizations" includes investments purchased by the Bertelsmann Investments division. The fair value of its listed investments is measured on the basis of their market values and of its unlisted investments, if possible, on the basis of observable prices obtained as part of the most recently implemented qualified financing rounds which meet the minimum requirements for volume and participants, taking into account life and development cycles of the entity. Fund-of-fund investments held by venture capital organizations of the Bertelsmann Investments division are also measured at fair value through profit or loss. The measurement of their fair values is based on the valuations of the external management as presented in regular reporting and taking into account a fungibility discount. The gains and losses resulting from changes in the fair value of both minority stakes and fund-of-fund investments held by venture capital organizations are recognized as other operating expenses in the item "Fair value measurement of investments." The changes in carrying amounts recognized in profit or loss of the financial instruments held by the Bertelsmann Investments division in the venture capital organizations amounted to €-209 million in the financial year 2023 (previous year: €-48 million).

A substantial share of the portfolio shown in the item “Financial instruments of the consolidated special fund” as of December 31, 2022, was invested in instruments with a very high credit rating.

Bertelsmann exercises the option granted by IFRS 9 to measure equity instruments at fair value through other comprehensive income mainly for individually immaterial investments and investments in affiliates and recognizes these investments in “Other financial assets.” RTL Group's minority stake in Magnite in the amount of €95 million (previous year: €123 million) and the minority stake in Teleperformance in the amount of €304 million, both measured at fair value through profit or loss, are also included in this item. The listed Teleperformance shares, which Bertelsmann received in the financial year 2023 as part of the non-cash consideration from the sale of Majorel, are classified as level 1, as are the Magnite shares.

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

13 Inventories

in € millions	12/31/2023	12/31/2022
Program rights	1,430	1,404
Raw materials and supplies	96	153
Work in progress	109	116
Finished goods and merchandise	385	416
Advance payments	134	170
	2,154	2,259

In the financial year 2023, write-downs on inventories were recognized in the amount of €-73 million (previous year: €-103 million). In addition, reversals of write-downs on inventories were recognized in the amount of €124 million (previous year: €73 million). As in the previous year, no inventories were subject to restrictions on disposal as of the end of the reporting period.

In the financial year 2023, the broadcast-based consumption of program rights recognized in profit or loss amounted to €2,818 million (previous year: €2,904 million). Expenses for raw materials and supplies amounting to €754 million (previous year: €927 million) were recognized, and the cost for merchandise amounted to €75 million (previous year: €91 million). Changes in inventories of work in progress and finished goods amounted to €166 million (previous year: €37 million). In addition, other own costs capitalized of €72 million (previous year: €104 million) were recognized.

14 Trade and Other Receivables

in € millions	12/31/2023	12/31/2022
Non-current		
Trade receivables	30	38
Contract assets	5	1
Other receivables	32	62
Current		
Trade receivables	3,466	3,966
Contract assets	25	23
Receivables from participations	23	20
Other receivables	1,842	1,035

Trade receivables are due for payment generally within 12 months. The item “Contract assets” covers the conditional right to consideration for completely satisfied performance obligations in accordance with IFRS 15. As of January 1, 2022, this item amounted to €28 million. The item “Other receivables” includes, among other things, receivables of €1,308 million (previous year: €493 million) from the Riverty business unit, which were recognized in relation to the receivables management service provided. In addition, the item comprises receivables in the amount of €318 million (previous year: €282 million), relating to accounts receivables sold, which are acquired by Riverty from third parties in the course of conducting its financial services and then resold. As of the end of the reporting period, trade and other receivables totaling €9 million (previous year: €16 million) were subject to restrictions on disposal.

15 Other Non-Financial Assets

in € millions	12/31/2023	12/31/2022
Non-current		
Other non-financial assets	1,194	1,124
Current		
Other non-financial assets	1,322	1,321
– advance payments	605	619
– deferred items	230	233
– other tax receivables	138	155
– sundry non-financial assets	349	314

The non-current other non-financial assets relate to advance payments for royalties and licenses in the amount of €984 million (previous year: €950 million). Loss allowances are generally recognized for advance payments for royalties and licenses if no recoupment is expected. The amount of these allowances is based on management estimates of future sales volumes and price changes using historical data. Costs for obtaining and fulfilling contracts with customers are recognized and are immaterial, both individually and in total. The same applies to the amount of amortization and impairment losses recognized for these costs.

16 Cash and Cash Equivalents

in € millions	12/31/2023	12/31/2022
Bank balances and cash on hand	1,115	1,583
Cash equivalents	1,840	1,645
	2,954	3,228

Cash equivalents include short-term, highly liquid securities with a term to maturity on acquisition of not more than three months. Furthermore, this item includes short-term investments in diversified money market funds with very good ratings, which are measured at fair value through profit or loss and are subject to only insignificant fluctuations in value. As of the end of the reporting period, cash and cash equivalents in the amount of €133 million were subject to restrictions on disposal (previous year: €145 million). Thereof, €129 million mainly relates to payments received as part of Riverty's receivables management service provided (previous year: €121 million). A further €4 million (previous year: €24 million) with restrictions on disposal relates to numerous immaterial items.

17 Equity

Subscribed Capital

Number of shares	12/31/2023	12/31/2022
Ordinary shares	83,760	83,760
Total shares	83,760	83,760

Compared with the previous year, the subscribed capital of Bertelsmann SE & Co. KGaA remained unchanged at €1,000 million and comprises 83,760 registered shares (ordinary shares). 80.9 percent of the capital shares in Bertelsmann SE & Co. KGaA are held indirectly by foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG-Familienstiftung, BVG-Stiftung), and 19.1 percent are 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).

In the financial year 2023, a dividend amounting to €220 million was distributed to the shareholders (previous year: €220 million). The dividend per ordinary share amounted to €2,627 (previous year: €2,627).

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

Changes to Components of Other Comprehensive Income after Taxes

in € millions	2023				
	Before-tax amount	Taxes	Net-of-tax amount	Attributable to Bertelsmann shareholders	Attributable to non-controlling interests
Items that will not be reclassified subsequently to profit or loss					
Remeasurement component of defined benefit plans	(117)	87	(30)	(27)	(3)
Changes in fair value of equity instruments	3	(1)	2	2	–
Share of other comprehensive income of investments accounted for using the equity method	(1)	–	(1)	(1)	–
Items that will be reclassified subsequently to profit or loss when specific conditions are met					
Exchange differences	(114)	–	(114)	(111)	(4)
Cash flow hedges	(14)	5	(9)	(8)	(1)
Share of other comprehensive income of investments accounted for using the equity method	(2)	–	(2)	(2)	(1)
Other comprehensive income net of tax	(246)	91	(155)	(146)	(8)

in € millions	2022				
	Before-tax amount	Taxes	Net-of-tax amount	Attributable to Bertelsmann shareholders	Attributable to non-controlling interests
Items that will not be reclassified subsequently to profit or loss					
Remeasurement component of defined benefit plans	764	(261)	503	471	32
Changes in fair value of equity instruments	(3)	2	(1)	–	(1)
Share of other comprehensive income of investments accounted for using the equity method	23	–	23	18	5
Items that will be reclassified subsequently to profit or loss when specific conditions are met					
Exchange differences	18	–	18	65	(47)
Cash flow hedges	23	(2)	21	18	3
Share of other comprehensive income of investments accounted for using the equity method	33	–	33	32	1
Other comprehensive income net of tax	858	(261)	597	604	(7)

Share-Based Payments

The Bertelsmann Group has granted cash-settled or equity-settled share-based payment awards. Significant share-based payments are attributable to Groupe M6, which belongs to RTL Group, and the education companies Afya and Relias, which belong to Bertelsmann Education Group. In addition, there are additional share-based payments within the Bertelsmann Group that are immaterial on a stand-alone basis and in total.

Free Share Plans Groupe M6

There are various free share plans at Groupe M6, which belongs to RTL Group, open to directors and certain employees. The number of free shares granted to participants is approved by the Supervisory Board of Métropole Télévision SA in accordance with the authorization given by the General Meeting of Shareholders.

Plans awarded in the financial year 2023:
- one plan concerns a group of 167 beneficiaries and involves 311,300 shares, subject to the condition of presence in Groupe M6 on March 31, 2026 and the achievement of consolidated EBITA objectives in 2023;
- another plan concerns a group of 22 beneficiaries and involves 191,900 shares, subject to the condition of presence in Groupe M6 on March 31, 2026. It is awarded annually on the basis of multi-year performance conditions.

The maximum number of free shares granted is as follows, whereby all plans are settled by the physical delivery of shares:

Maximum Number of Free Shares and Remaining Free Shares (Groupe M6)

Free share plans	Maximum number of free shares granted[1]	Remaining free shares
April 2021	407,200	–
April 2021	93,000	–
October 2022	291,050	278,350
October 2022	224,700	218,700
May 2023	311,300	308,700
May 2023	191,900	191,900
Total	1,519,150	997,650

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

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

	Number of shares
Balance as of 12/31/2022	1,002,350
Change based on performance	(1,012)
Granted	503,200
Delivered	(485,588)
Forfeited	(21,300)
Balance as of 12/31/2023	997,650

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

Conditions for Free Share Plans (Groupe M6)

Expiry date	Number of shares 2023	Number of shares 2022
Free share plans		
2023	–	486,600
2024	218,700	224,700
2025	278,350	291,050
2026	500,600	–
	997,650	1,002,350

As of December 31, 2023, the market price of Métropole Télévision shares on the Paris Stock Exchange was €12.94 (previous year: €15.35).

The fair value of performance shares granted is based on the value of the share at date of grant less the current value of future dividends estimated for the period of unavailability. For all performance share plans, the maturity corresponds to the vesting period (i.e., two years, two years and six months, two years and eight months or three years).

Fair Values of Free Share Plans (Groupe M6)

					Personnel costs in € millions	
Grant date	Share price	Risk-free interest rate (in percent)	Expected return (in percent)	Fair value	2023	2022
Free share plans						
7/30/2019 (2 plans)	15.35	(0.30)	6.97	13.23	–	0.8
4/20/2021 (2 plans)	18.38	(0.64)	n/a	14.34	1.3	4.1
10/10/2022 (2 plans)	10.34	2.07	6.15	8.38	1.6	0.4
5/15/2023 (2 plans)	13.32	2.79	7.89	11.40	1.1	–
Total					4.0	5.3

Afya Stock Options Plan

The stock option plan approved on August 30, 2019, and last amended on July 31, 2023, granted senior executives and other employees to acquire shares in Afya Ltd. The stock option plan is accounted for as an equity-settled share-based payment transaction. Due to the modifications, the expense related to the share-based payment reflects the cost of the original award at grant date over the vesting period plus the incremental fair value of the repriced options at modification date over the vesting period of the options.

In July 2023, a modification in the index rate to the strike prices of the granted stock options was approved. The average incremental fair value, as a result of the modification, was BRL 2.10 per stock option. The following table shows the inputs used to determine the incremental fair value of the stock options.

Inputs for Determining the Incremental Fair Value

	Modified stock option plan	Original stock option plan
Strike price index	IPCA	CDI
Strike price at the measurement date (in BRL)	59–104	59–104
Dividend yield (in percent)	0.0	0.0
Expected volatility (in percent)	45–54	45–54
Risk-free interest rate (in percent)	10–12	13–15
Expected life of stock option (in years)	0–5	0–5
Share price at the measurement date (in BRL)	75	75
Model used	Binomial	Binomial
Weighted average fair value at the measurement date (in BRL)	28.10	26.00

On February 13, 2023, April 17, 2023, August 1, 2023, October 1, 2023, and December 1, 2023, Afya Ltd. granted a total of 467,000 additional stock options, respectively. The following table shows the inputs to the model used to determine the fair value of the stock options.

Inputs for Determining Fair Value

	Measurement date				
	February 2023	April 2023	August 2023	October 2023	December 2023
Strike price (in BRL)	56	57	59	59	60
Dividend yield (in percent)	0.0	0.0	0.0	0.0	0.0
Expected volatility (in percent)	46–56	48–55	47–56	44–56	34–56
Risk-free interest rate (in percent)	13	11–13	10–12	11–12	10–11
Expected life of stock option (in years)	1–5	1–5	1–5	1–5	1–5
Share price at the measurement date (in BRL)	70.69	62.51	76.45	79.12	100.97
Model used	Binomial	Binomial	Binomial	Binomial	Binomial
Weighted average fair value at the measurement date (in BRL)	29.54	32.04	37.04	38.67	54.25

The number and movements in stock options during the period have developed as follows:

Development of the Number of Stock Options and Weighted Average Exercise Price

	Weighted average strike price (in BRL)	Number of shares 2023	Number of shares 2022
Balance as of 1/1	79.47	3,729,287	3,086,728
Granted	60.83	467,000	1,234,919
Exercised	59.67	(164,214)	–
Exchanged to Restricted Stock Units	–	(1,751,599)	–
Forfeited	110.95	(333,111)	(365,749)
Expired	94.17	(251,299)	(226,611)
Balance as of 12/31	64.33	1,696,064	3,729,287
Exercisable	86.23	242,235	1,133,774

In July 2023, the holders of stock options granted before July 11, 2022, with strike prices based on the IPO price or above, were offered a replacement award to exchange the stock options for a number of Restricted Stock Units (RSUs), resulting in a weighted average conversion ratio of 0.12 RSUs per stock option. In the 2023 financial year, expenses for this stock option plan amounted €4 million (previous year: €5 million) and were recognized in profit or loss as personnel expenses.

Incentive Compensation Rights Bertelsmann Education Group

In addition, on January 1, 2019, the Bertelsmann Education Group adopted an incentive compensation plan that provides participants an opportunity to receive a cash payment, based on instruments subject to vesting. The amount of the cash payment depends on the increase in the enterprise value between the vesting commencement date and the exercise date. The incentive compensation rights can be exercised indefinitely from December 31, 2023. As of December 31, 2023, there were 29 participants in the plan. The associated liability as of December 31, 2023, amounted to €22 million (previous year: €10 million) and is based on the enterprise value of Relias LLC, which was determined using a discounted cash flow method and corroborated for reasonableness using a market approach. As of December 31, 2023, the intrinsic value of the liability amounted to €22 million (previous year: €0 million). In the financial year 2023, the expense from these incentive compensation rights amounted to €13 million (previous year: €4 million).

18 Provisions for Pensions and Similar Obligations

in € millions	12/31/2023	12/31/2022
Defined benefit obligation	649	649
Similar obligations	52	61
	700	710

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

In the case of defined contribution plans, the company makes payments into an external pension fund or another welfare fund through a statutory, contractual or voluntary model. The company has no obligation to provide further benefits once it has made these payments, so no provisions are recognized. Expenses for defined contribution plans in the amount of €71 million were recognized in the financial year 2023 (previous year: €66 million).

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

Net Defined Benefit Liability Recognized in the Balance Sheet

in € millions	12/31/2023	12/31/2022
Present value of defined benefit obligation of unfunded plans	559	549
Present value of defined benefit obligation of funded plans	2,809	2,649
Total present value of defined benefit obligation	3,368	3,198
Fair value of plan assets	(2,874)	(2,687)
Impact from asset ceiling	–	1
Net defined benefit liability recognized in the balance sheet	494	512
– thereof provisions for pensions	649	649
– thereof other assets	155	137

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

Plan Beneficiaries

	Number of employees		in € millions	
	2023	2022	2023	2022
Active members	18,327	34,114	815	800
Deferred members	11,012	11,140	631	604
Pensioners	17,197	17,487	1,922	1,794
Total	46,536	62,741	3,368	3,198
– thereof vested			3,318	3,144

Benefit Plans

in € millions	12/31/2023	12/31/2022
Flat salary plans	1,761	1,691
Final salary plans	1,049	974
Career average plans	327	330
Other commitments given	181	155
Medical care plans	50	48
Present value of defined benefit obligation	3,368	3,198
– thereof capital commitments	147	168

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

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

Furthermore, one Group company participated in a multi-employer plan with other non-affiliated companies until December 31, 2014. As the relevant information required to account for this as a defined benefit plan was neither available on time nor available to a sufficient extent, this benefit plan was carried in the Consolidated Financial Statements in line with the requirements for defined contribution benefit plans. In the financial year 2015, the withdrawal from the plan with retrospective effect from January 1, 2015, was declared. As of December 31, 2023, the related provision in the balance sheet position “Other provisions” under other employee benefits amounts to €10 million. According to the notification of April 2017, the company has been making monthly contribution payments, which are expected to amount to €1 million in the financial year 2024.

The provisions are determined using actuarial reports in accordance with IAS 19. The amount of provisions depends on the employees’ length of service with the company and their pensionable salary. Provisions are computed using the projected unit credit method, in which the benefit entitlement earned is allocated to each year of service, thus assuming an increasing cost of service in comparison to the entry age normal method. When identifying the present value of the pension obligation, the underlying interest rate is of material importance. In the Bertelsmann Group, this is based on the “Mercer Yield Curve Approach.” With this approach, separate spot rate yield curves are created for the eurozone, the United Kingdom and the United States on the basis of high-quality corporate bonds. In order to appropriately present the time value of money in accordance with IAS 19.84, the basis does not consider either spikes for which the risk estimate may be substantially higher or lower, or bonds with embedded options that distort interest rates. Biometric calculations of domestic plans are based on the 2018 G mortality tables of Heubeck-Richttafeln-GmbH. Comparable country-specific calculation methods are used for foreign plans.

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

Actuarial Assumptions

	12/31/2023				12/31/2022			
	Germany	United Kingdom	United States	Other countries	Germany	United Kingdom	United States	Other countries
Discount rate	3.61 %	4.80 %	4.97 %	3.37 %	4.20 %	4.88 %	5.11 %	3.97 %
Salary trend	2.25 %	4.24 %	3.50 %	2.47 %	2.25 %	4.33 %	3.50 %	2.63 %
Pension trend	2.04 %	2.96 %	n/a	2.24 %	2.04 %	3.11 %	n/a	2.28 %

An increase or decrease in the assumptions set out above compared to the assumptions actually applied would have had the following effects on the present value of the defined benefit obligation as of December 31, 2023:

Effect of Actuarial Assumptions

in € millions	Increase	Decrease
Effect of 0.5 percentage point change in discount rate	(169)	187
Effect of 0.5 percentage point change in salary trend	12	(11)
Effect of 0.5 percentage point change in pension trend	121	(105)
Effect of change in average life expectancy by 1 year	103	(104)

In order to determine the sensitivity of the longevity, the mortality rates for all beneficiaries were reduced or increased evenly, so that the life expectancy of a person of a country-specific retirement age increases or decreases by one year.

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

Development of the Defined Benefit Plans

	Defined benefit obligation (I)		Fair value of plan assets (II)		Net defined benefit balance (I)-(II)[1]	
in € millions	2023	2022	2023	2022	2023	2022
Balance as of 1/1	3,198	4,552	2,687	3,212	511	1,342
Current service cost	33	56	–	–	33	56
Interest expenses	134	66	–	–	134	66
Interest income	–	–	116	49	(116)	(49)
Past service cost	(7)	–	–	–	(7)	–
Income and expenses for defined benefit plans recognized in the consolidated income statement	**160**	**122**	**116**	**49**	**44**	**73**
Income/expense on plan assets excluding amounts included in net interest expenses	–	–	97	(549)	(97)	549
Actuarial gains (-) and losses (+)						
– changes in financial assumptions	151	(1,345)	–	–	151	(1,345)
– changes in demographic assumptions	30	5	–	–	30	5
– experience adjustments	34	27	–	–	34	27
Remeasurements for defined benefit plans recognized in the consolidated statement of comprehensive income	**215**	**(1,313)**	**97**	**(549)**	**117**	**(764)**
Contributions to plan assets by employer	–	–	15	18	(15)	(18)
Contributions to plan assets by employees	2	3	2	3	–	–
Pension payments	(162)	(160)	(26)	(30)	(136)	(130)
Cash effects from settlements	–	–	–	–	–	–
Change of consolidation scope	(51)	–	(26)	–	(25)	–
Changes associated with assets held for sale	(1)	1	–	1	–	–
Exchange rate changes	6	(12)	9	(21)	(3)	9
Other changes	1	5	–	4	–	–
Other reconciling items	**(205)**	**(163)**	**(26)**	**(25)**	**(179)**	**(139)**
Balance as of 12/31	3,368	3,198	2,874	2,687	494	512
thereof						
Germany	2,624	2,486	2,105	1,971	518	515
United Kingdom	463	430	606	552	(143)	(122)
United States	144	149	112	119	31	30
Other European countries	112	111	37	33	75	79
Other countries	25	22	13	12	12	10

1 In the financial year 2023, for calculating the “Net defined benefit balance,” the effects of the asset ceiling in accordance with IAS 19 amounting to €0 million were taken into account in the item “Other changes” (previous year: €1 million).

Of the contributions to plan assets, €2 million (previous year: €2 million) pertains to Germany. Employer contributions to plan assets are expected to amount to €13 million in the next financial year. Reimbursement rights for defined benefit obligations in Germany amount to €21 million (previous year: €24 million) and are recognized in the balance sheet position “Trade and other receivables.”

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

Expenses for Defined Benefit Plans

in € millions	2023	2022
Current service cost	33	56
Past service cost and impact from settlement	(7)	–
Net interest expenses	18	17
Net pension expenses	44	73

The portfolio structure of plan assets is composed as follows:

Portfolio Structure of Plan Assets

in € millions	12/31/2023	12/31/2022
Debt instruments[1]	1,935	1,905
Equity instruments[1]	583	502
Cash and cash equivalents	71	115
Qualifying insurance policies	119	115
Other funds	73	99
Derivatives	82	(56)
Property	7	7
Other	4	–
Fair value of plan assets	2,874	2,687

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

The plan assets in the Bertelsmann Group are used exclusively for the fulfillment of benefit obligations. To avoid a concentration of risk, plan assets are invested in various classes of investments. The majority of plan assets are managed by Bertelsmann Pension Trust e.V. under a contractual trust arrangement (CTA) for pension commitments of Bertelsmann SE & Co. KGaA and some of the German subsidiaries. There is no funding requirement for the CTA. In the financial year 2023, no contribution was made to plan assets. The trust assets were invested in accordance with the investment guideline of the beneficiary, using a long-term total return approach. This approach is based on the aim of using strategic asset allocation to generate a suitable return in the long term regardless of short-term market fluctuations and/or crises. The management board of the pension trust is responsible for the investment and regularly informs the beneficiary of the status and performance of the pension assets.

The weighted-average duration of the pension obligations as of December 31, 2023, is as follows:

Weighted Average Duration

in years	2023	2022
Germany	13	13
United Kingdom	16	16
United States	11	10
Other countries	12	13

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

Maturity Profile of Pension Payments

in € millions	Expected pension payments
2024	169
2025	176
2026	181
2027	187
2028	195
2029–2033	979

Similar obligations relate to provisions for bonuses for employee service anniversaries, amounts due but not yet paid to defined contribution plans, partial retirement and severance payments at retirement. Severance payments at retirement are made when employees leave the company and are based on statutory obligations. Provisions for employee service anniversary bonuses and severance payments at retirement are recognized in the same way as defined benefit plans, but with actuarial gains and losses recognized in profit or loss. Employees in Germany who are at least 55 years old and have a permanent employment contract with the company qualify for the partial retirement schemes. The partial retirement phase lasts two to six years.

The following table shows the breakdown in similar obligations:

Breakdown of Similar Obligations

in € millions	12/31/2023	12/31/2022
Provisions for employee service anniversaries	24	26
Provisions for old-age part-time schemes	9	12
Other	20	23
Similar obligations	52	61

19 Other Provisions

	12/31/2023							12/31/2022	
in € millions		of which > 1 year	Additions	Reversal	Usage	Other effects	Accrued interest		of which > 1 year
Onerous contracts	108	24	135	(18)	(55)	(4)	–	166	94
Litigation	58	32	15	(9)	(4)	(11)	–	49	25
Restructuring	82	21	155	(5)	(60)	(11)	1	162	50
Other employee benefits	27	11	6	(6)	(6)	(3)	1	19	11
Other	142	68	22	(32)	(10)	(36)	–	88	47
	417	156	333	(70)	(134)	(64)	2	484	227

The provisions for onerous contracts concern RTL Group in the amount of €38 million (previous year: €72 million) and were recognized mainly for program rights. Of that amount, €36 million (previous year: €68 million) relates to RTL Deutschland. A further €93 million of the provisions for onerous contracts relates to the Penguin Random House division, thereof €82 million are attributable to an onerous lease contract of Penguin Random House in the United States. Provisions for litigation pertain in the amount of €25 million (previous year: €29 million) to RTL Group companies.

In accordance with IAS 37, restructuring provisions include termination benefits and other costs relating to market-related restructuring measures. Provisions in the amount of €162 million (previous year: €82 million) are recognized for various restructuring programs within the Bertelsmann Group. The additions relate mainly to the Bertelsmann Marketing Services (€56 million), RTL Group (€45 million) and Penguin Random House (€42 million) divisions. In January 2023, Prinovis announced the discontinuation of production at the Ahrensburg site as of January 31, 2024. The related restructuring provision amounted to €37 million as of December 31, 2023. In February 2023, RTL Deutschland announced a reorganization of its publishing business. During the reorganization, costs will be reduced in all areas. Around 500 jobs will be cut in Hamburg, while an additional 200 jobs will be transferred to new owners through the sale of titles. Negotiations with the employee representatives about a voluntary layoff program and the staff dismissal process – which specifies the financial terms of the restructuring plan and the number of staff affected – were finalized during the financial year 2023. The related restructuring provision amounted to €44 million as of December 31, 2023. In connection with the initiated restructuring of the US publishing areas of Penguin Random House, the related restructuring provision amounted to €17 million as of December 31, 2023.

The provisions for other employee benefits in the amount of €10 million (previous year: €11 million) relate to an obligation in connection with the withdrawal from a multi-employer plan. Further details are presented in note 18 “Provisions for Pensions and Similar Obligations.” The item “Other” is mainly attributable to the divisions Arvato Group (€28 million, previous year: €47 million), Bertelsmann Marketing Services (€20 million, previous year: €23 million) and Bertelsmann Education Group (€15 million, previous year: €31 million). In the Bertelsmann Marketing Services division, a provision in the amount of €14 million (previous year: €14 million) refers to compensation obligations from pension entitlements for employees at the Prinovis location in Ahrensburg toward Axel Springer SE.

20 Profit Participation Capital

in € millions	12/31/2023	12/31/2022
Profit participation capital 1992	23	23
Profit participation capital 2001	390	390
	413	413

The market value of the 2001 profit participation certificates was €719 million with a closing rate of 253.00 percent on the last day of trading in the past financial year on the Frankfurt Stock Exchange (previous year: €739 million with a rate of 260.00 percent) and, correspondingly, €22 million for the 1992 profit participation certificates with a rate of 128.22 percent (previous year: €29 million with a rate of 173.00 percent). The market values are based on level 1 of the fair value hierarchy. Further information on profit participation capital is presented in detail in the Combined Management Report.

21 Financial Debt

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

Current and Non-Current Financial Debt

	Current		Non-current	
in € millions	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Bonds	466	146	4,071	4,510
Promissory notes	–	–	325	325
Liabilities to banks	88	76	64	215
Other financial debt	51	56	156	149
	604	278	4,616	5,199

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

In March 2023, Bertelsmann exercised a call option on the hybrid bond with a nominal value of €650 million. The early redemption of the outstanding nominal value of €146 million was made in April 2023, after a nominal amount of €504 million was already repaid early in December 2022 as part of a public repurchase offer. At the end of the reporting period, the Group had publicly listed bonds, private placements and promissory notes outstanding with a nominal volume of €4,905 million (previous year: €5,047 million).

The differences in carrying amount versus nominal amount in the table below result from transaction costs, discounts and fair value effects from hedge accounting in connection with the conclusion of derivatives. In addition, early redemptions of €74 million were taken into account in calculating the carrying amount of the €500 million bond maturing in October 2024. Furthermore, early redemptions in the nominal amount of €233 million were considered for the calculation of the carrying amount of the bond maturing in September 2025. For the calculation of the carrying amount of the bond maturing in April 2026, an early redemption with a nominal value of €57 million was taken into account. In addition, an early redemption with a nominal value of €504 million was considered for the calculation of the carrying amount of the hybrid bond with an initial nominal value of €650 million.

Bonds and Promissory Notes

	in millions	in € millions			
		Carrying amount		Fair value	
Interest rate; emission; maturity; fixed interest	Nominal amount	12/31/2023	12/31/2022	12/31/2023	12/31/2022
1.500%; 2017; 2024; fixed-interest bond	€50	50	50	49	48
1.750%; 2014; 2024; fixed-interest bond[1]	€500	416	406	419	415
1.250%; 2018; 2025; fixed-interest bond[1]	€750	504	495	501	489
1.787%; 2015; 2025; fixed-interest promissory note	€150	150	150	147	142
1.125%; 2016; 2026; fixed-interest bond[1]	€500	442	442	426	412
1.000%; 2019; 2026; floating- and fixed-interest promissory note[2]	€75	75	75	72	68
1.600%; 2020; 2027; fixed-interest promissory note	€100	100	100	96	92
1.000%; 2020; 2027; fixed-interest bond	€100	100	100	94	89
CDI (Certificado de Depósito Interbancário) + 180 bp; 2022; 2028; floating-rate bond[1,3]	BRL500	93	88	99	89
2.000%; 2020; 2028; fixed-interest bond[1]	€750	746	745	721	688
3.500%; 2022; 2029; fixed-interest bond[1]	€750	744	743	761	728
1.500%; 2020; 2030; fixed-interest bond[1]	€750	745	744	678	641
3.700%; 2012; 2032; fixed-interest bond	€100	99	99	105	98
3.000%; 2015; 2075; fixed-interest hybrid[1]	€650	–	146	–	146
3.500%; 2015; 2075; fixed-interest hybrid bond[1]	€600	599	598	573	549
		4,862	4,981	4,741	4,694

1 Listed.
2 €10 million floating rate (6-month EURIBOR + 100 bp).
3 Of which BRL 250 million maturing in the financial year 2027.

The documentation of the bonds from Bertelsmann SE & Co. KGaA in the years 2012, 2014, 2016, 2018 and 2020 is within the framework of a base documentation for debt issuance programs. The hybrid bonds and promissory notes as well as the bonds of 2017 and 2022 were issued on the basis of separate documentation. The bonds mainly have a rating of "Baa2" (Moody's) and "BBB" (Standard & Poor's). The debt issuance program was last updated in March 2023. Transaction costs and agreed discounts or premiums are taken into account in the interest result over the term, impacting the carrying amount of the bonds and promissory notes. This led to a difference to the nominal volume of €22 million (previous year: €27 million) at the end of the year.

As a rule, the quoted prices at the end of the reporting period are used to determine the fair value of the bonds issued. On December 31, 2023, the cumulative fair value of the listed bonds totaled €4,178 million (previous year: €4,157 million), with a nominal volume of €4,330 million (previous year: €4,472 million) and a carrying amount of €4,289 million (previous year: €4,407 million). The stock market prices are based on level 1 of the fair value hierarchy.

The fair values of private placements and promissory notes are determined using actuarial methods based on yield curves adjusted for the Group's credit margin. The interest premium results from the market price for credit-default swaps at the end of the respective reporting periods. Fair value is measured on the basis of discount rates ranging from 3.08 percent to 3.96 percent. The fair values of the private placements and promissory notes are based on level 2 of the fair value hierarchy.

Credit Facilities

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

In addition, Bertelsmann has access to further bilateral credit facilities in the amount of €180 million (previous year: €320 million), which can also be drawn down primarily using floating-rate loans on a revolving basis. As of December 31, 2023, the credit facilities were not drawn down (previous year: €130 million).

22 Lease Liabilities

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

Maturity Analysis for Lease Liabilities

		Undiscounted cash flows			
in € millions	Carrying amount	Up to 1 year	1 to 5 years	Over 5 years	Total
Balance as of 12/31/2023	1,333	312	729	429	1,470
Balance as of 12/31/2022	1,537	355	851	494	1,700

As of December 31, 2023, potential future cash outflows of €368 million (previous year: €353 million) were not included in the lease liabilities, as it could not be assumed with reasonable certainty that the leases would be extended (or would not be terminated). Future payments arising from short-term leases and leases for low-value assets are not recognized as right-of-use assets and lease liabilities. For such leases, the payments are recognized on a straight-line basis as expenses (further explanations are presented in note 5 “Other Operating Expenses”). Expenses from variable lease payments not included in the lease liability were immaterial as in the previous year. The same applies for income from subleasing right-of-use assets and the resulting lease payments expected in the future. Details on the corresponding right-of-use assets are presented in note 10 “Property, Plant and Equipment and Right-of-Use Assets.”

23 Liabilities

in € millions	12/31/2023	12/31/2022
Non-current		
Trade payables	145	145
Derivative financial instruments	24	149
Sundry financial payables	440	380
Contract liabilities	15	28
Sundry non-financial payables	377	357
Current		
Trade payables	4,221	3,843
Refund liabilities	421	445
Derivative financial instruments	104	135
Sundry financial payables	956	980
Contract liabilities	886	1,031
Sundry non-financial payables	1,188	1,458
– personnel-related liabilities	640	792
– tax liabilities	139	213
– social security liabilities	91	136
– deferred items	41	19
– other	277	298

The item “Contract liabilities” includes payments received by Bertelsmann in advance; that is, prior to satisfaction of the contractual obligations in accordance with IFRS 15. They are recognized as revenue as soon as the contractual obligation has been rendered. Accordingly, revenues amounting to €947 million were recognized in the financial year 2023 (previous year: €911 million), which were included in the balance of contract liabilities at the beginning of the financial year. The reported revenues also comprise the amounts included in the balance of contract liabilities at the beginning of the financial year for companies newly included in the scope of consolidation. As in the previous year, the contract liabilities as of December 31, 2023, mainly relate to deferred revenue from productions at RTL Group, deferred licensing revenue at BMG and services by the Arvato Group and Bertelsmann Education Group divisions, which will be usually rendered in the following period. As of January 1, 2022, contract liabilities amounted to €895 million.

In accordance with IFRS 15, the item “Refund liabilities” mainly comprises liabilities for expected returns of the Penguin Random House and RTL Group divisions of €273 million (previous year: €270 million). Correspondingly, in the balance sheet position “Other non-financial assets,” an asset for an immaterial amount is recognized for the customers’ right to recover products from customers upon settling the refund liability. The item “Sundry financial payables” includes, among other things, payables of €71 million (previous year: €151 million) from the Riverty business unit, which were recognized in relation to the receivables management service provided. In addition, the item comprises payables in the amount of €306 million (previous year: €228 million) relating to accounts receivables sold, which are acquired by Riverty from third parties in the course of conducting its financial services and then resold. Non-current sundry financial payables also include liabilities from put options relating to shareholders with non-controlling interests of €286 million (previous year: €211 million), minority interests in partnerships of €2 million (previous year: €31 million) and liabilities from the acquisition of assets in the amount of €143 million (previous year: €145 million). The put options have a term of between one and six years. Current sundry financial payables also comprise liabilities from the acquisition of assets in the amount of €199 million (previous year: €251 million) and liabilities to participations in the amount of €19 million (previous year: €23 million).

24 Off-Balance-Sheet Liabilities

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

Contingent Liabilities and Other Commitments

in € millions	12/31/2023	12/31/2022
Commitments from productions and co-productions, TV licenses and broadcasting rights, as well as other rights and licenses	1,746	1,857
Commitments from royalty agreements	1,275	1,212
Commitments from assets under construction and lease contracts not recognized on the balance sheet	88	22
Purchase commitments for inventories	34	67
Commitments for the acquisition of intangible assets and property, plant and equipment	6	22
Guarantees	1	28
Other	458	412
	3,607	3,620

Of the commitments from productions and co-productions, TV licenses and broadcasting rights, as well as other rights and licenses, €1,746 million (previous year: €1,857 million) pertains to RTL Group. Commitments from royalty agreements relate to Penguin Random House in the amount of €1,186 million (previous year: €1,113 million) and to BMG in the amount of €88 million (previous year: €99 million). Commitments from assets under construction and not recognized lease contracts comprise leases not yet commenced, but to which the lessee is committed.

25 Additional Disclosures on Financial Instruments

Both of the following tables show the carrying amounts and measurement categories of financial assets and financial liabilities in accordance with IFRS 9 as of December 31, 2023:

Carrying Amounts and Measurement Categories of Financial Assets

in € millions	Balance sheet position	12/31/2023	12/31/2022
Financial assets measured at amortized cost			
– loans	Minority stakes and other financial assets	29	44
– trade receivables	Trade and other receivables	3,495	4,004
– receivables from participations	Trade and other receivables	23	20
– sundry financial receivables	Trade and other receivables	1,092	900
– bank balances and cash on hand	Cash and cash equivalents	1,115	1,583
– cash equivalents	Cash and cash equivalents	850	283
Financial assets measured at fair value through other comprehensive income			
– other financial assets	Minority stakes and other financial assets	31	28
Primary financial assets measured at fair value through profit or loss			
– loans	Minority stakes and other financial assets	24	31
– minority stakes held by venture capital organizations	Minority stakes and other financial assets	1,075	1,197
– fund-of-fund investments held by venture capital organizations	Minority stakes and other financial assets	148	150
– sundry financial receivables	Trade and other receivables	562	14
– financial instruments of the consolidated special fund	Minority stakes and other financial assets	–	125
– other financial assets	Minority stakes and other financial assets	538	321
– cash equivalents	Cash and cash equivalents	989	1,362
Derivative financial instruments	Minority stakes and other financial assets	72	76
Continuing involvement	Trade and other receivables	220	183
		10,264	10,321

Carrying Amounts and Measurement Categories of Financial Liabilities

in € millions	Balance sheet position	12/31/2023	12/31/2022
Financial liabilities measured at amortized cost			
– profit participation capital	Profit participation capital	413	413
– bonds and promissory notes	Financial debt	4,862	4,981
– liabilities to banks	Financial debt	152	291
– other financial debt	Financial debt	207	205
– trade payables	Trade and other payables	4,367	3,988
– liabilities to participations	Trade and other payables	19	23
– other	Trade and other payables	1,307	1,531
Primary financial liabilities measured at fair value through profit or loss	Trade and other payables	271	68
Derivative financial instruments	Trade and other payables	128	284
Continuing involvement	Trade and other payables	220	183
		11,944	11,955

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

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

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Total as of 12/31/2023
Loans	–	–	24	24
Minority stakes held by venture capital organizations	69	–	1,007	1,075
Fund-of-fund investments held by venture capital organizations	–	–	148	148
Sundry financial receivables	–	–	562	562
Other financial assets	462	5	102	569
Cash equivalents	–	989	–	989
Primary and derivative financial assets held for trading	–	42	–	42
Derivatives with hedge relation	–	30	–	30
	531	1,066	1,843	3,439

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Total as of 12/31/2022
Loans	–	–	31	31
Minority stakes held by venture capital organizations	78	–	1,119	1,197
Fund-of-fund investments held by venture capital organizations	–	–	150	150
Financial instruments of the consolidated special fund	10	115	–	125
Sundry financial receivables	–	–	14	14
Other financial assets	190	2	157	349
Cash equivalents	–	1,362	–	1,362
Primary and derivative financial assets held for trading	–	63	–	63
Derivatives with hedge relation	–	13	–	13
	278	1,555	1,471	3,304

It is possible to allocate the financial instruments measured at fair value in the balance sheet to the three levels of the fair value hierarchy by category, based on the tables showing carrying amounts and measurement categories for the respective financial year. The financial assets of level 1 are mainly attributable to RTL Group's minority stake in Magnite in the amount of €95 million (previous year: €123 million) and the minority stake in Teleperformance in the amount of €304 million, both measured at fair value through profit or loss. The financial assets of level 3 mainly pertain mainly to investments held by the Bertelsmann Investments division, which were recognized at fair value.

Level 2 financial assets primarily comprise investments in diversified money market funds reported as cash equivalents, which are measured at fair value through profit or loss and are subject to only insignificant fluctuations in value.

Financial Assets Measured at Fair Value Based on Level 3

in € millions	Loans	Minority stakes held by venture capital organizations	Fund-of-fund investments held by venture capital organizations	Sundry financial receivables	Other financial assets	Total
Balance as of 1/1/2023	31	1,119	150	14	157	1,471
Total gain (+) or loss (-)	1	(151)	(23)	(3)	(103)	(279)
– in profit or loss	1	(151)	(22)	(3)	(105)	(280)
– in other comprehensive income	–	–	(1)	–	1	–
Purchases	17	71	29	565	40	722
Transfers into level 3 (including first-time classification as level 3)	–	–	–	–	7	7
Transfers out of level 3	–	–	–	–	(2)	(2)
Sales/settlements	(20)	(25)	(7)	(15)	(8)	(75)
Reclassifications and other changes	(5)	(8)	–	–	11	(2)
Balance as of 12/31/2023	24	1,007	148	562	102	1,843
Gain (+) or loss (-) for assets still held at the end of the reporting period	1	(155)	(22)	(4)	(103)	(283)

in € millions	Loans	Minority stakes held by venture capital organizations	Fund-of-fund investments held by venture capital organizations	Sundry financial receivables	Other financial assets	Total
Balance as of 1/1/2022	25	970	137	7	223	1,362
Total gain (+) or loss (-)	(10)	55	(2)	–	(47)	(4)
– in profit or loss	(10)	55	(2)	–	(46)	(3)
– in other comprehensive income	–	–	–	–	(1)	(1)
Purchases	11	154	23	14	11	213
Transfers into level 3 (including first-time classification as level 3)	19	–	–	–	149	168
Transfers out of level 3	–	(22)	–	–	(43)	(65)
Sales/settlements	(10)	(42)	(8)	(7)	(136)	(203)
Reclassifications and other changes	(4)	4	–	–	–	–
Balance as of 12/31/2022	31	1,119	150	14	157	1,471
Gain (+) or loss (-) for assets still held at the end of the reporting period	1	34	(2)	–	(61)	(28)

The purchases of minority stakes and fund-of-fund investments held by venture capital organizations relate fully to various new and follow-up investments by the Bertelsmann Investments division, with a focus on the digital health sector, none of which were material on a standalone basis. The disposals of these two items also relate fully to the Bertelsmann Investments division, in particular the Bertelsmann Digital Media Investments fund. The purchases of the sundry financial receivables are mainly attributable to receivables that were acquired by Riverty from third parties in the course of conducting its financial services and which meet the criteria for resale to financial intermediaries. A major portion of the sales in the financial year 2022 is attributable to the sale of RTL Group’s investment in VideoAmp, a US software and data company for media measurement. Further sales relate to the investment in Synergis and, within the Bertelsmann Investments division, mainly to the investments of the Bertelsmann Digital Media Investments fund. The transfers into and out of level 3 were immaterial in the financial year 2023. In the financial year 2022, the transfers into level 3 mainly related to the investment in the online education platform Udacity, which was previously accounted for as an associate and belongs to Bertelsmann Education Group, as a result of the change in the governance structure and the resulting loss of significant influence. Transfers out of level 3 were made in the financial year 2022 mainly at Bertelsmann Investments as a result of expiring lock-up periods.

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

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Total as of 12/31/2023
Financial liabilities measured at fair value through profit or loss	–	–	271	271
Primary and derivative financial liabilities held for trading	–	58	–	58
Derivatives with hedge relation	–	70	–	70
	–	128	271	398

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Total as of 12/31/2022
Financial liabilities measured at fair value through profit or loss	–	–	68	68
Primary and derivative financial liabilities held for trading	–	200	–	200
Derivatives with hedge relation	–	84	–	84
	–	284	68	352

The decrease in negative fair values from financial derivatives is mainly attributable to currency derivatives that were concluded to hedge against exchange rate risks from intercompany financing. Reasons are, in particular, the depreciation of the US dollar against the euro and hedge prolongations at the respective quoted exchange rates.

Financial Liabilities Measured at Fair Value Based on Level 3

in € millions	Financial liabilities measured at fair value through profit or loss	Total
Balance as of 1/1/2023	68	68
Total gain (-) or loss (+)	76	76
– in profit or loss	81	81
– in other comprehensive income	(5)	(5)
Purchases	145	145
Settlements	(57)	(57)
Transfers into level 3 (including first-time classification as level 3)	58	58
Reclassifications and other changes	(20)	(20)
Balance as of 12/31/2023	271	271
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	77	77

in € millions	Financial liabilities measured at fair value through profit or loss	Total
Balance as of 1/1/2022	19	19
Total gain (-) or loss (+)	(1)	(1)
– in profit or loss	–	–
– in other comprehensive income	(1)	(1)
Purchases	65	65
Settlements	(15)	(15)
Transfers out of/into level 3	–	–
Balance as of 12/31/2022	68	68
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	–	–

In the financial year 2023, the transfers into level 3 (including first-time classification as level 3) relate to liabilities from put options measured at fair value.

Level 1:
The fair value of the listed financial instruments is determined on the basis of stock exchange listings at the end of the reporting period, if there are no contractual lockups.

Level 2:
For measuring the fair value of unlisted derivatives, Bertelsmann uses various financial methods reflecting the prevailing market conditions and risks at the respective balance sheet dates. Irrespective of the type of financial instrument, future cash flows are discounted at the end of the reporting period based on the respective market interest rates and yield curves at the end of the reporting period. The fair value of forward exchange transactions is calculated using the middle spot prices at the end of the reporting period and taking into account forward markdowns and markups for the remaining term of the transactions. The fair value of interest rate derivatives is calculated on the basis of the respective market rates and yield curves at the end of the reporting period. The fair value of forward commodity transactions is derived from the stock exchange listings published at the end of the reporting period. Any mismatches to the standardized stock exchange contracts are reflected through interpolation or additions. The fair values of the money market funds correspond to the price quotations of funds not directly listed on the stock exchange.

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

The measurement of financial assets and financial liabilities according to level 2 and level 3 requires management to make certain assumptions about the model inputs, including cash flows, discount rate and credit risk, as well as the life and development cycle of start-up investments. Transfers between levels of the fair value hierarchy are recognized at the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1 and 2 during the financial years 2023 and 2022.

Financial assets and liabilities are offset on the balance sheet if master netting agreements or similar agreements allow the Bertelsmann Group and the counterparty to reach settlement on a net basis. Settlement on a net basis is thus legally valid both as part of ordinary business activities and in the event of payment default by one of the parties. In addition, Bertelsmann enters into transactions in financial derivatives that do not meet the criteria for offsetting on the balance sheet, as future events determine the right to offset. As of December 31, 2023, as in the previous year, no on-balance-sheet offsetting was performed, whereas there was a non-recognized offsetting potential of €63 million (previous year: €66 million) in connection with derivative financial instruments.

Credit Risk

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

Based on this, the loss allowance as of December 31, 2023, was determined as follows for both trade receivables and contract assets:

Credit Risk for Trade Receivables and Contract Assets

	Not credit-impaired				
in € millions	Not overdue	Overdue 1 to 30 days	Overdue 31 to 90 days	Overdue more than 90 days	Credit-impaired
Expected loss rate (in percent)	0.68	1.27	3.09	6.84	n/a
Trade receivables and contract assets	2,044	394	97	117	1,020
Loss allowance for expected credit losses	(14)	(5)	(3)	(8)	(93)
Balance as of 12/31/2023	2,030	390	93	108	927

	Not credit-impaired				
in € millions	Not overdue	Overdue 1 to 30 days	Overdue 31 to 90 days	Overdue more than 90 days	Credit-impaired
Expected loss rate (in percent)	0.78	1.10	3.08	8.09	n/a
Trade receivables and contract assets	2,548	453	130	136	926
Loss allowance for expected credit losses	(20)	(5)	(4)	(11)	(105)
Balance as of 12/31/2022	2,528	448	126	125	821

The expected loss rates correspond to the average rates for the respective division-specific or business unit-specific groups of receivables. In the financial year 2023, impairment losses and reversals amounting to €-14 million (previous year: €-5 million) were recognized on trade receivables and contract assets.

The following table shows a reconciliation from the opening balance to the closing balance of loss allowances for trade receivables and contract assets in the financial year 2023:

Reconciliation of Loss Allowance for Trade Receivables and Contract Assets

in € millions	2023	2022
Balance as of 1/1	(145)	(142)
Additions	(66)	(47)
Usage	24	14
Reversal	52	42
Change of consolidation scope	11	(12)
Exchange rate effects	1	–
Balance as of 12/31	(123)	(145)

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

Reconciliation of Loss Allowance for Other Financial Assets

in € millions	Loans	Sundry financial receivables	Purchased or originated financial assets which are credit-impaired	Total
Balance as of 1/1/2023	(33)	(129)	(28)	(190)
Additions	(5)	(18)	(15)	(38)
Usage	1	16	–	17
Reversal	1	11	6	18
Change of consolidation scope	–	1	–	1
Exchange rate effects	–	2	–	2
Balance as of 12/31/2023	(37)	(117)	(37)	(191)
– thereof 12-month expected credit loss	(33)	(12)	n/a	(45)
– thereof lifetime expected credit loss but not credit-impaired	–	(94)	n/a	(94)
– thereof lifetime expected credit loss and credit-impaired	(4)	(11)	n/a	(15)

in € millions	Loans	Sundry financial receivables	Purchased or originated financial assets which are credit-impaired	Total
Balance as of 1/1/2022	(10)	(117)	(26)	(153)
Additions	(30)	(28)	(12)	(70)
Usage	5	7	–	12
Reversal	3	8	10	21
Change of consolidation scope	–	–	–	–
Exchange rate effects	(1)	1	–	–
Balance as of 12/31/2022	(33)	(129)	(28)	(190)
– thereof 12-month expected credit loss	(32)	(13)	n/a	(45)
– thereof lifetime expected credit loss but not credit-impaired	–	(99)	n/a	(99)
– thereof lifetime expected credit loss and credit-impaired	(1)	(17)	n/a	(18)

The impairment loss identified for cash and cash equivalents was immaterial in both the financial year 2023 and the previous year.

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

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

Maturity Analysis for Non-Derivative Financial Liabilities

		Undiscounted cash flows			
in € millions	Carrying amount	Up to 1 year	1 to 5 years	Over 5 years	Total
Profit participation capital	413	–	413	–	413
Fixed-interest bonds and promissory notes	4,760	476	2,126	2,200	4,802
Floating-rate bonds and promissory notes	103	–	103	–	103
Liabilities to banks	152	88	64	–	152
Other financial debt	207	51	152	4	207
Trade payables	4,367	4,221	182	1	4,404
Liabilities to participations	19	19	–	–	19
Other	1,798	1,358	406	86	1,850
Balance as of 12/31/2023	11,819	6,213	3,446	2,291	11,950
Profit participation capital	413	–	–	413	413
Fixed-interest bonds and promissory notes	4,883	146	1,852	2,949	4,947
Floating-rate bonds and promissory notes	98	–	54	45	99
Liabilities to banks	291	76	236	–	312
Other financial debt	205	56	227	4	287
Trade payables	3,988	3,843	140	5	3,988
Liabilities to participations	23	23	–	–	23
Other	1,782	1,402	323	88	1,813
Balance as of 12/31/2022	11,683	5,546	2,832	3,504	11,882

Current cash outflows from financial liabilities are offset by planned cash inflows from receivables and other financial assets. To cover current cash flows, Bertelsmann SE & Co. KGaA also has adequate financial reserves in the amount of cash and cash equivalents and unutilized credit facilities existing at the end of the reporting period.

The maturity analysis for lease liabilities as of December 31, 2023, is presented in note 22 "Lease Liabilities."

Based on the remaining contractual terms of its financial liabilities at the end of the reporting period, the Bertelsmann Group will have to make the following future interest payments:

Future Interest Payments

	Undiscounted interest payments			
in € millions	Up to 1 year	1 to 5 years	Over 5 years	Total
Profit participation capital	45	181	–	226
Bonds and promissory notes	115	347	64	526
Liabilities to banks	14	7	–	21
Other financial debt	12	14	–	26
Balance as of 12/31/2023	186	549	64	799
Profit participation capital	45	181	45	271
Bonds and promissory notes	102	413	123	638
Liabilities to banks	22	33	–	55
Other financial debt	11	23	–	34
Balance as of 12/31/2022	180	650	168	998

Financial Services Related to Receivables Acquired and Sold

In certain individual cases, Bertelsmann sells receivables purchased from third parties to financial intermediaries. The receivables sold relate primarily to short-term receivables, some covered by credit insurance, that Riverty acquires from third parties in the course of conducting its financial services, and some of which it resells to financial intermediaries on an ongoing basis. This business can be changed at any time during the year. As part of the contractual agreements on the sale of receivables, substantially neither all the rewards nor all risks that are associated with the receivables were transferred or retained. This relates in particular to possible defaults and late payments of receivables sold, so that a receivable was accounted for in the amount of the continuing involvement of €220 million (previous year: €183 million). The carrying amount of the associated liability is €231 million (previous year: €197 million). The underlying volume of receivables sold amounts to €909 million as of the end of the reporting period (previous year: €794 million).

Risk Management of Financial Instruments

Financial Risk Management

The Bertelsmann Group is exposed to various forms of financial risk through its international business operations. Above all, this includes the effects of changes in foreign exchange rates and interest rates. Bertelsmann's risk management activities are designed to effectively mitigate these risks. The Executive Board establishes basic risk management policies, outlining general procedures for hedging currency and interest rate risks and the utilization of derivative financial instruments. The Central Financial Department advises subsidiaries on operating risks and hedges risks using derivative financial instruments as necessary. However, subsidiaries are not obliged to use the services provided by this department for their operating risks. Some subsidiaries, such as RTL Group in particular, have their own finance department. They report their hedge transactions to the Central Finance Department each quarter. Further information on financial market risks and financial risk management is presented in the Combined Management Report.

Currency Risk

The Bertelsmann Group is exposed to exchange rate risk in various foreign currencies. Its subsidiaries are advised, but not obliged, to hedge themselves against foreign currency risks in the local reporting currency by signing forward agreements with banks that have a high credit rating. Loans within the Bertelsmann Group that are subject to currency risk are hedged using derivative financial instruments. If foreign currency transactions designated as hedging instrument adequately meet effectiveness requirements, hedge accounting as defined by IFRS 9 is applied under the cash flow hedge model. A number of subsidiaries are based outside the eurozone. The resulting translation risks to the leverage factor (ratio of economic debt to operating EBITDA adjusted) is managed over the long term by aligning the debt in the main foreign currencies with the current leverage factor and the maximum permitted leverage of 2.5 for the entire Group.

Interest Rate Risk

There are interest rate risks for interest-bearing assets and financial debt. Interest rate risk in the Bertelsmann Group is analyzed centrally and managed on the basis of the Group's planned net financial debt. A key factor in this management is the Group's interest result over time and its sensitivity to interest rate changes. The Group aims for a balanced relationship between floating rates and long-term fixed-interest rates, under consideration of the absolute amount, forecast performance of the interest-bearing liability and interest level. This is implemented using underlying and derivative financial instruments for control.

Liquidity Risk

Liquidity risks may arise through a lack of rollover financing (liquidity risk in a narrow sense), delayed receipt of expected payment and unforeseen expenditure (budgeting risk). Budgeting risk is determined by comparing deviations in actual spending with budget and reserve amounts. In a narrow sense, liquidity risk depends on the volume of debt due within a given period. Liquidity risk is monitored on an ongoing basis with reference to the budget for current and future years. New and unplanned transactions (e.g., acquisitions) are continuously tracked. The maturity profile of financial assets and liabilities is also reconciled on a regular basis. Budget risks are managed through effective cash management and constant monitoring of projected versus actual cash flows. Debt maturities are also diversified over the time to ensure that rising financing costs do not have a short-term impact. Credit facilities with banks are also maintained for unplanned expenditures.

Counterparty Risk

The Bertelsmann Group is exposed to default risks in the amount of the invested cash and cash equivalents and the positive fair value of the derivatives in its portfolio. Transactions involving money market securities and other financial instruments are exclusively conducted with a defined group of banks with a high credit rating ("core banks"). The credit ratings of core banks are constantly monitored and classified on the basis of quantitative and qualitative criteria (rating, CDS spreads, stock price, etc.). Counterparty limits determined on the basis of credit ratings refer to cash holdings and positive fair values of the derivatives in its portfolio. The drawdown of limits is monitored on a regular basis. Funds are invested in very short-term portfolios in some cases to preserve flexibility in the event of credit rating changes. Furthermore, cash and cash equivalents are held in money market funds with high credit ratings for the purpose of risk diversification. Default risks arising from trade receivables are partially mitigated through credit insurance coverage. The Bertelsmann Group has obtained credit collateralization in the amount of €679 million for these receivables (previous year: €662 million).

Capital Management

The financing guidelines adopted by the Bertelsmann Group are designed to ensure a balance between financing security, return on equity and growth. The Group's indebtedness is based specifically on the requirements for a credit rating of "Baa1/BBB+." Financial management at Bertelsmann is conducted using quantified financing objectives that are a central factor in ensuring the Group's independence and capacity to act. These objectives, as elements of the planning process and regular monitoring, are broadly defined performance indicators. The key performance indicator for limiting economic debt within the Bertelsmann Group is a maximum leverage factor of 2.5. As of December 31, 2023, the leverage factor was 1.8 (previous year: 1.8). In addition, the coverage ratio is to remain above four. The coverage ratio amounted to 8.3 on December 31, 2023 (previous year: 11.1). The equity ratio is not to fall below 25 percent of total assets. Management of the equity ratio is based on the definition of equity in IFRS. Although minority interests in partnerships represent equity in financial terms, they are classified as debt for accounting purposes. As of December 31, 2023, the equity ratio was 46.5 percent (previous year: 45.8 percent), meeting the internal financial target set by the Group.

Interest Rate and Currency Sensitivity

For the analysis of interest rate risk, a distinction is made between cash flow and present value risks. Financial debt, cash and cash equivalents and interest rate derivatives with variable-interest terms are subject to a greater degree of cash flow risk, as changes in market interest rates impact the Group's interest result almost immediately. In contrast, medium- and long-term interest rate agreements are subject to a greater degree of present value risks. The accounting treatment of present value risks depends on the respective financial instrument or a hedging relationship documented in conjunction with a derivative (micro-hedge). Upon initial recognition, originated financial debt is measured at fair value less transaction costs. Subsequent measurement is based on amortized cost. Changes in fair value are generally limited to opportunity effects, as changes in interest rates have no effect on the balance sheet or the income statement. Where primary financial liabilities and derivative hedging transactions are designated as fair value hedges, changes in the fair value of the hedged item and the hedging instrument due to changes in interest rates almost completely offset each other. Furthermore, the effects of derivative financial instruments from interest rate changes are generally recognized in the income statement. In the case of documented hedging relationships (cash flow hedges), however, these effects are recognized in other comprehensive income.

The cash flow or present value risks existing at the end of the reporting periods are analyzed using a sensitivity calculation as an after-tax observation. A parallel shift in the interest rate curve of plus or minus 1 percent is assumed for all significant currencies. The analysis is performed on the basis of financial debt, cash and cash equivalents, and derivatives at the end of the reporting period. The underlying total risk position amounts to €1,951 million (previous year: €1,822 million). The results are shown in the following table:

Sensitivity Analysis of Cash Flow and Present Value Risks

	12/31/2023		12/31/2022	
in € millions	Shift +1%	Shift -1%	Shift +1%	Shift -1%
Cash flow risks (income statement)	14	(14)	13	(13)
Present value risks (income statement)	–	–	2	(2)
Present value risks (equity)	7	(7)	1	(1)

The analysis of foreign currency sensitivity includes the Group’s financial debt and operating transactions at the end of the reporting period and the hedging relationships entered into. The calculation is performed for the unsecured net exposure on the basis of an assumed 10 percent appreciation of the euro versus all foreign currencies, and is presented after tax. Based on a total risk position of €55 million (previous year: €306 million), a uniform devaluation of foreign currencies would have resulted in a change in the carrying amount recognized in profit or loss of €-4 million (previous year: €-21 million). Thereof, €-4 million (previous year: €-12 million) relates to fluctuations in the US dollar exchange rate with a net exposure of US$60 million (previous year: US$192 million). Shareholders’ equity would have changed by €-15 million (previous year: €-16 million) as a result of fluctuations in the fair values of documented cash flow hedges. Thereof, €-16 million (previous year: €-16 million) relates to fluctuations in the US dollar exchange rate on the basis of a documented cash flow hedge volume of US$250 million (previous year: US$243 million). If there had been a uniform increase in the value of foreign currencies, this would have led to opposite changes in these amounts for the Bertelsmann Group.

Other Price Risks and Sensitivity

The valuation model for the minority stakes in the Bertelsmann Investments division comprises an extensive portfolio of more than 360 investments in companies and other funds, the vast majority of which are classified in level 3 of the fair value hierarchy. Due to the numerous inputs, some of which are only relevant for subsets of the portfolio, developing a meaningfully interpretable sensitivity indication for the model addressing the specifics of the valuation objects in the venture capital environment is only possible to a limited extent – in contrast to traditional discounted cash flow or multiplier-based models. This, together with the fragmented size structure and the fact that no meaningful and feasible alternative assumptions can be derived for a variety of inputs – such as the maturity structure underlying the life-cycle model – necessitates a restriction of sensitivity information in quantitative terms to the fungibility discounts for fund-of-fund investments held by venture capital organizations and to the effects of contractual lockups for listed instruments: As of December 31, 2023, the valuation of fund-of-fund investments held by venture capital organizations would have been €57 million (previous year: €61 million) higher excluding fungibility discounts. Excluding fungibility discounts due to contractual lockups, the valuation of listed instruments would have increased by €23 million (previous year: €0 million) as of December 31, 2023.

Financial Derivatives

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

The majority of the financial derivatives at the end of the reporting period with a gross nominal volume of €7,191 million (previous year: €7,110 million) are used to hedge currency rate risks from intercompany financing activities. These financial derivatives account for a total of €3,520 million or 49 percent as of the balance sheet date (previous year: €3,342 million or 47 percent). The average forward price for the main hedges in US dollars that meet the requirements for hedge accounting is 1.15. A total of €2,316 million or 32 percent (previous year: €2,553 million or 36 percent) is due to financial derivatives used to hedge currency risks from operating business as of the end of the reporting period. The average forward price for the main hedges in US dollars that meet the requirements for hedge accounting is 1.11. Financial derivatives are also used to hedge against interest rate risks from interest-bearing receivables and liabilities. By entering into interest rate derivatives designated as fair value hedges, changes in the fair value of the hedged item and the hedging instrument due to changes in interest rates almost completely offset each other. However, changes in interest rates have an impact on the amount of interest payments and therefore also on the interest result (note 6 “Interest Income and Interest Expenses”). Further hedges of interest rate risks have an impact either on other operating income or expenses (note 2 “Other Operating Income” or note 5 ”Other Operating Expenses”) or on interest income or expenses (note 6 “Interest Income and Interest Expenses”), or on other financial income or expenses (note 7 “Other Financial Income and Expenses”). Financial derivatives are used exclusively for hedging purposes.

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

Nominal Volume and Fair Values of Financial Derivatives

	12/31/2023				
	Nominal volume				Fair value
in € millions	< 1 year	1 to 5 years	> 5 years	Total	
Currency derivatives					
Forward contracts and currency swaps	4,593	1,239	4	5,836	(19)
– without hedge relation	4,135	158	4	4,296	(12)
– in connection with cash flow hedges	458	1,082	–	1,540	(7)
Interest rate derivatives					
Interest rate swaps	970	385	–	1,355	(36)
– without hedge relation	105	25	–	130	(3)
– in connection with cash flow hedges	465	60	–	525	(6)
– in connection with fair value hedges	400	300	–	700	(27)
	5,563	1,624	4	7,191	(56)

	12/31/2022				
	Nominal volume				Fair value
in € millions	< 1 year	1 to 5 years	> 5 years	Total	
Currency derivatives					
Forward contracts and currency swaps	4,493	1,265	237	5,995	(167)
– without hedge relation	4,190	967	237	5,394	(136)
– in connection with cash flow hedges	303	298	–	601	(31)
Interest rate derivatives					
Interest rate swaps	375	740	–	1,115	(41)
– without hedge relation	230	–	–	230	(1)
– in connection with cash flow hedges	145	40		185	1
– in connection with fair value hedges	–	700	–	700	(41)
	4,868	2,005	237	7,110	(208)

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

The effective portion of changes in the fair value of a cash flow hedge is recognized in accumulated other comprehensive income until the effects of the hedged underlying transaction affect profit or loss, or until a basis adjustment occurs. In the financial year 2023, €3 million (previous year: €11 million) from the cash flow hedge reserve was recognized as a reduction of the initial costs of non-financial assets. The amount of €-24 million relating to cash flow hedges (previous year: €39 million) was reclassified from accumulated other comprehensive income to the income statement. These are amounts before tax. In the consolidated statement of comprehensive income, the reclassification amount is included in the item “Cash flow hedges – reclassification adjustments to profit or loss.” The reclassification to the income statement primarily affected the item “Other financial income” in non-operating foreign exchange gains (€35 million) and the item “Other financial expenses” in other non-operating expenses from derivatives (€-10 million). The portion remaining in accumulated other comprehensive income as of December 31, 2023, will mainly impact the income statement in the years to come. Bertelsmann exercised the option not to designate the forward elements and foreign currency basis spreads as part of the hedging relationship, but to recognize them separately in equity as hedging costs for individual hedges. As in the previous year, there was a minor ineffective portion of cash flow hedges as of December 31, 2023.

In the financial year 2023, the effects from fair value hedges for hedging interest rate risks led to an increase of the carrying amount of the reported financial debt in the amount of €18 million (previous year: decrease of €39 million). The carrying amount of the hedged item (including cumulative fair value adjustments) amounts to €920 million as of the end of the reporting period (previous year: €901 million). As in the previous year, there was a minor ineffective portion of fair value hedges as of December 31, 2023.

The following table provides an overview of the carrying amounts of the derivative financial instruments, which correspond to their fair values. A distinction is made between derivatives that are included in an effective hedging relationship in accordance with IFRS 9 and those that are not.

Derivative Financial Instruments

in € millions	Carrying amount 12/31/2023	Carrying amount 12/31/2022
Assets		
Forward contracts and currency swaps		
– without hedge relation	42	63
– in connection with cash flow hedges	30	12
Interest rate swaps		
– in connection with cash flow hedges	–	1
Equity and liabilities		
Forward contracts and currency swaps		
– without hedge relation	54	199
– in connection with cash flow hedges	37	43
Interest rate swaps		
– without hedge relation	3	1
– in connection with cash flow hedges	6	–
– in connection with fair value hedges	27	41

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

Liabilities from Derivatives with Gross Settlement

	Remaining term of liabilities		
in € millions	Up to 1 year	1 to 5 years	Over 5 years
Cash outflow	(3,025)	(455)	–
Cash inflow	2,947	436	–
Balance as of 12/31/2023	(78)	(19)	–
Cash outflow	(3,702)	(1,055)	(314)
Cash inflow	3,510	927	274
Balance as of 12/31/2022	(192)	(128)	(40)

26 Cash Flow Statement

The Bertelsmann consolidated cash flow statement has been prepared in accordance with IAS 7 and is used to evaluate the Group's ability to generate cash and cash equivalents. Cash flows are divided into those relating to operating activities, investing activities and financing activities. Cash flows from operating activities are presented using the indirect method, whereby Group earnings before interest and taxes are adjusted for the effects of a non-cash nature, any deferrals or accruals of past or future operating receipts or payments (including provisions), and items of income or expense associated with cash flows from investing activities. In addition, cash flows arising from income taxes and interest received are classified as cash flows from operating activities as well as other cash flows that are neither investing nor financing.

The change in provisions for pensions and similar obligations represents the balance of personnel costs for pensions and similar obligations and company payments for these obligations (further explanations are presented in note 18 “Provisions for Pensions and Similar Obligations”). Contributions to pension plans totaling €-15 million (previous year: €-18 million) were also included in this item. “Other effects” of the cash flow from operating activities mainly include the adjustments of results from investments accounted for using the equity method, taking into account dividends received from these investments, and adjustments in connection with non-cash income and expenses.

The consolidated cash flow statement includes the effects of changes in foreign currencies and changes in the scope of consolidation. Items in the consolidated cash flow statement thus cannot be reconciled with changes in items reported on the consolidated balance sheet. Investing activities include payments for investments in non-current assets and purchase price payments for acquisitions as well as proceeds from the disposal of non-current assets and investments. Further explanations concerning acquisitions made during the financial year are presented in the section “Acquisitions and Disposals.” Disposals made during the financial year are also presented separately in that section. Financial debt of €13 million (previous year: €309 million) was assumed during the financial year 2023. In the financial year 2023, losing control of subsidiaries or other businesses resulted in the disposal of financial debt in the amount of €125 million (previous year: immaterial amount), €124 million of this amount resulted from the disposal of the interest in Majorel.

Cash flow from financing activities includes changes in equity, financial debt, lease liabilities and dividend distributions affecting cash, and interest paid (including interest paid due to leases). Total cash outflows from leases amounted to €-386 million (previous year: €-358 million) in the financial year 2023. The item “Change in equity” amounts to €-139 million, of which €-114 million relates to the acquisition of additional Afya shares. In the previous year, the item “Change in equity” amounted to €-187 million, of which €-99 million related to the acquisition of additional Afya shares and €-55 million to the acquisition of the remaining shares in Eureka through the exercise of a call option. The increase of the item “Other effects” in the “Cash flow from financing activities” is mainly attributable to derivative currency hedging transactions in connection with intercompany loans maturing in 2023.

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

Changes in Liabilities Arising from Financing Activities

		Cash changes	Non-cash changes				
in € millions	1/1/2023		Acquisitions through business combinations	Reductions through disposal of investments	Exchange rate changes	Other changes	12/31/2023
Bonds	4,706	(254)	–	–	5	146	4,603
Promissory notes	325	–	–	–	–	–	325
Liabilities to banks	295	(47)	6	(124)	4	20	154
Lease liabilities	1,537	(386)	15	(142)	(16)	325	1,333
Other financial debt	209	(7)	7	(2)	6	(2)	211
Liabilities arising from financing activities	7,072	(694)	28	(268)	(1)	489	6,626

in € millions	1/1/2022	Cash changes	Non-cash changes				12/31/2022
			Acquisitions through business combinations	Reductions through disposal of investments	Exchange rate changes	Other changes	
Bonds	5,112	(479)	–	–	(3)	76	4,706
Promissory notes	325	–	–	–	–	–	325
Liabilities to banks	174	(28)	145	–	(8)	12	295
Lease liabilities	1,356	(358)	170	(1)	(1)	371	1,537
Other financial debt	59	(11)	165	–	(13)	9	209
Liabilities arising from financing activities	7,026	(876)	480	(1)	(25)	468	7,072

In financial years 2023 and 2022, the other non-cash changes mainly relate to newly concluded lease contracts.

The following tables show the changes in net liabilities arising from financing activities:

Changes in Net Liabilities Arising from Financing Activities

in € millions	2023	2022
Net liabilities arising from financing activities as of 1/1	(3,844)	(2,381)
Cash flow from operating activities	1,915	1,382
Cash flow from investing activities	(539)	(1,118)
Dividends and changes in equity, additional payments	(636)	(700)
Exchange rate changes and other changes in net liabilities arising from financing activities	(568)	(1,027)
Net liabilities arising from financing activities as of 12/31	(3,672)	(3,844)

Net liabilities arising from financing activities are the balance of the balance sheet positions “Cash and cash equivalents,” “Financial debt” and “Lease liabilities” plus accrued interest.

27 Segment Reporting

IFRS 8 Operating Segments requires that external segment reporting must be based on the internal organizational and management structure, and on management and reporting indicators used internally. As before, the Bertelsmann Group comprises seven operating reportable segments (RTL Group, Penguin Random House, BMG, Arvato Group, Bertelsmann Marketing Services, Bertelsmann Education Group and Bertelsmann Investments), differentiated according to the type of products and services offered and which are reported by segment managers to the Executive Board of Bertelsmann Management SE in its role as the chief operating decision-maker in accordance with IFRS 8.

In April 2023, Bertelsmann announced the renaming of its services and printing businesses. Since then, the Arvato division has been operating under the name Arvato Group. The direct marketing and printing activities of the Bertelsmann Printing Group division are now provided under the name Bertelsmann Marketing Services. Also in April, the content agency Territory was transferred from Bertelsmann Investments to Bertelsmann Marketing Services with retroactive effect from January 1, 2023. Territory’s recruiting and employer branding services, combined under the Embrace brand, were carved out from the agency and remain in the Bertelsmann Investments division. The figures for the financial year 2022 for Bertelsmann Marketing Services, Bertelsmann Investments and Corporate have been adjusted.

Corporate is mainly responsible for activities in the areas of taxes, legal, human resources, information technology, internal audit, accounting and reporting, corporate communications and management, internal control and strategic development of the Group, securing the required financing, risk management and optimization of the Group’s investment portfolio.

Intersegment eliminations are included in the column “Consolidation.”

As in the past, specific segment information is defined according to the definitions on which Group management is based. As a rule, accounting and measurement in the segment reporting uses the same IFRS principles as in the Consolidated Financial Statements. Invested capital is calculated on the basis of the Group’s operating assets less non-interest-bearing operating liabilities. Intercompany revenues are recognized using the same arm’s-length conditions applied to transactions with third parties.

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

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

Tabular segment information is presented on page 75 f.

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

Reconciliation of Segment Information to Group Profit or Loss

in € millions	2023	2022
Operating EBITDA adjusted from continuing operations	3,119	3,192
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	(1,259)	(1,099)
Adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	128	22
Special items	(88)	(562)
EBIT	1,899	1,553
Financial result	(337)	(258)
Earnings before taxes from continuing operations	1,563	1,295
Income tax expense	(237)	(246)
Earnings after taxes from continuing operations	1,326	1,049
Earnings after taxes from discontinued operations	–	3
Group profit or loss	1,326	1,052

28 Related Party Disclosures

For the Bertelsmann Group, related parties as defined in IAS 24 are those persons and entities that control or exercise a significant influence over the Bertelsmann Group, and those persons and entities controlled or jointly controlled by the Bertelsmann Group, or over which it exercises a significant influence. Accordingly, certain members of the Mohn family, the members of the Executive Board of Bertelsmann Management SE as the general partner, and the Supervisory Board of Bertelsmann SE & Co. KGaA, including close members of their families and including the companies that are controlled or jointly managed by them, and the joint ventures and associates forming part of the Bertelsmann Group and their subsidiaries, are defined as related parties. Furthermore, Bertelsmann Pension Trust e.V. is considered a related party (further details on this are presented in note 18 “Provisions for Pensions and Similar Obligations”).

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

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

Remuneration for key management personnel includes the following:

Remuneration for Key Management Personnel

in € millions	2023	2022
Short-term employee and termination benefits	15	30
Post-employment benefits	–	2
Other long-term benefits	6	10

The remuneration shown also includes remuneration for activities by the members of the Supervisory Board of Bertelsmann SE & Co. KGaA on the Supervisory Board of Bertelsmann Management SE. Transactions with subsidiaries included in the scope of consolidation are eliminated and are not further disclosed.

In addition to transactions with consolidated subsidiaries, the following transactions with related parties and entities were conducted:

Transactions with Related Parties

in € millions	Parent and entities with significant influence	Key members of management	Joint ventures	Associates	Other related parties
2023					
Goods delivered and services provided to	–	1	20	48	–
Goods and services received from	–	(2)	(17)	(30)	(1)
Receivables from	–	–	11	22	–
Amounts owed to	–	36	17	20	32
2022					
Goods delivered and services provided to	–	1	34	53	–
Goods and services received from	–	(2)	(16)	(35)	(1)
Receivables from	–	–	13	30	–
Amounts owed to	–	60	15	24	34

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

Other Transactions with Joint Ventures and Associates

in € millions	2023	2022
Outstanding contingent liabilities by		
– joint ventures	1	4
– associates	9	9
Contribution obligations to		
– associates	10	13
Capital contributions to		
– joint ventures	4	44
– associates	1	4
Capital distributions from		
– associates	15	24
Loans granted to		
– joint ventures	18	35
– associates	–	–
Loans received from		
– joint ventures	2	2
– associates	–	–
Impairment on loans to		
– joint ventures	–	28

In the financial year 2023, the contribution obligations to associates and the capital distributions from associates are fully (previous year: mainly) attributable to the University Ventures Funds. In the financial year 2022, the impairment on loans to joint ventures related to the impairment of a loan provided by Groupe M6 to the joint venture Salto (a streaming platform held jointly by Groupe M6, TF1 and France Télévisions).

29 Events after the Reporting Period

In December 2023, Penguin Random House signed an agreement for the acquisition of 100 percent of the shares in book publisher Hay House. Hay House is one of the leading publishers of self-help, health and wellness in the Unites States. In accordance with IFRS 3, the acquisition date is January 2, 2024. The transaction will be accounted for as a business combination in accordance with IFRS 3. At the time the Consolidated Financial Statements were prepared, the purchase price allocation considering the preliminary estimated consideration of €80 million was at a very preliminary stage.

In February 2024, Fremantle reached an agreement with Oaktree Capital Management, subject to customary closing conditions, to fully acquire Asacha Media Group, a European production group based in France that owns interests in eight production companies in France, Italy and the United Kingdom. The acquisition complements Fremantle’s footprint in Europe and strengthens Fremantle’s position as home to top and new talent. The transaction will be accounted for as a business combination in accordance with IFRS 3. At the time the Consolidated Financial Statements were prepared, the purchase price allocation considering the preliminary estimated consideration of €125 million was at a very preliminary stage.

Also in February 2024, Fremantle acquired an 80 percent interest in the Asian production company Beach House Pictures. The Singapore-based company has a base in China and partners in Southeast Asia, Korea, Japan and India. They specialize in creating and co-financing original intellectual property across non-scripted content but also scripted, entertainment and brand-funded programming for all major regional and international platforms. The transaction will be accounted for as a business combination in accordance with IFRS 3. At the time the Consolidated Financial Statements were prepared, the purchase price allocation considering the preliminary estimated consideration of €11 million was at a very preliminary stage.

In March 2024, Groupe M6 announced that it acquired the exclusive free-to-air TV rights for the majority of the matches of the FIFA World Cup in 2026 and 2030 – representing 54 matches for each tournament. This significant acquisition strengthens Groupe M6’s event-based, free-to-air sports offering and its streaming service M6+.

30 Exemption for Subsidiaries in Accordance with Sections 264 (3) and 264b of the German Commercial Code (HGB)

The following subsidiaries took advantage of the exemption regulations set out in section 264 (3) of the German Commercial Code (HGB) for the financial year ended December 31, 2023. The Bertelsmann Consolidated Financial Statements are the exempting Consolidated Financial Statements for these subsidiaries.

Name of the entity	Place
99 pro media GmbH	Leipzig
adality GmbH	Gütersloh
Ad Alliance GmbH	Cologne
adjoe GmbH	Hamburg
AppLike Group GmbH	Hamburg
arvato distribution GmbH	Harsewinkel
Arvato SE	Gütersloh
arvato services Dresden GmbH	Dresden
Arvato Systems Digital GmbH	Leipzig
arvato systems GmbH	Gütersloh
Ausbildung.de GmbH	Bochum
AVE Gesellschaft für Hörfunkbeteiligungen mbH	Berlin
AZ Direct Beteiligungs GmbH	Gütersloh
AZ Direct GmbH	Gütersloh
BAG Business Information Beteiligungs GmbH	Gütersloh
BAI GmbH	Gütersloh
BCE Germany GmbH	Cologne
BDMI GmbH	Gütersloh

Name of the entity	Place
BePeople GmbH	Gütersloh
Bertelsmann Aviation GmbH	Gütersloh
Bertelsmann Capital Holding GmbH	Gütersloh
Bertelsmann China Holding GmbH	Gütersloh
Bertelsmann Data Services GmbH	Gütersloh
Bertelsmann Global Business Services GmbH	Gütersloh
Bertelsmann Global Business Services Schwerin GmbH	Schwerin
Bertelsmann Investments Digital Health GmbH	Gütersloh
Bertelsmann Transfer GmbH	Gütersloh
Bertelsmann Treuhand- und Anlagegesellschaft mit beschränkter Haftung	Gütersloh
BMG Live Entertainment GmbH	Berlin
BMG Production Music (Germany) GmbH	Berlin
BMG RIGHTS MANAGEMENT (Europe) GmbH	Berlin
BMG RIGHTS MANAGEMENT GmbH	Berlin
Campaign Services Neckarsulm GmbH	Neckarsulm
Campaign Services Offenbach GmbH	Frankfurt am Main

Name of the entity	Place
Checkout Charlie GmbH	Berlin
Chefkoch GmbH	Bonn
CLT-UFA Germany GmbH	Cologne
COUNTDOWN MEDIA GmbH	Hamburg
Der Audio Verlag GmbH	Berlin
DeutschlandCard GmbH	Munich
Digital Media Hub GmbH	Cologne
Direct Analytics GmbH	Gütersloh
direct services Gütersloh GmbH	Gütersloh
Dorling Kindersley Verlag GmbH	Munich
DPV Deutscher Pressevertrieb GmbH	Hamburg
Eat the World GmbH	Berlin
EMBRACE GmbH	Gütersloh
Erste TD Gütersloh GmbH	Gütersloh
Erste WV Gütersloh GmbH	Gütersloh
European SCM Services GmbH	Gütersloh
frechverlag GmbH	Stuttgart
FremantleMedia International Germany GmbH	Potsdam
FT Studios GmbH	Hamburg
GGP Media GmbH	Pößneck
G+J Digital Ventures GmbH	Berlin
G+J Electronic Media Sales GmbH	Hamburg
G+J LIVING Digital GmbH	Hamburg
G+J Medien GmbH	Hamburg
G+J Vermietungsgesellschaft Sächsischer Verlag mbH	Dresden
Global Assekuranz Vermittlungsgesellschaft mit beschränkter Haftung	Gütersloh
GR Apps GmbH	Hamburg
Gruner + Jahr Deutschland GmbH	Hamburg
Henri-Nannen-Schule Gruner+Jahr/DIE ZEIT GmbH	Hamburg
Honey GmbH	Hamburg
infoscore Business Support GmbH	Baden-Baden
infoscore Finance GmbH	Baden-Baden
infoscore Portfolio Management International GmbH	Gütersloh
inmediaONE] GmbH	Gütersloh
justDice GmbH	Hamburg
justtrack GmbH	Hamburg
mbs Nürnberg GmbH	Nuremberg
Mohn Media Energy GmbH	Gütersloh
Mohn Media Mohndruck GmbH	Gütersloh
MSP Medien-Service und Promotion GmbH	Hamburg
Penguin Books Deutschland Gesellschaft mit beschränkter Haftung	Munich
Penguin Random House Verlagsgruppe GmbH	Gütersloh
Prinovis Ahrensburg Weiterverarbeitung und Logistik GmbH	Hamburg
PRINOVIS Service GmbH	Hamburg
Prinovis Verwaltungs GmbH	Gütersloh
Probind Mohn media Binding GmbH	Gütersloh
PSC Print Service Center GmbH	Oppurg
Random House Audio GmbH	Cologne
Reinhard Mohn GmbH	Gütersloh
Relias Learning GmbH	Berlin
rewards arvato services GmbH	Munich
Riverty Administration Services GmbH	Münster
Riverty Group GmbH	Baden-Baden
Riverty Services GmbH	Verl
RM Buch und Medien Vertrieb GmbH	Gütersloh
RM Chemnitz GmbH	Chemnitz
RM Elfte Beteiligungsverwaltungs GmbH	Gütersloh
RM Hamburg Holding GmbH	Hamburg
RM Neubrandenburg GmbH	Neubrandenburg
RM Schwerin GmbH	Schwerin
Rote Liste Service GmbH	Frankfurt am Main
RTL AdAlliance GmbH	Cologne
RTL Advertising GmbH	Cologne
RTL Audio Center Berlin GmbH	Berlin
RTL Audio Vermarktung GmbH	Berlin
RTL Deutschland GmbH	Cologne
RTL Group Financial Services GmbH	Cologne
RTL Group GmbH	Cologne
RTL Group Markenverwaltungs GmbH	Cologne
RTL Group Vermögensverwaltung GmbH	Cologne
RTL Hessen GmbH	Frankfurt am Main
RTL interactive GmbH	Cologne
RTL Journalistenschule GmbH	Cologne
RTL MUSIC PUBLISHING GmbH	Cologne
RTL NEWS GmbH	Cologne
RTL Nord GmbH	Hamburg
RTL Radio Berlin GmbH	Berlin
RTL Radio Deutschland GmbH	Berlin
RTL Radio Luxemburg GmbH	Cologne
RTL STUDIOS GmbH	Cologne
RTL Technology GmbH	Cologne
RTL West GmbH	Cologne
rtv media group GmbH	Nuremberg
smartclip Europe GmbH	Düsseldorf
Sonopress GmbH	Gütersloh
SSB Software Service und Beratung GmbH	Gütersloh
Studyflix GmbH	Augsburg
SUNDAY GmbH	Hamburg
Tabbler GmbH	Hamburg
Telamo Musik & Unterhaltung GmbH	Munich
TERRITORY GmbH	Hamburg
TERRITORY Influence GmbH	Munich
TERRITORY MEDIA GmbH	Munich
trndnxt GmbH	Munich
trndsphere blue GmbH	Munich
UFA Distribution GmbH	Potsdam
UFA Documentary GmbH	Potsdam
UFA Fiction GmbH	Potsdam
UFA Fiction Productions GmbH	Potsdam
UFA Film und Fernseh GmbH	Cologne
UFA GmbH	Potsdam
Ufa Radio-Programmgesellschaft in Bayern mbH	Ismaning
UFA Serial Drama GmbH	Potsdam
UFA Show & Factual GmbH	Cologne
Verlag RM GmbH	Gütersloh
Verlegerdienst München GmbH	Gilching
VIVENO Group GmbH	Gütersloh
Vogel Druck und Medienservice GmbH	Höchberg
VOX Holding GmbH	Cologne
VSG Schwerin - Verlagsservicegesellschaft mbH	Schwerin
we are era GmbH	Berlin

In addition, the exemption regulations set out in section 264b of the German Commercial Code (HGB) were used by the following companies for the financial year ended December 31, 2023. The Bertelsmann Consolidated Financial Statements are the exempting Consolidated Financial Statements for these subsidiaries.

Name of the entity	Place
Antenne Niedersachsen GmbH & Co. KG	Hannover
AVE II Vermögensverwaltungsgesellschaft mbH & Co. KG	Cologne
AZ fundraising services GmbH & Co. KG	Gütersloh
City-Post Service GmbH & Co. KG	Chemnitz

Name of the entity	Place
DDV Mediengruppe GmbH & Co. KG	Dresden
infoscore Portfolio Management GmbH & Co. KG	Verl
infoscore Portfolio Management II GmbH & Co. KG	Baden-Baden
Prinovis GmbH & Co. KG	Gütersloh
Sellwell GmbH & Co. KG	Hamburg

The consolidated subsidiary Arvato Ireland Limited in Dublin, Ireland, has used the exemption option offered in section 357 of the “Republic of Ireland Companies Act 2014” for publication requirements for its annual financial statements. The consolidated subsidiary Arvato Netherlands B.V. in Heijen, the Netherlands, has elected to make use of the exemption to publish annual accounts in accordance with section 403 (1) of book 2 of the Dutch Civil Code.

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

The compensation of the Supervisory Board of Bertelsmann SE & Co. KGaA for the financial year 2023 amounted to €2 million plus statutory value-added tax. Members of the Executive Board received total remuneration in the financial year 2023 of €19 million, including €18 million from Bertelsmann Management SE. Former members of the Executive Board of Bertelsmann Management SE and Bertelsmann AG and their surviving dependents received compensation of €7 million, including €5 million from Bertelsmann SE & Co. KGaA. The provisions for both pension obligations and transitional payments to former members of the Executive Board of Bertelsmann AG and Bertelsmann Management SE accrued at Bertelsmann SE & Co. KGaA and Bertelsmann Management SE amount to €65 million. The members of the Supervisory Board and Executive Board are listed in the chapter “Boards/Mandates” of this Annual Report.

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

in € millions	2023
Audit services	5.8
Other audit-related services	0.7
Other services	0.1
Total	6.6

The audit services include the fees for the audit of the consolidated financial statements, the review of the interim consolidated financial statements and the audit of the statutory financial statements of Bertelsmann SE & Co. KGaA and its subsidiaries. Other audit-related services include audits required by law or contract, voluntarily commissioned assurance services in connection with information technology, compliance management, internal control systems and other contractually agreed assurance services. Other services related to quality assurance support and analysis services.

The following table shows the number of employees as of December 31, 2023, and on an annual average:

Number of Employees

	Number of employees (closing date)	Number of employees (average)
RTL Group	17,439	18,125
Penguin Random House	12,835	12,758
BMG	1,143	1,144
Arvato Group	25,221	86,426
Bertelsmann Marketing Services	6,269	6,630
Bertelsmann Education Group	10,816	11,072
Bertelsmann Investments	5,139	4,983
Corporate	1,556	1,543
Total	80,418	142,679

32 Proposal for the Appropriation of Net Retained Profits

The general partner Bertelsmann Management SE and the Supervisory Board of Bertelsmann SE & Co. KGaA will propose to the General Meeting that the net retained profits of Bertelsmann SE & Co. KGaA of €559 million be appropriated as follows: payment of a dividend to shareholders of €220 million (dividend per ordinary share thus amounts to €2,627) and carry forward to the new financial year in the remaining amount of €339 million.

The general partner Bertelsmann Management SE approved the Consolidated Financial Statements for submission to the Supervisory Board of Bertelsmann SE & Co. KGaA on March 13, 2024. The Supervisory Board’s task is to review the Consolidated Financial Statements and declare whether it approves these.

Gütersloh, March 13, 2024

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

Thomas Rabe Carsten Coesfeld Rolf Hellermann Immanuel Hermreck

Responsibility Statement

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

Gütersloh, March 13, 2024

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

Thomas Rabe   Carsten Coesfeld   Rolf Hellermann   Immanuel Hermreck

Independent Auditor's Report

To Bertelsmann SE & Co. KGaA, Gütersloh

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Bertelsmann SE & Co. KGaA, Gütersloh, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report for the Company and the Group (hereinafter: the "combined management report") of Bertelsmann SE & Co. KGaA for the financial year from 1 January to 31 December 2023.

In accordance with German legal requirements, we have not audited the content of those parts of the combined management report listed in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in the "Other information" section.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU-APrVO") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU-APrVO, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU-APrVO.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of goodwill

Please refer to the general principles set out in the notes to the consolidated financial statements for information on the accounting policies applied. Please also refer to Section 9 of the notes to the consolidated financial statements concerning the assumptions used.

The financial statement risk

Goodwill amounted to EUR 8,403 million as at 31 December 2023 and, at 26 % of total assets and 55 % of group equity, has a significant impact on the financial position.

Goodwill is tested for impairment annually at the level of the cash-generating units to which the relevant goodwill is allocated, without this requiring a specific cause. If impairment triggers arise during the financial year, an event-driven impairment test is also carried out during the year. For the impairment test of goodwill, the carrying amount is compared with the recoverable amount of the respective cash-generating unit. If the carrying amount is higher than the recoverable amount, there is a need for an impairment. The recoverable amount is the higher of fair value less costs of disposal and value in use of the cash-generating unit. The effective date for the impairment test is 31 December of a financial year.

For the listed cash-generating units RTL Group, Afya and Groupe M6, the fair value less costs to sell derived from the market capitalization is compared with the carrying amount of the cash-generating unit in a first step. For the RTL Group and Groupe M6 units, the value in use determined on the basis of a discounted cash flow (DCF) method is compared with the carrying amount of the cash-generating unit in a second step. For the impairment tests of the other cash-generating units, the recoverable amount is determined as the fair value less costs to sell on the basis of the expected future cash inflows using a DCF method and compared with the carrying amount of the cash-generating unit.

For the cash-generating units We Are Era and Book Printing Group USA (formerly Print USA), triggering events were identified when reviewing the parameters that could indicate a decline in the recoverable amount of the cash-generating units. As a result, the recoverability of these two cash-generating units was tested on an ad hoc basis as of 30 June 2023. As a result of these event-driven impairment tests, no need for impairment was identified.

As part of the annual impairment test as at 31 December 2023, an impairment loss of EUR 18 million was recognized on goodwill. The impairment loss is attributable to the cash-generating units Book Printing Group USA, which belongs to the Bertelsmann Marketing Services division, in the amount of EUR 8 million and Digital Marketing in the amount of EUR 10 million.

The impairment test of goodwill is complex and is based on a number of discretionary assumptions. These include, among other things, the expected business and earnings development of the cash-generating units for the detailed planning period, the assumed long-term growth rates and the discount rate used.

There is a risk for the consolidated financial statements that an existing impairment loss has not been recognized or that the identified impairment has not been recognized in an appropriate amount. In addition, there is a risk that the related disclosures in the notes are inappropriate.

Our audit approach

With the involvement of our valuation specialists, we assessed, among other things, the appropriateness of the Company's material assumptions and calculation method. To this end, we discussed the expected business and earnings development in the detailed planning period as well as the assumed long-term growth rates with those responsible for planning. We also carried out reconciliation with the 2024 budget prepared by the Executive Board and approved by the Supervisory Board as well as the medium-term business plan (2025 and 2026) and made an assessment of planning updates into the detailed planning period as well as the termination period.

Furthermore, we have convinced ourselves of the company's forecast quality to date by comparing plans for previous financial years with the results actually realized and analyzing deviations.

We compared the assumptions and data underlying the discount rates, in particular the risk-free interest rates, the market risk premiums and the beta factors, with our own assumptions and publicly available data.

To ensure the arithmetical correctness of the valuation method used, we have reproduced the company's calculations and reproduced them on the basis of risk-oriented selected elements on the basis of our own calculations.

In order to take account of the existing forecast uncertainty, we have examined the effects of possible changes in the discount rate, earnings development or long-term growth rate on the recoverable amount by reconstructing the sensitivity analyses carried out by the company and comparing them with the valuation results.

The risk-oriented focus of our audit was on eight cash-generating units, for which we performed detailed analyses.

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill are appropriate. This also included an assessment of the appropriateness of the disclosures in the notes pursuant to IAS 36.134(f) on sensitivities in the event of a reasonably possible change in key assumptions underlying the evaluation.

Our observations

The calculation method used for impairment testing of goodwill is appropriate and in line with the applicable accounting policies. The Company's assumptions and data used for measurement are appropriate. The related disclosures in the notes are appropriate.

Measurement of non-controlling interests held by venture capital organizations for which no observable market data is available

Please refer to the "Accounting policies" section in the notes to the consolidated financial statements and section 25 for information on the accounting policies applied and the assumptions used. Information on the amount of minority interests held by venture capital organizations for which no observable market data is available and information on the amount of changes in fair value recognized in profit or loss can be found in section 25.

The financial statement risk

The non-controlling interests held by venture capital organizations for which no observable market data is available totaled EUR 1,007 million as of 31 December 2023, and, at 7 % of the group equity, are significant for assets and liabilities.

Non-controlling interests held by venture capital organizations for which no observable market data is available are classified at fair value through profit or loss in respect of measurement according to IFRS 9. Investments in associates that are measured at fair value through profit or loss in application of IAS 28.18 are also included here. The fair value determined as of 31 December 2023, of the non-controlling interests held by venture capital organizations is based on non-observable market data (Level 3 valuation). The determination of fair value is based largely on different complex valuation models.

Determining the measurement of the non-controlling interests held by venture capital organizations for which no observable market data is available is based on a series of assumptions that require judgment. These include the investment-specific assumptions about credit risks as well as life and development cycles of the investments that are required as inputs of the model.

There is the risk for the consolidated financial statements that the assumptions and estimates made for the calculation of fair value as of the reporting date do not materialize in the future and that the changes in value resulting from this are not recognized in the appropriate amount. There is also the risk that the related disclosures in the notes are not appropriate.

Our audit approach

We have assessed the appropriateness, setup of controls that the Company has established to ensure that the data for the inputs for measuring the non-controlling held by venture capital organizations for which no observable market data is available is determined correctly and in full.

In addition, we assessed the appropriateness of the Company's key assumptions as well as the valuation methods used. To ensure the computational accuracy of the valuation methods used, we verified the Company's calculations on the basis of selected risk-based elements and compared them with contractual information from the most recent financing rounds as well as publicly available data. In addition, we have carried out an analysis of potentially valuation-relevant information for risk-oriented selected investments.

Finally, we assessed whether the disclosures in the notes on the measurement of the non-controlling interests held by venture capital organizations for which no observable market data is available are appropriate.

Our observations

The valuation models underlying the calculation of the non-controlling interests held by venture capital organizations for which no observable market data is available are appropriate and consistent with the applicable accounting policies. The Company’s assumptions and data used for measurement are appropriate. The related disclosures in the notes are appropriate.

Other Information

The Executive Board and the Supervisory Board are responsible for the other information. The other information comprises the following non-audited components of the combined management report:

- the combined non-financial statement of the Company and the Group, which is included in the "Combined non-financial statement" section of the combined management report, and
- the information extraneous to management reports pursuant to Section A.5 of the German Corporate Governance Code 2022 on the effectiveness of the RMS and ICS included in section "Risk management system" of the combined management report.

The other information comprises other parts of the annual report. The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Executive Board is responsible for the preparation of consolidated financial statements that comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Executive Board is responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the Executive Board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Executive Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Executive Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU-APrVO and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.
- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Executive Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Executive Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "bertelsmann-2023-12-31-de.zip" (SHA256-hash value: 131b834bf9344e3e86c2024f9734d1e93a232f795929cf21be5cecc0801f8d57) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in Audit Firms (IDW QMS 1 (09.2022)).

The Company's Executive Board is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's Executive Board is responsible for such internal control that it has considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL), in accordance with the requirements of Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information Pursuant to Article 10 of the EU-APrVO

We were elected as group auditor at the Annual General Meeting on 8 May 2023. We were engaged by the Supervisory Board on 29 August 2023. We have been the group auditor of Bertelsmann SE & Co. KGaA since financial year 2020.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU-APrVO (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the German Federal Gazette [Unternehmensregister] – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the audit is Frank Thiele.

Bielefeld, March 13, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Tonne Wirtschaftsprüfer [German Public Auditor]	Thiele Wirtschaftsprüfer [German Public Auditor]

Independent Assurance Report for the Combined Non-financial Statement

To Bertelsmann SE & Co. KGaA, Gütersloh

We have performed an independent limited assurance engagement on the Combined Non-financial Statement of Bertelsmann SE & Co. KGaA, (further “Bertelsmann“ or the “Group”) as well as the by reference qualified parts “Corporate Profile” and “Risks and Opportunities” of the Group’s Combined Management Report (further: “Non-Financial Statement“) for the business year from January 1 to December 31, 2023.

Responsibilities of the Legal Representatives

The legal representatives of Bertelsmann SE & Co. KGaA are responsible for the preparation of the Non-Financial Statement for the business year from January 1 to December 31, 2023 in accordance with Sections 315c in conjunction with 289c to 289e HGB [Handelsgesetzbuch: German Commercial Code] and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further “EU Taxonomy Regulation“) and the supplementing Delegated Acts as well as the interpretation of the wording and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section “EU Taxonomy” of the Non-Financial Statement.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Non-Financial Statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for such internal control as they consider necessary to enable the preparation of the Non-Financial Statement in a way that is free from material misstatement, whether due to fraud (manipulation of the Non-Financial Statement) or error.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wording and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section “EU Taxonomy” of the Non-Financial Statement. They are responsible for its tenability. Due to the immanent risk that indeterminate legal terms may be interpreted differently; the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Assurance of the Assurance Practitioner’s Firm

We have complied with the independence and quality assurance requirements set out in the national legal provisions and professional pronouncements, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QMS 1 (09.2022)).

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the Non-Financial Statement based on our assurance engagement.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe, that the Non-Financial Statement of the Group for the business year from January 1 to December 31, 2023 has not been prepared, in all material respects, in accordance with Sections 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wording and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section "EU Taxonomy".

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Obtaining an understanding of the structure of the Group's sustainability organization and stakeholder engagement.
- A risk assessment, including a media analysis, of relevant information about the Group's sustainability performance during the reporting period.
- Inquiries of the legal representatives and relevant employees involved in the preparation of the Non-Financial Statement about the preparation process, about the internal control system related to this process, and about disclosures in the Non-Financial Statement.
- Identification of probable risks of material misstatement in the Non-Financial Statement.
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and the group management report.
- Analytical assessment of the data and trends of the quantitative disclosures reported for consolidation at Group level by all entities included in the scope of the Non-Financial Statement.
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample test.
- Assessment of the overall presentation of the disclosures in the Non-Financial Statement.

With regard to the audit of the non-financial information on the EU Taxonomy, the following audit procedures and other activities were performed, among others:

- Interviewing responsible employees at the Group level to obtain an understanding of the procedures for identifying taxonomy-eligible and -aligned economic activities in accordance with the EU Taxonomy.
- Assessment of the design and implementation of systems, processes and measures for the identification, processing and monitoring of data on sales, capital expenditures and operating expenditures for the taxonomy-eligible and -aligned economic activities.
- Interviewing staff at the corporate level responsible for identifying disclosures of concepts, due diligence processes, results, and risks, performing internal control actions, and consolidating the disclosures.
- Assessing the process for identifying taxonomy-eligible and -aligned economic activities and the corresponding disclosures in the Non-Financial Statement.
- Assessing the overall presentation of the EU Taxonomy disclosures.

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the legal representatives are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Combined Non-Financial Statement of Bertelsmann SE & Co. KGaA for the business year from January 1, 2023 to December 31, 2023 has not been prepared, in all material respects, in accordance with Sections 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section "EU Taxonomy" of the Non-Financial Statement.

Restriction of Use / Clause on General Engagement Terms

This assurance report is solely addressed to Bertelsmann SE & Co. KGaA, Gütersloh.

Our assignment for the Supervisory Board of Bertelsmann SE & Co. KGaA, Gütersloh, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Hanover, March 13, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

Mund Wirtschaftsprüferin [German Public Auditor]	ppa. Mathias

Corporate Governance at Bertelsmann

The pursuit of responsible corporate governance is an indispensable part of the Bertelsmann identity, and an important element of its corporate culture.

Bertelsmann SE & Co. KGaA is a capital market-oriented, unlisted company. The corporate governance of Bertelsmann SE & Co. KGaA largely follows the recommendations and suggestions contained in the German Corporate Governance Code ("Code"), the current version of which entered into force on April 28, 2022. Due to Bertelsmann's closed group of shareholders, the company predominantly deviates from those recommendations and suggestions of the Code that are primarily aimed at publicly traded companies with a larger group of shareholders. Bertelsmann is not required to issue a declaration pursuant to section 161 of the German Stock Corporation Act stating that it complies with the recommendations of the Code.

Statutory Bodies of the Company

Bertelsmann's legal form is that of a Kommanditgesellschaft auf Aktien (KGaA) (partnership limited by shares). The statutory bodies of the KGaA are the General Meeting, the Supervisory Board and the general partner. The general partner serves as the management and representative body of the KGaA. In the case of Bertelsmann, this is Bertelsmann Management SE, a European stock corporation (Societas Europaea), represented by its Executive Board. Bertelsmann SE & Co. KGaA and Bertelsmann Management SE each have their own Supervisory Boards. The members of the Executive Board of Bertelsmann Management SE are appointed and monitored by the Supervisory Board of Bertelsmann Management SE (dual leadership structure). The Supervisory Board of Bertelsmann SE & Co. KGaA supervises the management of the business by Bertelsmann Management SE. The duties and responsibilities of the individual bodies are clearly defined in each case and are strictly separated from each other. Simultaneous membership in the Executive Board of Bertelsmann Management SE and the Supervisory Board of Bertelsmann Management SE and of Bertelsmann SE & Co. KGaA, respectively, is not permitted. The Bertelsmann boards are obliged to secure the continuity and independence of the company and to enhance the enterprise value in the long term through responsible and sustainable corporate management.

Closed Group of Shareholders

Four foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG-Familienstiftung, BVG-Stiftung) indirectly hold 80.9 percent of Bertelsmann SE & Co. KGaA shares, with the remaining 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the General Meetings of Bertelsmann SE & Co. KGaA and Bertelsmann Management SE. BVG is responsible for upholding the interests of the foundations invested in Bertelsmann and of the Mohn family as indirect shareholders in Bertelsmann SE & Co. KGaA, as well as ensuring the continuity of the company's management and Bertelsmann's corporate culture. BVG is controlled by a steering committee composed of three representatives of the Mohn family and three additional non-family members.

Corporate Management

Transparent structures and clear decision-making processes are characteristic for Bertelsmann's corporate management. The general partner, Bertelsmann Management SE, represented by its Executive Board, is responsible for independently managing the company. Its duties consist of determining the corporate objectives, the strategic direction of the Group, Group management, management training, and corporate planning and financing. Bertelsmann is committed to fulfilling its corporate responsibility and pursues high standards in this regard. To this end, Bertelsmann defines Group-wide ESG (environmental, social, governance) goals and incorporates them into management and decision-making processes.

The Executive Board provides the respective Supervisory Boards with regular, prompt and comprehensive reports on all matters that are relevant to business development and strategy implementation, planning, financial position and results of operations, and the risk situation and risk management. It ensures compliance with the provisions of law and corporate guidelines within the Group. The members of the Executive Board bear joint responsibility for the overall management. Matters of fundamental or material significance and matters concerning the spheres of responsibility of multiple Executive Board members are addressed by the overall Executive Board. Notwithstanding this overall responsibility, the individual members of the Executive Board manage their departments as part of the duties stipulated by the overall Executive Board. The Executive Board Chairman coordinates the cooperation within the Executive Board and between the Executive Board and the Supervisory Boards, and has regular consultation meetings with the chairs of the two Supervisory Boards. In addition, the Executive Board has established the Group Management Committee (GMC), which advises on important corporate strategy and development matters, and other issues that affect the Group as a whole. This committee includes the Executive Board as well as executives representing key businesses, countries, regions and select Group-wide functions.

The Supervisory Board of Bertelsmann SE & Co. KGaA supervises the management of the business by the general partner and uses its extensive information and control rights for this purpose. In addition, the Supervisory Boards advise the Executive Board on strategic matters and significant transactions. The Executive and Supervisory Boards work in close, trusting cooperation and are able to reconcile the demands of effective corporate governance with the need for rapid decision-making processes. The organization and duties of the Supervisory Board of Bertelsmann SE & Co. KGaA are described in greater detail in the Report of the Supervisory Board. The work of the Supervisory Board in the 2023 financial year is also covered in the report. The members of the Executive and Supervisory Boards are obliged to serve the company's best interests in their work.

The Bertelsmann SE & Co. KGaA and Bertelsmann Management SE shareholders exercise their rights and vote at the respective General Meetings. The General Meetings vote on matters such as amendments to the articles of association and the distribution of profit, and elect the members of the respective Supervisory Boards.

Diversity in Practice

At a global company like Bertelsmann, diversity within the workforce is a prerequisite for creativity and entrepreneurship, and therefore for the Group's long-term economic success. In the Bertelsmann Diversity, Equity & Inclusion Policy, the Bertelsmann Executive Board emphasizes its aim of further increasing diversity of staff at all levels and in every respect, and of creating general conditions that foster the appreciation and inclusion of employees and ensure equal opportunities.

An interdivisional and international working group consistently promotes diversity, equity and inclusion at all levels of the company (see "Combined Non-Financial Statement" within the Combined Management Report). The focus in 2023 – in addition to measures addressing disabilities as well as sexual orientation and gender identity – continued to be on increasing gender diversity. As of December 31, 2023, in the GMC, in which eight nationalities are represented, six of the 19 members were women. The proportion of female executives remained stable compared to the previous year, with 35 percent in top management and 36 percent in senior management. In 2023, the focus was on revising the target group definition for top management and senior management. This serves as the basis for reporting from 2024 onward. Through development measures within the talent pools and standardized talent management processes, Bertelsmann promotes the sustainable structure of a diverse talent pipeline. The targets set for the talent pools of 40 percent women in the top management pool and 50 percent women in the senior management and career development pool will be achieved for the 2023/2024 classes. The Supervisory Board and the Executive Board are notified annually of further development. The Supervisory Board supports the goal of having equal representation of women and men in management positions.

Bertelsmann SE & Co. KGaA is an unlisted company and is not subject to parity codetermination. The “Act to Amend the Rules Regarding Equal Participation of Women in Leadership Positions in the Private and Public Sector” does not apply to the two Supervisory Board bodies. Nevertheless, Bertelsmann supports the goal of this legislation. Five of the 15 Supervisory Board members are women. Even though the Supervisory Board will not be setting a target quota for women on the Supervisory Board for the time being, the share of women in new appointments should not go down. When candidates are nominated for election as new members of the Supervisory Board, consideration is always given to the aim of increasing the proportion of female members or members from other countries.

Integrity & Compliance

Corporate responsibility, lawful behavior and acting with integrity toward employees, customers, business partners and government agencies are an integral part of the value system at Bertelsmann. Bertelsmann has always been committed to the principle of adhering to laws and has internal policies on the prevention of risks and their consequences.

To ensure compliance, the Executive Board has established a compliance organization and the “Integrity & Compliance” program. It oversees this program and ensures that it is continuously improved. The Supervisory Board Audit and Finance Committee monitors the effectiveness and proper functioning of the compliance organization. The Executive Board established the Corporate Compliance Committee (CCC). Each year, the CCC submits an extensive report about compliance within the Group to the Executive and Supervisory Boards. It also provides ad hoc reports to the Executive and Supervisory Boards in the event of any significant compliance violations. The CCC is responsible for the effectiveness of measures designed to ensure compliance, and for promoting a culture of integrity and compliant conduct within the Bertelsmann Group. In particular, the CCC monitors investigations into compliance violations and the measures taken to prevent violations. The “Integrity & Compliance” department is responsible for the day-to-day work to ensure compliance, implementing Board-mandated compliance initiatives and managing the whistleblowing systems.

The Bertelsmann “Integrity & Compliance” program is based on the relevant standards for compliance management systems and helps mitigate risks in various ways. Its basic elements include, in particular, the Bertelsmann Code of Conduct, risk analysis, advice on compliance topics, and communication and training measures, whistleblowing systems that give not only employees but also third parties the opportunity to confidentially report misconduct in the company without fear of reprisal, and case management. It also includes additional measures in specific subject areas, such as anticorruption, antitrust law, compliance by business partners and foreign trade law.

The Executive Board has continuously developed and expanded Bertelsmann’s compliance structure and organization over time, including during the 2023 financial year. Revised Code of Conduct training for all employees was rolled out in 2023. In addition, new training courses were offered in the areas of anticorruption and antitrust law. Activities in the area of compliance by business partners were further intensified in 2023, particularly in light of the requirements of the German Supply Chain Act. In 2023, the interlinks between the compliance organization and the risk management system were strengthened further. The Executive Board also adopted an updated version of the Supplier Code of Conduct. Guidelines on the compliance organization and the role of local Compliance Officers are continually implemented.

All reports of compliance violations received were investigated, and appropriate actions were taken.

Executive Board Supervisory Board

Report of the Supervisory Board

Christoph Mohn
Chairman of the Supervisory Board of Bertelsmann SE & Co. KGaA

Dear shareholders,

The expansion of the global economy remained subdued in the 2023 reporting period. This was attributable to geopolitical conflicts, continued high rates of inflation and a more restrictive monetary policy in developed economies. In view of these circumstances, the development of the markets relevant to Bertelsmann was mixed. European TV advertising markets recorded declines in Germany, Austria, Switzerland, France and the Netherlands, but grew in Hungary. At the same time, streaming markets in Germany and Hungary continued to grow, while the Dutch streaming market was flat. The relevant markets for printed books and e-books were stable overall in the English-speaking regions, while publisher sales with digital audiobooks recorded growth. The markets for printed books in the German- and English-speaking regions developed positively. Continued growth was recorded in the music markets for publishing and recording rights as well as in the service and education markets relevant to Bertelsmann. In contrast, the decline in the German offset and American book printing markets continued. In this heterogeneous market environment and despite the sale of its customer experience business Majorel in November 2023, the Bertelsmann Group generated revenues of more than €20 billion, and operating EBITDA adjusted of more than €3 billion for the fourth consecutive year.

This report covers the activities of the Supervisory Board of Bertelsmann SE & Co. KGaA. The activities of the Supervisory Board of Bertelsmann Management SE are not the subject of this report. The Supervisory Board of Bertelsmann SE & Co. KGaA supervises the management of the business by the Executive Board of Bertelsmann Management SE and uses its extensive information and control rights for this purpose. In addition, the Supervisory Board advises the Executive Board of Bertelsmann Management SE on strategic matters and significant transactions. The Executive and Supervisory Boards work in close, trusting cooperation and are able to reconcile the demands of effective corporate governance with the need for rapid decision-making processes.

For some time, the delegation of tasks to committees of experts has been an integral component of the Supervisory Board's work at Bertelsmann. This increases the monitoring efficiency and advisory expertise of the Supervisory Board bodies. These committees also prepare the topics to be addressed during the plenary meetings. The committee chairs – or, where applicable, their representatives – then report to the plenary meetings on the work performed by their committees.

The Supervisory Board has formed an Audit and Finance Committee and the Working Group of Employee and Management Representatives. The Audit and Finance Committee of the Supervisory Board of Bertelsmann SE & Co. KGaA is also involved in financial reporting and the financial reporting process, and monitors the effectiveness of the risk management system, the internal control system and the internal auditing system. Other important topics regularly discussed are compliance, information security and data protection as well as non-financial reporting. One focus of the work is, of course, the audit of the Annual Financial Statements and the Consolidated Financial Statements as well as monitoring the quality of the audit process.

The tasks of the Supervisory Board of Bertelsmann SE & Co. KGaA are augmented by the responsibilities of the Supervisory Board of Bertelsmann Management SE. A Personnel Committee and Program Committee have also been set up there. The Personnel Committee of Bertelsmann Management SE is likewise a Nomination Committee and, in this function, recommends to the plenary session of the Supervisory Board suitable candidates for the Supervisory Board. The Program Committee, instead of the Supervisory Board, decides on the approval of the Supervisory Board to enter into program supply deals – for example, for feature films, series or sports rights.

Advising and Monitoring the Executive Board of Bertelsmann Management SE in the 2023 Financial Year

In the reporting period, the Supervisory Board of Bertelsmann SE & Co. KGaA again diligently fulfilled the duties incumbent upon it by law and under the articles of association and bylaws. Its members regularly advised and monitored the general partner, Bertelsmann Management SE, represented by its Executive Board, in the task of managing and directing the company’s operations. As part of its advisory and monitoring activities, the Supervisory Board of Bertelsmann SE & Co. KGaA was directly involved in important company decisions and transactions at an early stage, and discussed and reviewed these at length on the basis of reports from the Executive Board.

The general partner provided the Supervisory Board with regular, prompt and comprehensive written and verbal reports on all significant issues of strategy, planning, business performance, intended business policies and other fundamental management issues of importance for Bertelsmann SE & Co. KGaA. A wide range of topics and projects was presented for discussion at the meetings of the Supervisory Board during the 2023 financial year.

Supervisory Board Plenary Meeting

In the plenary meetings, the Supervisory Board of Bertelsmann SE & Co. KGaA regularly heard reports from the Executive Board on the current business and financial position of the Group and of the individual divisions. They also heard reports on Group planning and material business transactions, particularly major planned investments and divestments. The Supervisory Board Chairman, who at the same time is the Chairman of the Supervisory Board of Bertelsmann Management SE, reported regularly and comprehensively to the plenary session of the Supervisory Board concerning the topics and the progress of the discussions of the Supervisory Board of Bertelsmann Management SE and in its committees. The Supervisory Board was kept regularly informed of the status of the implementation of the Group’s strategy by the Executive Board. To the extent stipulated by law and the articles of association and bylaws, the necessary decisions were made during the plenary meeting. In 2023, the meetings of the Supervisory Board and its committees were held in person, with the first meeting in January 2023 being held as a hybrid meeting with the option to participate by video. In the 2023 financial year, the Supervisory Board held four regular meetings and also met with the Executive Board for a strategy retreat.

The first meeting of the Supervisory Board, on January 26, 2023, focused on discussing the Group budget prepared by the Executive Board for 2023 and on the report of the current business situation and financial position. Subsequently, the Supervisory Board was updated in detail on the implementation of the Group strategy, including the ongoing investment and divestment measures.

At the next meeting on March 29, 2023, the Executive Board reported in particular on the current business situation and the status of strategy implementation. The main focus of the meeting was on addressing the Annual and Consolidated Financial Statements for 2022 and the Combined Management Report. At the recommendation of the Audit and Finance Committee and after discussion with the auditors KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, the Supervisory Board approved the Annual and Consolidated Financial Statements for the 2022 financial year and the Combined Management Report of Bertelsmann SE & Co. KGaA. The proposal of the general partner for the profit distribution was also approved. Furthermore, the Supervisory Board reviewed and approved the non-financial report and the Group non-financial report. In addition, the Supervisory Board followed the recommendation of the Audit and Finance Committee for the auditor for the 2023 financial year and for the auditor of the Interim Report, and approved its corresponding proposal to the Annual General Meeting. Furthermore, the Supervisory Board resolved on its report for the Annual General Meeting and approved the Corporate Governance Report that it prepared together with the Executive Board for the 2022 financial year. In addition to the current financial results, including the major risks to the Group, the Supervisory Board also focused on the realignment of the book publishing business and on organizational adjustments introduced in the United States by the new CEO of Penguin Random House.

In the two-day meeting on July 5 and 6, 2023, the Supervisory Board was briefed again about the current business situation, the development of the Group's businesses and the status of strategy implementation. As part of a visit to the ultra-modern Arvato distribution center in Hamm, the Supervisory Board was informed about Arvato's pioneering automation solutions. In addition, the Supervisory Board focused on the topic of ESG in this meeting. Bertelsmann perceives ESG as an opportunity and has already made substantial progress in this area. An ambitious ESG program with eight ESG priorities and around 150 defined measures has been launched. The goal is to be climate-neutral by 2030. Our climate strategy is in line with the 1.5-degree target of the Paris Climate Agreement.

In the last Supervisory Board meeting of the financial year on November 9, 2023, the Supervisory Board again dealt with the Group's business situation and financial position and with internal Supervisory Board matters. In addition, the Executive Board gave the Supervisory Board a report on the outlook for the overall 2023 financial year. This meeting also included the annual strategy retreat between the Executive Board and the Supervisory Board, which had already begun the previous day, November 8, 2023. The Supervisory Board was first updated on the status of strategy implementation. Bertelsmann made noticeable progress in the portfolio transformation in 2023; the quality of the business portfolio improved further, and the financial position is very good. Implementation of the Boost strategy was advanced in the individual divisions. The Group's growth ambitions remain unchanged despite a continued challenging macroeconomic and geopolitical environment, and despite further changes in the corporate environment, such as the high adaptation speed in the field of generative AI.

Bertelsmann's strategic focus is on a fast-growing, digital, international and diversified Group portfolio. New businesses in which Bertelsmann invests are required to have strong long-term growth prospects, global reach, sustainable business models, high market-entry barriers and scalability. The strategic priorities are to create national media champions, expand global content businesses, grow through global services, expand the education business and develop the investment portfolio. The Group aims to grow in existing and new lines of business through organic initiatives and acquisitions. Bertelsmann's corporate strategy and planning also include due consideration of ecological and social goals. Based on the insights gained during the strategy retreat, the Supervisory Board believes that the Group is continuing to make good progress.

Supervisory Board Audit and Finance Committee

The Supervisory Board of Bertelsmann SE & Co. KGaA formed the Audit and Finance Committee to perform its tasks within its sphere of responsibility efficiently. The Audit and Finance Committee has four members; the Chair of the Supervisory Board does not lead this committee. The Chair of the Audit and Finance Committee is Bodo Uebber. Both the Chair of the Audit and Finance Committee and at least one additional committee member are independent as defined by the Code and have special knowledge and experience in the areas of financial reporting and of auditing. All members of the Audit and Finance Committee are familiar with the sectors in which Bertelsmann SE & Co. KGaA operates.

In particular, and in accordance with its mandate for the reporting year, the Audit and Finance Committee discussed issues of corporate financing, the financial position of the Group, financial planning, fiscal policy and individual negative deviations of the performance of Group businesses from budgeted performance. The Committee also extensively addressed the financial reporting and financial reporting processes and monitored the effectiveness and functional capability of the risk management system, the internal control system and the internal auditing system. It also requested regular reports from the Head of Corporate Audit and Consulting. Furthermore, the Committee addressed issues relating to integrity and compliance, in particular the effectiveness and proper functioning of the compliance management system. In this connection, the Committee heard reports on significant compliance-related events in the Group. The Audit and Finance Committee determined to its satisfaction that Bertelsmann has an adequate and effective internal control system and risk management system with regard to the scope and risk situation of the company.

In addition, the Audit and Finance Committee reviewed the implementation of the EU's General Data Protection Regulation (GDPR) at Bertelsmann. During this part of the meeting, the Audit and Finance Committee was briefed on the further development of the data protection strategy, the status of its implementation and the further development of data protection requirements. An issue regularly addressed in the meetings of the Audit and Finance Committee was the situation and ongoing development of the Group's cybersecurity and IT security structure. The expansion of cybersecurity continues to be one of the top priorities in the Group against the backdrop of a tense situation characterized by an elevated global threat level for information security. After the successful conclusion of the multi-year Basic Infrastructure Measures (BIM) initiative to further develop and improve the security level in the existing IT infrastructures, the Basic Application Measures (BAM) initiative additionally covers the area of applications and, in this context, addresses the technological development and changes in the threat level. An additional issue for the Audit and Finance Committee in the reporting period was non-financial reporting and its further development due to new regulatory requirements, such as the EU Taxonomy Regulation and the Corporate Sustainability Reporting Directive (CSRD). The corresponding implementation processes are closely monitored by the Committee.

As required by law, the Committee focused on the auditing of the Annual Financial Statements and the Consolidated Financial Statements (see also the section "Audit of the Annual and Consolidated Financial Statements" below). The Audit and Finance Committee had already discussed the focal points of the 2022 audit with the auditor during the 2022 financial year and then finalized them in a Committee meeting at the end of August 2022. The key audit matters from the auditor's report were likewise discussed with the auditor in advance during the Committee meeting held at the end of January 2023. The Chair of the Audit and Finance Committee regularly discussed with the auditor the provisional findings from the audit of the Annual and Consolidated Financial Statements for the 2022 financial year; all members of the Audit and Finance Committee then also discussed these findings with the auditor in a video conference that took place on March 8, 2023. The financial review meeting of the Audit and Finance Committee was held on March 28, 2023. The meeting was attended by the auditor, who was available to address the Committee members' questions while the Annual Financial Statements documents and audit reports were discussed in detail. The findings of the auditor were reviewed in an internal audit of the Annual and Consolidated Financial Statements. The non-financial reporting of the Executive Board was also reviewed within the framework of the Combined Non-Financial Statement as a separate part of the Combined Management Report and by means of the Executive Board's statement at the end of its voluntary report to Bertelsmann SE & Co. KGaA concerning the relationships to affiliated companies. In the financial review meeting of the Supervisory Board, the Audit and Finance Committee reported comprehensively to the plenary session concerning the audit of the Annual and Consolidated Financial Statements and the audit reports and related reviews; the Committee also proposed the corresponding resolutions.

The Committee monitored the quality of the audit on the basis of an annual report by the auditor and using specifically developed qualitative and quantitative audit quality indicators. Another element was a detailed statement from the Executive Board member responsible for Finance. In this role, the Audit and Finance Committee also addressed in-depth the independence of the auditor and the additional services performed by the auditor. There was no indication of grounds for bias or a risk to independence. By intensively monitoring the preparation and performance of the audit and by dealing on an ongoing and intensive basis with the process of auditing and other accounting-related topics, the Audit and Finance Committee has made an important contribution to ensuring the integrity of the accounting process at Bertelsmann. The Audit and Finance Committee of Bertelsmann SE & Co. KGaA held four regular meetings during the 2023 reporting period, one of which was held in hybrid form. In addition, the Committee held one extraordinary video conference in the reporting period in preparation for the financial review meeting. The Chair of the Audit and Finance Committee continuously briefed the plenary session of the Supervisory Board on the work of the Committee through regular reports. The corresponding department heads were represented during the discussion of individual agenda items. In addition, the Chair of the Audit Committee held individual meetings with the responsible auditor.

Audit of the Annual and Consolidated Financial Statements for the 2023 Financial Year

KPMG AG Wirtschaftsprüfungsgesellschaft, based in Berlin, has been the auditor for Bertelsmann SE & Co. KGaA and the Group since the financial year 2020. The German Public Auditors responsible for signing the audit since then have been Dr. Knut Tonne and Frank Thiele.

KPMG has audited the Annual Financial Statements and the Consolidated Financial Statements prepared by the Executive Board of Bertelsmann Management SE as well as the Combined Group Management Report of Bertelsmann SE & Co. KGaA, which is combined with the management report of the Company for the financial year from January 1, 2023, to December 31, 2023, and issued an unqualified audit opinion. In addition, KPMG conducted a limited assurance review of the Combined Non-Financial Statement for the period from January 1 to December 31, 2023, and issued an assurance report on the findings of the review in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information.” The Annual Financial Statements were prepared in accordance with the German Commercial Code (HGB); the Consolidated Financial Statements of Bertelsmann SE & Co. KGaA have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union and the additional requirements of German law pursuant to section 315e (1) HGB. The auditor was mandated by the Supervisory Board’s Audit and Finance Committee to audit the Annual Financial Statements and Consolidated Financial Statements in accordance with the Annual General Meeting resolution. The auditor performed the audit in observance of German accepted auditing principles established by the German Institute of Independent Auditors (IDW). The auditor was additionally instructed to audit the risk early-warning system at Bertelsmann SE & Co. KGaA, which it found to be satisfactory in terms of section 91 (2) of the German Stock Corporation Act (AktG) to identify developments that may threaten the Company’s continued existence at an early stage. The limited assurance review of the Combined Non-Financial Statement did not reveal any matters indicating that the Combined Non-Financial Statement for the 2023 financial year has not been prepared, in all material respects, in compliance with the relevant requirements of the HGB and the EU Taxonomy Regulation and any related delegated acts. The provisional results of key audit matters were discussed with the auditor in a video conference on March 7, 2024. The Annual Financial Statements documents as well as the audit reports of the auditor were submitted to all members of the Supervisory Board by the specified deadline in advance of the financial review meeting. The auditor attended the financial review meetings of the Audit and Finance Committee on March 21, 2024, and of the plenary session of the Supervisory Board on March 22, 2024, where he gave an extensive report and answered questions. He was able to confirm that, in the course of the audit, no significant weaknesses had been identified in the accounting-related internal control system. The Audit and Finance Committee discussed the Annual Financial Statements documents and audit reports in detail. The findings of the auditor of the Annual Financial Statements were carefully reviewed in an internal audit of the Annual and Consolidated Financial Statements. The Audit and Finance Committee reported comprehensively to the plenary session of the Supervisory Board concerning the audit of the Annual and Consolidated Financial Statements and the audit reports.

On March 22, 2024, the plenary session of the Supervisory Board reviewed and discussed the Annual Financial Statements, Consolidated Financial Statements and Combined Management Report in detail, taking into account the recommendations of the Audit and Finance Committee and those contained in the audit reports and following further discussion with the auditor. The Supervisory Board concurred with the audit findings. After its own final scrutiny of the Annual and Consolidated Financial Statements and the

Combined Management Report, the Supervisory Board – acting in accordance with the Audit and Finance Committee's recommendation – raised no objections. The financial statements prepared by the Bertelsmann Management SE Executive Board were thus approved. Moreover, the Supervisory Board approved the Report of the Supervisory Board for the Annual General Meeting and the Corporate Governance Report, as well as its resolution proposals concerning the agenda items for the ordinary Annual General Meeting taking place on May 6, 2024. The Supervisory Board has furthermore reviewed the Bertelsmann Management SE Executive Board proposal as to the amount of profit distribution to shareholders, and concurs with said proposal. The amount of the dividend proposed by the Executive Board of Bertelsmann Management SE is appropriate, in the view of the Supervisory Board, in consideration of the level of net retained profits, the economic environment, the company's economic situation and the interests of the shareholders.

Changes in the Executive Board of Bertelsmann Management SE and in the Supervisory Board, Objectives for the Composition of the Supervisory Board

The business of Bertelsmann SE & Co. KGaA is managed by its general partner, Bertelsmann Management SE, represented by its Executive Board.

The following change occurred in the Executive Board of Bertelsmann Management SE in the past financial year: In its meeting on November 9, 2023, the Supervisory Board of Bertelsmann Management SE appointed Carsten Coesfeld to the Executive Board of Bertelsmann Management SE effective January 1, 2024.

The following changes occurred in the Supervisory Board of Bertelsmann SE & Co. KGaA during the financial year and the reporting period, respectively: At an extraordinary general meeting of Bertelsmann SE & Co. KGaA on March 20, 2023, Theonitsa Gosh-Roy (Kalispera), Executive Vice President BMG, was elected as employee representative as a new member of the Supervisory Board effective March 23, 2023. On May 8, 2023, the ordinary Annual General Meeting of Bertelsmann SE & Co. KGaA appointed the Spanish businessman Pablo Isla to the Supervisory Board of Bertelsmann SE & Co. KGaA effective April 1, 2024. At present, all ten members of the Supervisory Board of Bertelsmann Management SE are also members of the currently 15-strong Supervisory Board of Bertelsmann SE & Co. KGaA.

The appropriate size of the Supervisory Boards and the experience and professional expertise of their members, who are drawn from a broad range of industries and areas of activity, are key factors in the effectiveness and independence of the work carried out by the Supervisory Board. With the exception of Supervisory Board members who are also members of the Mohn family (Dr. Brigitte Mohn, Christoph Mohn, Liz Mohn) and the employee representatives on the Supervisory Board (Günter Göbel, Theonitsa Gosh-Roy (Kalispera), Jens Maier, Ilka Stricker) or the representative of the Bertelsmann Management Representative Committee (Núria Cabutí), the Supervisory Board considers all other members of the Supervisory Board (Dominik Asam, Prof. Dr.-Ing. Werner Bauer, Bernd Leukert, Gigi Levy-Weiss, Henrik Poulsen, Hans Dieter Pötsch, Bodo Uebber) to be independent as defined in the German Corporate Governance Code. Accordingly, the Supervisory Board has an appropriate number of independent members among the shareholders. All Supervisory Board members attended at least half of the Supervisory Board meetings convened. No potential conflicts of interest arose on the Supervisory Board. The "Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act" does not apply to the Supervisory Board of Bertelsmann SE & Co. KGaA as it is an unlisted company. However, the Supervisory Board does support the aim of the act. From a strategic point of view, the Supervisory Board also aims to properly fulfil its monitoring and consulting function by ensuring diversity among its members. The Supervisory Board will not at this time, however, set any target quota for women on the Supervisory Board. It firmly believes that suitable measures have been taken within the company in the areas of succession planning, management development and the selection processes to ensure the equal participation of men and women on an ongoing basis. In the Supervisory Board, the aim is to ensure that the existing proportion of women will not be reduced when new members are appointed. Ideally, the backgrounds of new members will show links to Bertelsmann's growth regions and markets (see also the "Diversity in Practice" section in the Corporate Governance Report). The Supervisory Board recognizes the intention of the Government Commission on the German Corporate Governance Code in its call for a specification of targets for an age limit and a standard limit for length of service on the Supervisory Board. In view of Bertelsmann’s particular shareholder structure and the age limit regulations already contained in the company’s articles of association, the Supervisory Board does not feel it is necessary or appropriate to introduce further or more extensive specifications on age limit and length of service at Bertelsmann.

The members of the Supervisory Board undertake the training measures required for their duties in principle on their own initiative and receive appropriate support from the company in this regard. For example, Bertelsmann supports members of the Supervisory Board in attending specific seminars as needed and covers the associated costs. Members of the Supervisory Board appointed for the first time are also introduced to specific topics relevant to the Bertelsmann Group in detail as part of a comprehensive onboarding process. Internal information events on specific topics are offered as needed for targeted training. In addition, Supervisory Board members are regularly briefed about the regulatory environment relevant to their Supervisory Board activities and other legal developments affecting them.

From the perspective of the Bertelsmann Group, the 2023 financial year can be described as satisfying overall despite the geopolitical challenges and continued high rates of inflation in core countries. The basis for this success was the employees and the entrepreneurial management performance of the Executive Board and executives. With their high level of personal commitment and sense of responsibility, all of them played a decisive role in ensuring that Bertelsmann is able to look back on a successful 2023 financial year.

The Supervisory Board wishes to express its special thanks and appreciation for this to all employees, all executives and the members of the Executive Board.

Gütersloh, March 22, 2024

Christoph Mohn
Chairman of the Supervisory Board

Supervisory Board

Christoph Mohn
Chairman
Chairman of the Board of Bertelsmann Verwaltungsgesellschaft mbH (BVG)
Chairman of the Reinhard Mohn Stiftung
Managing Director, Christoph Mohn Internet Holding GmbH
- Bertelsmann Management SE (Chairman)

Prof. Dr.-Ing. Werner J. Bauer
Vice Chairman
Former Executive Vice President of Nestlé AG for Innovation, Technology, Research and Development
- Bertelsmann Management SE (Vice Chairman)
- Givaudan S.A. (Vice Chairman) (until March 23, 2023)
- SIG Group AG (Vice Chairman)

Dominik Asam
Chief Financial Officer and Member of the Executive Board SAP SE
- Bertelsmann Management SE
- SAP America, Inc. (since March 7, 2023)
- SAP Japan Co., Ltd. (since March 7, 2023)

Núria Cabutí
Chairwoman of Bertelsmann Management Representative Committee (BMRC) of Bertelsmann SE & Co. KGaA
- CELESA S.A.

Theonitsa Ghosh-Roy (Kalispera) (since March 23, 2023)
Executive Vice President, Global Supply Chain, BMG

Günter Göbel
Chairman of the Corporate Works Council, Bertelsmann SE & Co. KGaA

Bernd Leukert
Member of the Executive Board for Technology, Data and Innovation of Deutsche Bank AG
- Bertelsmann Management SE
- DWS Group GmbH & Co. KGaA

Gigi Levy-Weiss
General Partner NfX, Angel Investor
- Bertelsmann Management SE
- Authorizon, Inc.
- Breeze (until July 17, 2023)
- Bridgecrew inc.
- Caja Elastic Dynamic Solutions Ltd.
- Circles Workshops Ltd. (until July 17, 2023)
- Elmik Touristic Services Ltd.
- Faddom Ltd.
- Fantasy Advantage Ltd. (until July 17, 2023)
- GameJam Ltd.
- Hip Mobility, Inc. (until December 1, 2023)
- IMA Ventures Ltd.
- ImagenAI Ltd.
- Inception VR, Inc.
- Inception VR (Israel) Ltd.
- Inception VR (UK) Ltd.
- Karma Ltd.
- Komodor, Inc.
- Landa Holdings, Inc.
- Moon Active Ltd.
- Mov.AI Ltd.
- NFX Capital Israel Ltd.
- NFX Capital UK, Ltd.
- Octoplay Ltd. (until October 30, 2023)
- Papaya Gaming Ltd.
- PayEM Card, Ltd.
- Permit, Inc.
- Pocket Pie Ltd.
- Premium Domains Ltd.
- Propel Ltd.
- Reach Digital Inc. (until July 17, 2023)
- Renegade Insurance, Inc.
- Ridge Ltd.
- Sauce (Say2Eat, Inc.)
- ScaleOps Labs Ltd.
- Snax Games Ltd. (until July 17, 2023)
- Super.ai, Inc.
- Theator Inc. (until July 17, 2023)
- Triple Whale, Inc.
- TrustMed Ltd.
- Ultra Horse Ltd.
- Utila Inc.
- Veriti Ltd.
- Volunteer Directly Ltd. (until May 29, 2023)
- Walnut Ltd.
- Zengaming, Inc. (until July 17, 2023)

- Membership of statutory domestic supervisory boards
- Membership of comparable domestic and foreign supervisory bodies of business enterprises
- Membership in other bodies

Jens Maier
Chairman of Gruner + Jahr Publishing House Hamburg Works Council
Chairman of RTL Deutschland Corporate Works Council

Dr. Brigitte Mohn
Member of the Executive Board, Bertelsmann Stiftung
- Bertelsmann Management SE
- Phineo gAG
- Stiftung RTL – Wir helfen Kindern e.V.
- Clue by Biowink GmbH

Liz Mohn
Founder and Chairwoman of the Executive Board of the Liz Mohn Stiftung
- Bertelsmann Management SE

Hans Dieter Pötsch
Chairman of the Supervisory Board, Volkswagen AG
Chairman of the Executive Board, Porsche Automobil Holding SE
- AUDI AG, Ingolstadt
- Autostadt GmbH, Wolfsburg
- Bertelsmann Management SE
- Dr. Ing. h.c. F. Porsche AG
- TRATON SE, Munich (Chairman)
- Wolfsburg AG
- Porsche Austria Gesellschaft m.b.H., Salzburg (Chairman)
- Porsche Holding Gesellschaft m.b.H., Salzburg (Chairman)
- Porsche Retail GmbH, Salzburg (Chairman)

Henrik Poulsen
Chairman of the Supervisory Board of Carlsberg A/S
Senior Advisor to A.P. Møller Holding
- Bertelsmann Management SE
- Faerch A/S (Chairman)
- Novo Holdings A/S
- Novo Nordisk A/S (Vice Chairman)

Ilka Stricker
Vice Chairwoman of the General Works Council, Arvato
Vice Chairwoman of the Corporate Works Council, Bertelsmann SE & Co. KGaA
Chairwoman of the Works Council, European SCM Services GmbH

Bodo Uebber
Independent Management Consultant
Former Member of the Executive Board, Daimler AG Finance & Controlling / Daimler Financial Services
- Adidas AG
- Bertelsmann Management SE
- Flix SE (Chairman) (since November 28, 2023)
- Evercore GmbH (Chairman)

- Membership of statutory domestic supervisory boards
- Membership of comparable domestic and foreign supervisory bodies of business enterprises
- Membership in other bodies

Bertelsmann SE & Co. KGaA's Supervisory Board Committees 2023

Audit and Finance Committee

Bodo Uebber (Chairman)
Günter Göbel
Christoph Mohn
Hans Dieter Pötsch

Working Group of Employee Representatives

Liz Mohn (Chairwoman)
Núria Cabutí
Theonitsa Ghosh-Roy (Kalispera) (since March 23, 2023)
Günter Göbel
Jens Maier
Ilka Stricker

Bertelsmann Management SE's Supervisory Board Committees 2023

Personnel Committee

Christoph Mohn (Chairman)
Prof. Dr.-Ing. Werner J. Bauer
Liz Mohn
Hans Dieter Pötsch
Bodo Uebber

Program Committee

Christoph Mohn (Chairman)
Prof. Dr.-Ing. Werner J. Bauer
Dr. Brigitte Mohn
Hans Dieter Pötsch

Executive Board

Thomas Rabe
Chairman and Chief Executive Officer of Bertelsmann
- Adidas AG[1] (Chairman)

Carsten Coesfeld
Member of the Executive Board of Bertelsmann Bertelsmann Investments and Financial Solutions (since January 1, 2024)
- RTL Group S.A. (since April 26, 2023)

Rolf Hellermann
Chief Financial Officer of Bertelsmann
- Bertelsmann, Inc. (Chairman)
- Majorel Group Luxembourg S.A. (until November 8, 2023)
- Penguin Random House LLC (until June 1, 2023)
- RTL Group S.A.

Immanuel Hermreck
Chief Human Resources Officer of Bertelsmann
- RTL Group S.A.

- Membership of statutory domestic supervisory boards
- Membership of comparable domestic and foreign supervisory bodies of business enterprises

1 External mandates.

Selected Terms at a Glance

Alternative Performance Measures
Additional financial measures that are not directly specified by financial reporting regulations. These are determined by means of a company-specific reconciliation and are based on mandatory (IFRS) measures.

Cash Flow
A company’s cash inflows and outflows during a specific period.

Contractual Trust Arrangement (CTA)
The concept of funding and insolvency protection of pension obligations by transferring assets into a structure similar to a trust. Assets are classified as plan assets under IFRS and are netted against the company’s pension obligations.

Corporate Governance
The term for responsible corporate management and control in the interest of creating sustainable value.

Coverage Ratio
The (interest) coverage ratio is a financing target. It represents the ratio of operating EBITDA adjusted to financial result. Amounts reported in the Consolidated Financial Statements are modified in calculating the coverage ratio.

Enabling Activity
Economic activity that directly enables other activities to make a substantial contribution to one or more of the environmental objectives.

Equity Method
The equity method is a method of accounting to recognize associates and joint ventures, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor’s share of the investee’s net assets.

Goodwill
Goodwill represents the future economic benefits arising from those assets acquired in a business combination that are not individually identified and separately recognized.

IFRS
Abbreviation of International Financial Reporting Standards. Accounting standards intended to ensure internationally comparable accounting and reporting.

Leverage Factor
The leverage factor is the ratio of economic debt to operating EBITDA adjusted. In order to enable Bertelsmann’s actual financial strength to be reflected on an economic level, the figures reported in the Consolidated Financial Statements are modified.

Minimum Safeguards
Procedures that are implemented to ensure the alignment of labor and human rights.

Operating EBITDA Adjusted
Earnings before interest, taxes, amortization, depreciation, impairment and reversals and special items.

Rating
An expression of the creditworthiness of a creditor or financial instrument by an agency specialized in evaluating credit risk.

SE & Co. KGaA
A partnership limited by shares (KGaA) with a European stock corporation (Societas Europaea, or SE) as the general partner. The general partner is responsible for the management and representation of the KGaA.

Significant Harm
Significant and long-term harm to one of the environmental objectives.

Special Items
Income and expense items that are distinguished by their nature, amount or frequency of occurrence, and the disclosure of which is relevant for assessing the earnings power of the company or its segments in the period affected. They include, for example, restructuring measures, impairments and capital gains or losses. Not included in the special items are disposal effects of strategic real estate transactions.

Syndicated Credit Facility
A credit facility involving a consortium of banks

Transitional Activity
Economic activity that assists the transition to a climate-neutral economy.

Financial Calendar

May 7, 2024
Payout of dividends on profit participation certificates for the 2023 financial year

May 8, 2024
Announcement of figures for the first three months of 2024

August 28, 2024
Announcement of figures for the first half of 2024

November 13, 2024
Announcement of figures for the first nine months of 2024

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