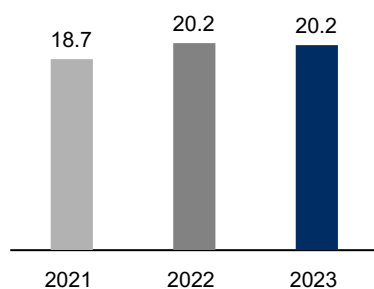


# Combined Management Report

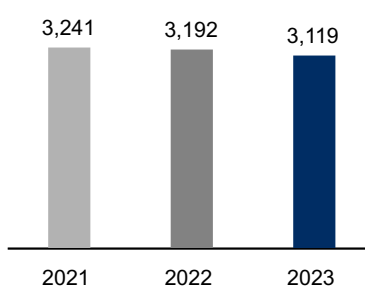
## Financial Year 2023 in Review

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.

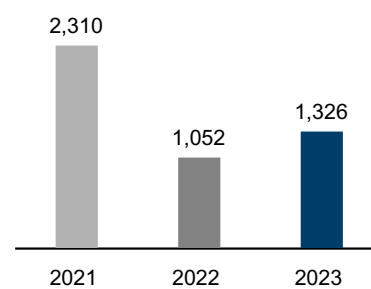
Revenues in € billions



Operating EBITDA Adjusted in € millions



Group Profit in € millions



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

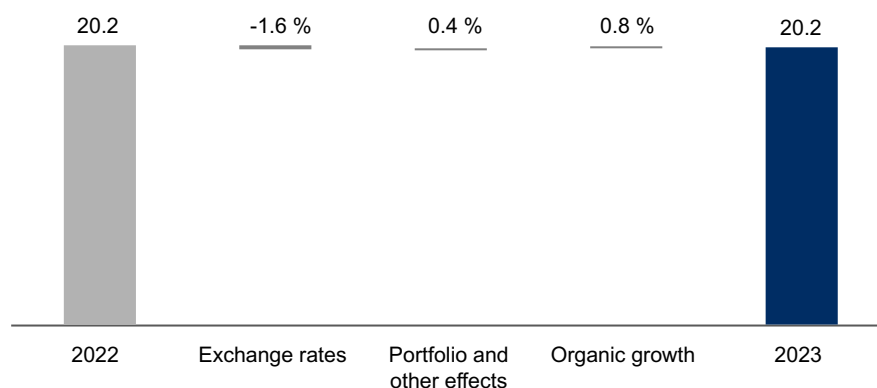
In November 2023, the Supervisory Board appointed Carsten Coesfeld, CEO of the Bertelsmann Investments division, to the Bertelsmann Executive Board effective January 1, 2024. In this role, Coesfeld is responsible for the new Executive Board department Bertelsmann Investments and Financial Solutions.

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.

# Results of Operations

## Revenue Development

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.

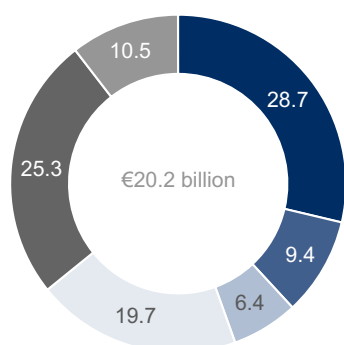
At RTL Group, revenue fell by 5.1 percent to €6,854 million (previous year: €7,224 million). The organic decline was 4.0 percent. The decline in revenue is attributable to challenging TV advertising markets, particularly in Germany, and lower revenue at Fremantle. In contrast, the streaming services 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

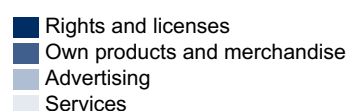
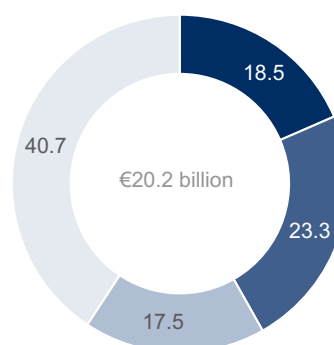
in € millions	2023			2022 (adjusted)		
	Germany	International	Total	Germany	International	Total
RTL Group	2,434	4,420	6,854	2,615	4,609	7,224
Penguin Random House	311	4,221	4,532	298	3,925	4,223
BMG	94	811	905	69	797	866
Arvato Group	1,984	3,492	5,476	1,952	3,612	5,564
Bertelsmann Marketing Services	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
<b>Total divisional revenues</b>	<b>5,922</b>	<b>14,470</b>	<b>20,392</b>	<b>6,168</b>	<b>14,314</b>	<b>20,482</b>
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 <sup>1</sup>	≤ 2.5	1.8	1.8
Coverage Ratio: Operating EBITDA adjusted/Financial result <sup>1</sup>	> 4.0	8.3	11.1
Equity ratio: Equity as a ratio to total assets (in percent)	≥ 25.0	46.5	45.8

<sup>1</sup> 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.

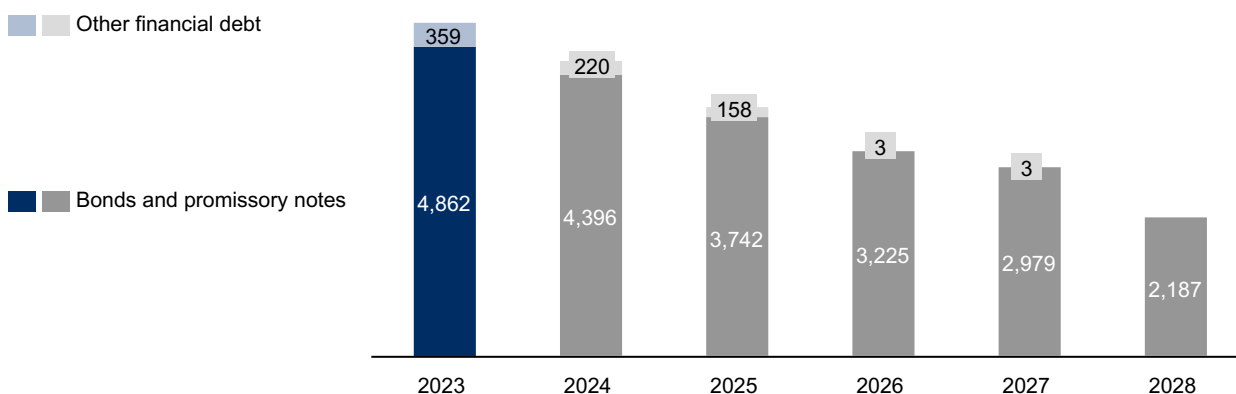
## Rating

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.

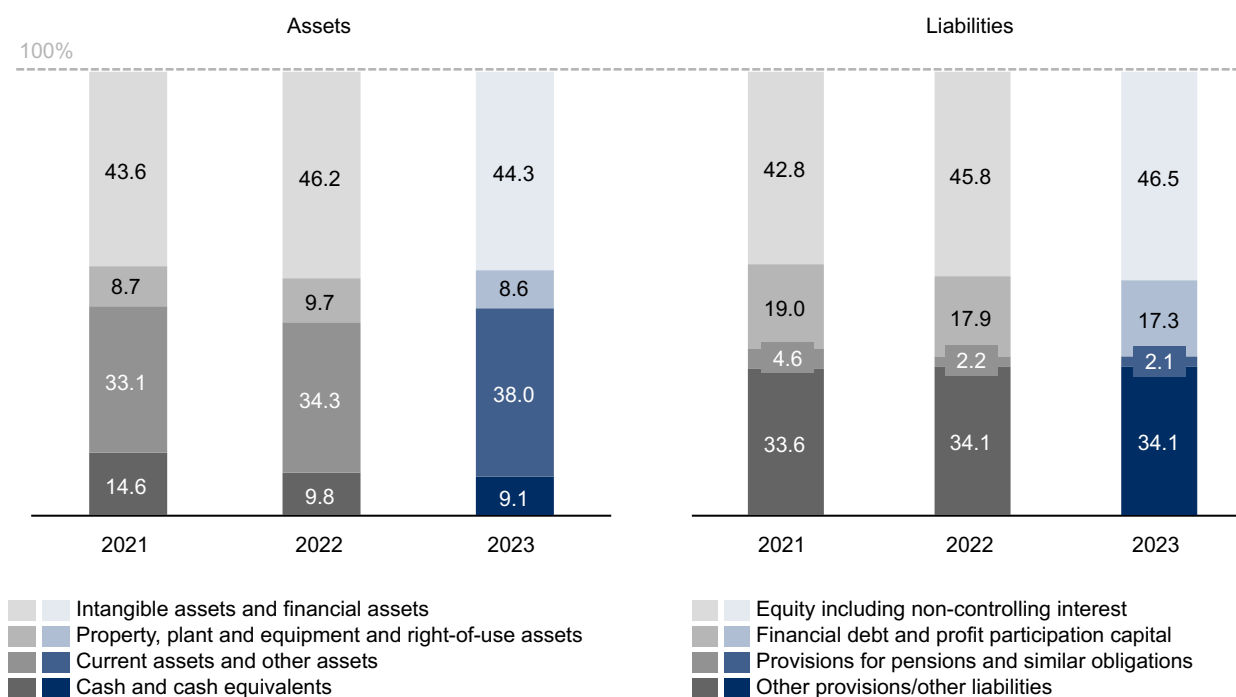
## Investments by Division

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.

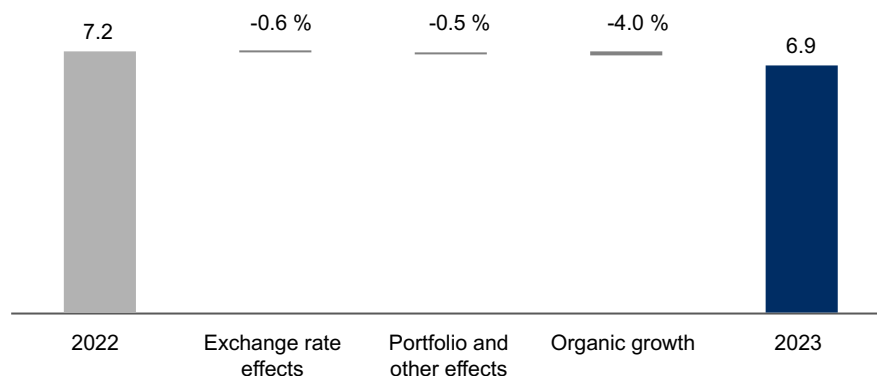
The 1992 profit participation certificates, approved for trading on the Regulated Market in Frankfurt, only have a limited liquid trading on the stock exchange due to their low volume. Payouts on the 1992 profit participation certificates are based on the Group's return on total assets. Because the return 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%).

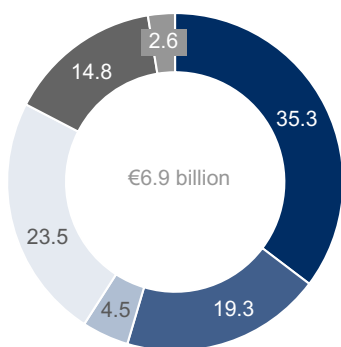
The streaming services RTL+ in Germany, 6play in France and RTL+ in Hungary increased the number of paying subscribers by 30.5 percent to a combined total of 5.6 million; streaming revenues in 2023 grew by 72.6 percent to €283 million (previous year: €164 million). The strategic partnership with Deutsche 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.

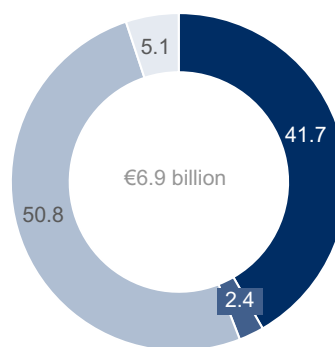
Fremantle recorded declines in both revenues and earnings in 2023, particularly against the backdrop of postponed productions due partly to the writers’ strike in the United States. First-look agreements were concluded with Oscar-nominated producers Edward Berger and Amy Berg in the reporting period. 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)



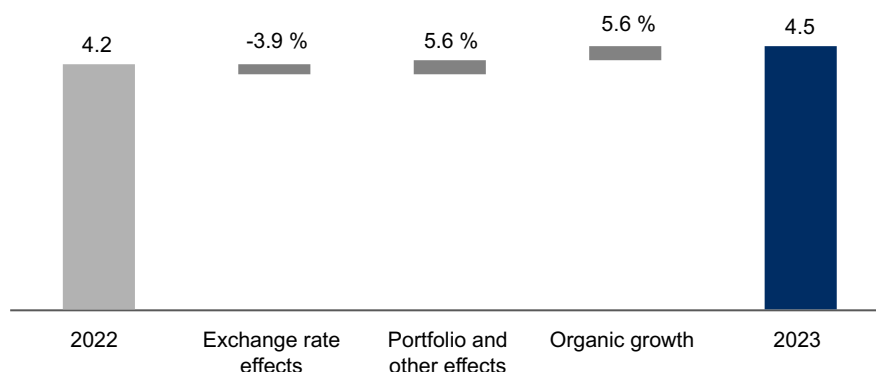
- Germany
- France
- United Kingdom
- Other European countries
- United States
- Other countries

Revenues by Category in percent



- Rights and licenses
- Own products and merchandise
- Advertising
- Services

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.

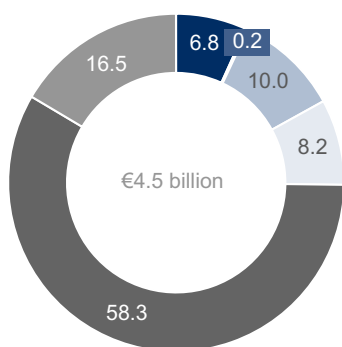
Penguin Random House UK outperformed the market despite negative macroeconomic influences. The British publishing group increased both its market share and its revenues thanks to successful bestsellers, higher audiobook sales, and a solid international business. The year's best-selling books included "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.

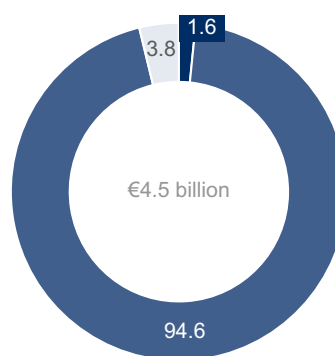
Numerous Penguin Random House authors won prestigious international literary prizes, including four Pulitzers. Furthermore, Salman Rushdie received the Peace Prize from the German Book Trade and the PEN America Centenary Courage Award.

Revenues by Region in percent (without intercompany revenues)



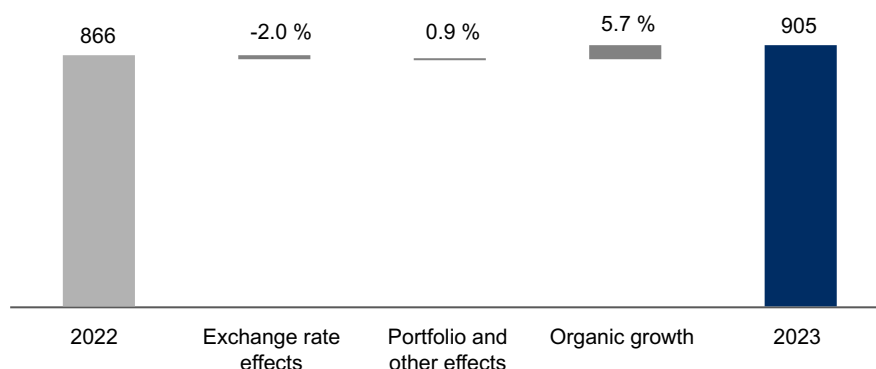
- Germany
- France
- United Kingdom
- Other European countries
- United States
- Other countries

Revenues by Category in percent



- Rights and licenses
- Own products and merchandise
- Advertising
- Services

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.

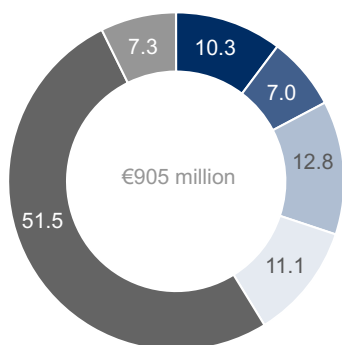
In the publishing business, the song “I’m Good (Blue),” co-written by Bebe Rexha, who is signed to BMG, and “Boy’s A Liar Pt. 2” (by BMG songwriter Mura Masa for performers PinkPantheress and Ice Spice), and the albums “Hackney Diamonds” by the Rolling Stones and “Broken By Desire To Be Heavenly Sent”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

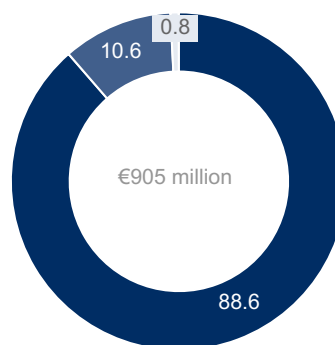
BMG advanced its innovation efforts with various technical innovations. For example, the "MyBMG Mobile App 3.0" was introduced for the company's customers, and the BMG Production Music unit's new website was launched worldwide, with versatile AI and big data applications that enable new and faster analysis,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

**Revenues by Region** in percent (without intercompany revenues)



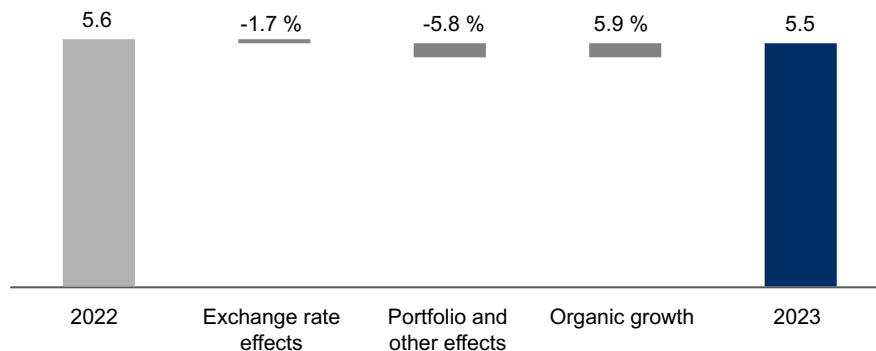
- Germany
- France
- United Kingdom
- Other European countries
- United States
- Other countries

**Revenues by Category** in percent



- Rights and licenses
- Own products and merchandise
- Advertising
- Services

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.

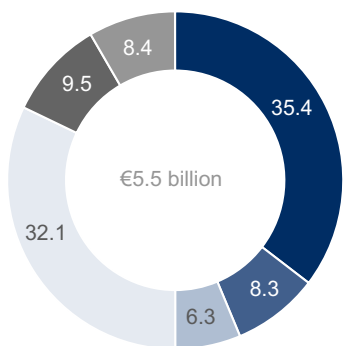
Riverty’s financial services businesses saw a stable development in the reporting period. Revenue losses from the disposal of the business activities in the United Kingdom were compensated for by growth in the core businesses. Operating EBITDA adjusted declined slightly due to the exit from the British 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 kibus 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.



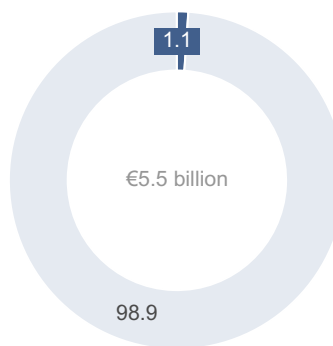
The global customer experience service provider Majorel, in which Bertelsmann owned a 39.5 percent stake and fully consolidated in the first ten months of the year, also grew dynamically in the past financial year and further expanded its relationships with clients from the Internet/high-tech, banking/insurance, 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)



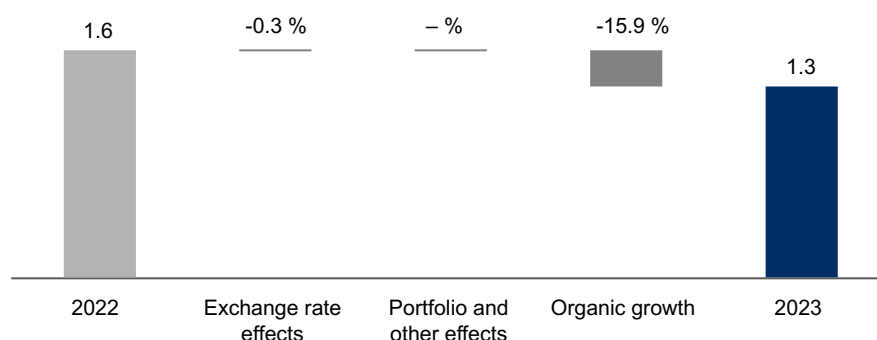
- Germany
- France
- United Kingdom
- Other European countries
- United States
- Other countries

**Revenues by Category** in percent



- Rights and licenses
- Own products and merchandise
- Advertising
- 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).

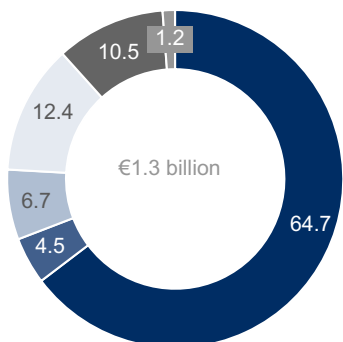
The offset printing businesses in Germany recorded reduced profitability in the reporting period, with low capacity utilization and declining revenues. Falling prices for energy and raw materials had a positive impact on costs. In the gravure segment, the strategic downsizing was systematically continued: 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.

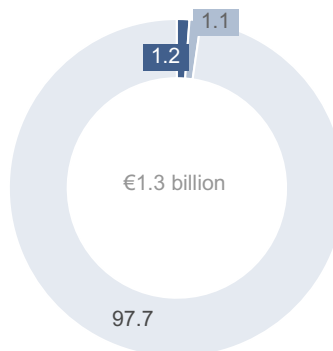
The replication specialists at Sonopress recorded a market-driven decline in volumes across all formats in the 2023 financial year, which had a negative impact on capacity utilization and revenue development. By contrast, Topac's business with sustainable food packaging continued to expand. Despite declining 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)



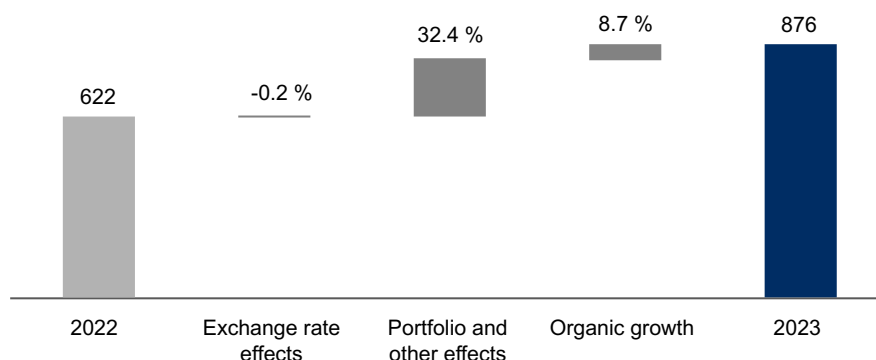
- Germany
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- Other countries

**Revenues by Category** in percent



- Rights and licenses
- Own products and merchandise
- Advertising
- Services

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.

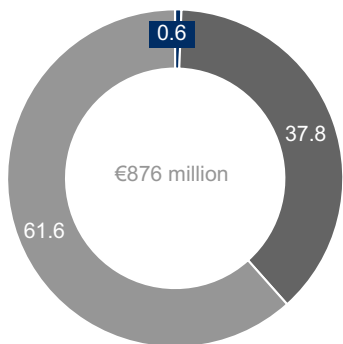
In 2023, Bertelsmann Education Group’s revenues totaled €876 million, up 40.9 percent year-on-year (previous year: €622 million). Organic growth was 8.7 percent in the reporting year. Operating EBITDA adjusted increased by 47.6 percent to €283 million (previous year: €192 million), while the EBITDA margin 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.

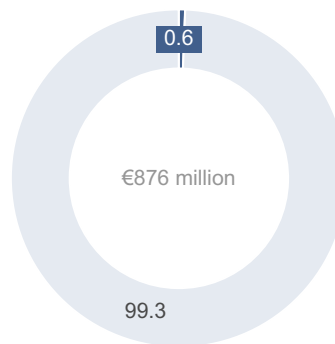
Alliant International University, which specializes in the training and certification of psychologists, nurses and teachers, continued to expand its online program in 2023 and recorded a further increase in student numbers. At the end of the year, around 4,700 students were enrolled in courses at Alliant. 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)



- Germany
- France
- United Kingdom
- Other European countries
- United States
- Other countries

**Revenues by Category** in percent



- Rights and licenses
- Own products and merchandise
- Advertising
- Services

### 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.

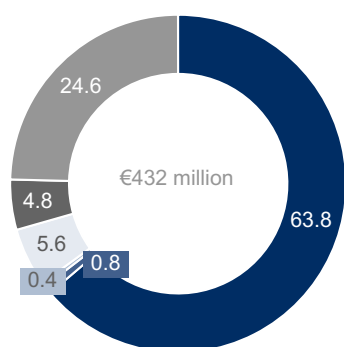
Bertelsmann Central Investments (BCI) bundles the Group's central investment activities in the regions of Southeast Asia, Latin America, Europe and Africa. In the financial year 2023, it made further fund investments in these regions, including in Openspace Ventures+ II in Southeast Asia, in the Web3 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.

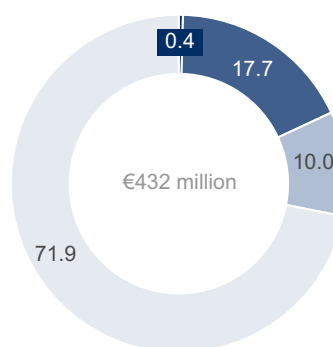
The sale of DDV Mediengruppe to Mediengruppe Madsack was signed in the fourth quarter of the 2023 financial year. The transaction is subject to approval by the German Federal Cartel Office. The shares in DDV Mediengruppe are held by BI's Investments & Participations unit.

Revenues by Region in percent (without intercompany revenues)



- Germany
- France
- United Kingdom
- Other European countries
- United States
- Other countries

Revenues by Category in percent



- Rights and licenses
- Own products and merchandise
- Advertising
- Services

## 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 <sup>LF</sup>	4,963	5,035
Operating EBITDA adjusted	3,119	3,192
Modifications	(312)	(319)
Operating EBITDA adjusted <sup>LF</sup>	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

Priority	Type of risk	Risk Classification				
		Low	Moderate	Significant	Considerable	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: DCSSO). 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
<b>Assets</b>		
<b>Fixed assets</b>		
Intangible assets	8	9
Tangible assets	356	364
Long-term financial assets	18,964	19,049
	19,328	19,422
<b>Current assets</b>		
Receivables and other assets	5,668	5,167
Securities	650	879
Cash-in-hand and bank balances	950	621
	7,268	6,667
<b>Prepaid expenses and deferred charges</b>	19	22
	26,615	26,111
<b>Equity and liabilities</b>		
<b>Equity</b>	10,074	10,259
<b>Provisions</b>	606	769
<b>Liabilities</b>	15,931	15,079
<b>Deferred income</b>	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 <sup>1,2</sup>	35	35
Senior management <sup>1,3</sup>	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<sub>2</sub>e). The total of the direct (Scope 1) and energy-related indirect (Scope 2) greenhouse gas emissions amounted to 165,900 tons of CO<sub>2</sub>e in 2023. Bertelsmann's CO<sub>2</sub> emissions totaled 8.2 tons of CO<sub>2</sub>e per €1 million revenue (Scope 1 and 2, previous year: 12.9 tons CO<sub>2</sub>e 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 <sub>2</sub> e Scope 1 and 2 (combined)	165,900	261,800
GHG emissions in tons of CO <sub>2</sub> e 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.