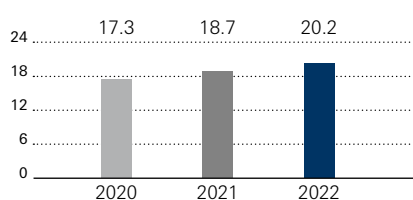


# Combined Management Report

## Financial Year 2022 in Review

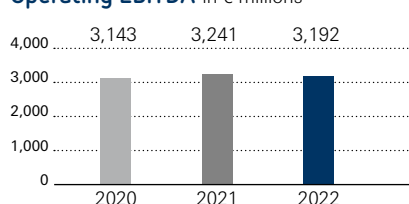
In the 2022 financial year, Bertelsmann achieved the highest revenues in the company's history. Group revenues passed the €20 billion mark and increased by 8.3 percent to €20.2 billion (previous year: €18.7 billion), driven by organic growth of 4.1 percent. Revenues increased in almost all corporate divisions, above all in the service, education, entertainment and music businesses. The Bertelsmann Education Group more than doubled its revenues, mainly due to portfolio-related effects. Bertelsmann's operating EBITDA of €3,192 million remained on a high level (previous year: €3,241 million). Strong earnings growth in the education and music businesses as well as in the service businesses nearly offset higher start-up losses for RTL streaming businesses and lower profits at Penguin Random House and the Bertelsmann Printing Group. The EBITDA margin was 15.8 percent (previous year: 17.3 percent). Group profit amounted to €1,052 million, compared to €2,310 million in the previous year. The previous year figure included high earnings contributions from company disposals and from Bertelsmann Investments.

**Revenues** in € billions



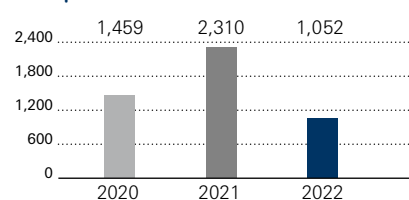
- Revenue of €20.2 billion; organic growth of 4.1 percent
- Revenue increase primarily at Arvato, the Bertelsmann Education Group, RTL Group and BMG

**Operating EBITDA** in € millions



- At €3,192 million, operating EBITDA reaches the high level of the previous years despite higher streaming start-up losses
- Operating EBITDA margin of 15.8 percent

**Group Profit** in € millions



- Group profit includes high charges from special items
- Previous year's figure includes high capital gains

## Fundamental Information about the Group

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

## Corporate Profile

Bertelsmann operates in the core business fields of media, services and education in around 50 countries worldwide. The geographic core markets are Western Europe – in particular, Germany, France and the United Kingdom – and the United States. In addition, Bertelsmann is strengthening its involvement in growth markets such as Brazil, India and China. The Bertelsmann divisions are RTL Group (entertainment), Penguin Random House (books), BMG (music), Arvato (services), Bertelsmann Printing Group (printing), Bertelsmann Education Group (education) and Bertelsmann Investments (international network of funds). As of January 1, 2022, Gruner + Jahr is no longer reported as an independent division. The German magazine businesses and brands have been part of the RTL Group division since the beginning of the year. The remaining Gruner + Jahr activities (particularly Territory, the AppLike Group, DDV Mediengruppe and the investment in the Spiegel Group) were allocated to the Bertelsmann Investments division.

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 one of the leading European entertainment groups in the broadcasting, streaming, content, publishing and digital business, with interests in 56 television channels, nine streaming platforms and 36 radio stations. RTL Group's television channels include RTL Television 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 with 22 offices in 13 core music markets, now representing more than three million titles and recordings, including iconic catalogs and renowned artists and songwriters such as Jason Aldean, Kylie Minogue, Mick Jagger and Keith Richards, Lewis Capaldi, Bebe Rexha, No Angels, Rita Ora, Tina Turner and many more.

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

The Bertelsmann Printing Group unites Bertelsmann's printing and direct marketing activities. They include all the Group's gravure, offset and book printing companies in Germany, the United Kingdom and the United States as well as numerous direct marketing service providers and the storage media producer Sonopress.

Bertelsmann Education Group comprises Bertelsmann's education activities. The group's companies focus on the healthcare sector, in particular education and training, and deliver innovative ways of teaching and learning for students and professionals, and performance management solutions for organizations. Portfolio companies include the US continuing education and workforce management solution provider Relias, the professional practice oriented Alliant University, the Brazilian company Afya, a provider of medical education and training, as well as venture fund investments.

Bertelsmann Investments comprises Bertelsmann's global network of funds, the newly created unit Bertelsmann Next, 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). Furthermore, Bertelsmann Investments also makes key direct and fund investments in the regions South-East Asia, Latin America, Europe and Africa. 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, app marketing and HR tech. The Investments & Participations unit includes Territory, DDV Mediengruppe and the stake in the Spiegel-Gruppe.

## 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. Three foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) indirectly hold

80.9 percent of Bertelsmann SE & Co. KGaA shares, with the remaining 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the General Meeting of Bertelsmann SE & Co. KGaA and Bertelsmann Management SE (general partner).

## Strategy

Bertelsmann's strategic focus is on a fast-growing, digital, international and diversified Group portfolio. Businesses in which Bertelsmann invests should have long-term stable growth, global reach, sustainable business models, high market-entry barriers and scalability. A significant increase in investment is planned over the next few years as part of the Group-wide growth initiative. Existing and new lines of business will be established and expanded through organic initiatives and acquisitions. The strategy pursues five growth priorities: national media champions, global content, global services, education and investment portfolio. The following topics form the basis for the successful implementation of the strategy: tech & data, people, communication and ESG. Further progress was made in the implementation of the strategic priorities in the 2022 financial year.

Further portfolio changes were made in the creation of national media champions. RTL Group completed the combination of RTL Deutschland and Gruner + Jahr at the beginning of the year. The disposals of RTL Belgium and RTL Croatia were also completed in the reporting period. However, the announced mergers of Groupe M6 and Groupe TF1 in France, and of RTL Nederland and Talpa Network in the Netherlands will no longer be pursued after the competent antitrust authorities in the relevant countries have objected to or prohibited, respectively, the said transactions. The growth ambitions and the strategic goal of forming national media champions remain unchanged. In order to respond to the ongoing need for consolidation, alternative scaling paths will be pursued in future to complement the strategy employed to date. These scaling paths include new cooperations in the area of domestic and international advertising marketing, the development of advertising and streaming technology, the expansion of sales partnerships and the creation of shared content. As of year-end, RTL Group had around 5.5 million paying subscribers to its streaming services RTL+ in Germany and Hungary, and Videoland in the Netherlands, representing an increase of 45 percent year on year. With the launch of RTL+ Musik and the integration of a podcast service in Germany, RTL+ became a multimedia provider. RTL Hungary launched its streaming service RTL+ in 2022.

Bertelsmann continued to invest in the expansion of the global content businesses. Fremantle grew organically and through acquisitions, and was thereby able to continue with its international growth strategy. The production company Fremantle completed a number of acquisitions and shareholding increases. Among other transactions, Fremantle acquired 70 percent of Lux Vide, Italy's leading independent TV production company, and a 51 percent stake in the Irish production company Element Pictures. The best-selling books at Penguin Random House were "Atomic Habits" by James Clear and "Where the Crawdads Sing" by Delia Owens. U2 singer Bono's memoir "Surrender" and "The Light We Carry" by Michelle Obama were published by Penguin Random House in November. In addition, preparatory work was carried out at the end of the year for Prince Harry's autobiography "Spare," which went on sale in January 2023. BMG, the world's fourth-largest music business, strengthened its rights portfolio by acquiring further music rights, including those of Scottish rock band Simple Minds and French electronic music pioneer Jean-Michel Jarre, and concluded new contracts with artists such as Rita Ora, Elvis Costello and Julian Lennon. BMG also acquired the German Schlager music label Telamo.

Global services were also further expanded. The growth drivers at Arvato were primarily the logistics and customer experience businesses (CX). In relation to this, Arvato Supply Chain Solutions saw growth primarily in the customer segments of consumer products, healthcare and technology, and continued to expand its distribution centers, including in Germany and Poland. Majorel made several acquisitions in the reporting period, including IST Networks, a CX technology specialist in the Middle East, and the Spanish CX service provider Findasense. Majorel also strengthened its customer relationship with Booking.com. Majorel and Sitel ended talks about a possible merger as they were unable to reach a final agreement. The financial services business implemented its strategic realignment under the name Riverty (previously Arvato Financial Solutions). Arvato Systems expanded its technology range and customer relationships in the energy sector and in cloud services. In light of rapidly rising paper and energy prices, the Bertelsmann Printing Group focused on increasing the competitiveness of the printers.

Bertelsmann strengthened its global education business by increasing its stake in Afya. The NASDAQ-listed education company is a leading provider of medical education and training and digital solutions for medical practitioners in Brazil and, since this increase, is for the first time fully consolidated under the Bertelsmann Education Group division. During the reporting period, Afya also announced the acquisition of two additional medical universities in Brazil. The Bertelsmann Education Group benefited from high demand for the digital education and training services offered by Relias and Alliant and continued to invest in developing the range of digital learning solutions of its e-learning provider Relias, while Alliant International University continued to expand its range of online courses.

Bertelsmann expanded its investment portfolio by investing in around 54 new and 31 follow-on investments during the reporting period. As of the end of 2022, Bertelsmann Investments held a total of 333 investments through its three international funds. Bertelsmann Next increased its engagement in the digital health sector through various direct and follow-on investments. Former Gruner + Jahr companies including the AppLike Group, Territory and the DDV Mediengruppe have also been assigned to the Bertelsmann Investments division since the beginning of 2022. Since June 1, 2022, CEO Carsten Coesfeld has headed up the Bertelsmann Investments division and is thereby responsible for the network of funds and the newly established unit Bertelsmann Next.

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

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

## Value-Oriented Management System

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

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

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

### Strictly Defined Operational Performance Indicators

To control and manage the Group, Bertelsmann uses revenues, operating EBITDA and BVA as performance indicators. Revenue is used as a growth indicator of businesses. In the 2022 financial year, Group revenues rose by 8.3 percent to €20.2 billion (previous year: €18.7 billion). Organic growth was 4.1 percent, after 11.4 percent in the previous year.

A key performance indicator for measuring the profitability of the Group and the divisions is operating EBITDA. Operating EBITDA dropped slightly during the reporting period by 1.5 percent to €3,192 million (previous year: €3,241 million).

Bertelsmann uses BVA for assessing the profitability of operations and return on invested capital. BVA measures the profit realized above and beyond the appropriate return on invested capital. At €109 million, BVA in the financial year 2022 was below the previous year's figure of €474 million.

### Broadly Defined Performance Indicators

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

The cash conversion rate serves as a measure of cash generated from business activities, which should be between 90 percent and 100 percent as a long-term average. In the 2022 financial year, the cash conversion rate was 42 percent (previous year: 107 percent).

The EBITDA margin is used as an additional criterion for assessing business performance. In the 2022 financial year, the EBITDA margin was 15.8 percent, below the previous year's figure of 17.3 percent.

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

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

## Non-Financial Performance Indicators

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

### Employees

Bertelsmann's employees are the most important key for the company's long-term success. At the end of the financial year 2022, Bertelsmann employed 164,691 members of staff worldwide.

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.



Innovations at RTL Group focus on three core topics: continuously developing new, high-quality TV formats; using all digital distribution channels; and better monetization of RTL Group's audience reach by personalization, recommendations and addressing target groups. RTL Deutschland is pursuing the goal of providing cross-media services that represent a unique selling proposition in the German-speaking market. In 2022, in addition to the existing RTL+ services focused on video content, the app RTL+ Musik was launched, offering RTL+ users access to music titles, radio streams, podcasts and audiobooks. Another innovative focus point is addressable TV advertising, which combines the broad reach of linear TV with targeted digital advertising. In May 2022, the ad-tech business Smartclip acquired the French ad-tech company Realytics, which analyzes the impact of TV advertising on the use of the websites of advertisers. In addition, since December 2022, Smartclip and Ad Alliance have enhanced advertising impact by personalizing TV ads through addressable TV pop-up ads. RTL Group's advertising marketers are continuously working on innovative formats such as "programmatic print" advertising by Ad Alliance in Germany, and the new augmented reality technology 6scan introduced by M6 Publicité in France.

Innovations at Penguin Random House focus on identifying and developing strategies and techniques that enhance the reading experience, expand readership and retain readers over the long term. In 2022, Penguin Random House US continued its "All Ways Black" campaign as a holistic initiative on various platforms. The initiative aims to raise awareness with respect to the many positive contributions of black people to society as a whole and to literature in particular. In order to involve the younger generation more, Penguin Random House launched a new tool on TikTok under the hashtag "BookTok" that allows readers to tag books directly through a link in their videos that leads to an info page about the work. As a result of Penguin Random House's continuous efforts to analyze market trends and the interests of readers, the company launched the apps Lighthouse in Germany and CAT (Composite Analysis Tool) in North America. Both apps aim to gain insights for the marketing of titles.

Innovations at BMG are based on the company's unique market position and the core values of service, fairness and transparency. BMG relies on cutting-edge technologies to optimize existing services further and to adapt to new requirements on an ongoing basis. The most significant developments in this area include the migration of systems to the cloud to handle the increasing data volumes of streaming platforms and the partnership with Cyanite to make the company's music catalog even more searchable and usable for entertainment and advertising use through AI tagging. Technical improvements led to a substantial reduction of the processing time for royalty settlements. Innovations in the service business included the signing of a contract for events in Berlin's Theater des Westens to incorporate it into the growing live events business and to offer it for use to German and international artists.

In the past financial year, innovations at Arvato included further improving existing services, and developing new industry and customer solutions. Aiming at further digitalizing the entire supply chain, Arvato Supply Chain Solutions made major investments in cutting-edge automation and robotics technology and in the expansion of its cloud infrastructure. In the 2022 financial year, Majorel launched an innovative platform called Majorel X to provide CX transformation services. The portfolio of the new business unit comprises a broad range of solutions in the areas of consulting, technology and design & creative services. In 2022, Arvato Systems continued to expand its service portfolio in the emerging fields of cloud computing, artificial intelligence and IT security.

Innovations at the Bertelsmann Printing Group focused on further developing existing processes with new technologies and digital solutions, and also on expanding its portfolio of products and services.



The IT department of the Bertelsmann Printing Group launched the “Data Democracy” project and converted a number of traditional reporting formats to modern Tableau dashboard solutions. In addition, Mohn Media introduced an AI-based system that automatically identifies paper web breaks, thereby increasing the recourse rate. In its procurement of replacement parts, Vogel Druck increasingly opted for innovative 3D-print technologies, while DeutschlandCard added innovative digital services such as “Prospekte-Welt” to its product portfolio.

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 and to address the increasing lack of healthcare professionals. Afya combines digital and classroom-based teaching for the education of medical practitioners and is able to provide customized learning paths through data collection and analysis. At Relias, teaching content and platforms were developed by health experts (including doctors, nurses and therapists) as well as data analysts and developers, for training skills specific to hospital and nursing home personnel. In the university education segment, Alliant developed new courses in the areas of nursing and mental health.

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. Last year, for example, the division invested in 54 start-ups, supported the development and expansion of proprietary technology solutions at app marketing specialist AppLike Group, and made its first investments in the growth market of digital health solutions as part of the Bertelsmann Next unit.

## Report on Economic Position

### Corporate Environment

#### Overall Economic Developments

In 2022, global economic development weakened considerably due to the impact of the war in Ukraine, high inflation rates, the continuation of some of the pandemic-related restrictions, above all in China, and the persisting disruptions in the supply chains. The real gross domestic product (GDP) rose by 3.4 percent, after 5.9 percent in 2021.

High inflation and the effects of the war in Ukraine also hampered economic recovery in the eurozone. Real GDP rose 3.5 percent in 2022, compared to 5.2 percent in the previous year.

In Germany, the purchasing power of private households was negatively affected by high energy prices which subdued private consumption. Despite the challenging background, the Germany economy held up well overall in 2022. Real GDP rose 1.8 percent in 2022, after 2.6 percent in the previous year. In France, real GDP rose 2.6 percent in 2022, after 6.8 percent in the previous year. The economy of the United Kingdom also grew more slowly than in the previous year. Real GDP rose 4.0 percent there, after 7.5 percent in the previous year.

Economic development in the United States was impacted by a tight monetary policy. As of year-end 2022, the US economy recorded solid growth again. Real GDP rose 2.9 percent in 2022, after 5.7 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 2022. While the German market showed a strong decline and France a moderate decrease, TV advertising markets in the Netherlands grew significantly and in Hungary moderately. The streaming markets in both Germany and the Netherlands posted strong growth.

The markets for printed books also showed a mixed development in 2022. In the United States, printed books revenues – after reaching a record high in the previous year – fell strongly, and a slight decline was recorded in Germany. In the United Kingdom the market for printed books were stable, while the Spanish-language market saw a significant rise, primarily driven by strong growth in Mexico. The market for e-books declined significantly in the United States and decreased strongly the United Kingdom. In contrast, revenues with digital audiobooks grew significantly in the United States and were stable in the United Kingdom.

The global music market recorded significant growth in the publishing market segment in 2022, and strong growth in the recordings market segment.

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

In 2022, the European printing markets recorded a moderate decline in the offset business and strong declines in the gravure printing business. The North American book printing market saw revenues decline significantly.

The education markets in the United States where Bertelsmann is involved, namely training in healthcare and university education, as well as the Brazilian market for medical university courses exhibited moderate to strong growth in 2022.

## Significant Events in the Financial Year

In February 2022, Majorel announced the expansion of the partnership with Booking.com and acquired 12 of Booking.com's 14 internal customer experience service centers. This consolidates the company's existing presence in the existing markets while also expanding its geographic presence by entering into four new countries. The implementation was completed on June 1, 2022.

In March 2022, Fremantle acquired 70 percent of the shares in Lux Vide, Italy's leading independent television production company. The acquisition of Lux Vide forms part of Fremantle's wider international growth strategy of investing in premium production companies and talent from around the world.

At the end of March 2022, the Belgian antitrust authority approved the disposal of RTL Belgium to the media companies DPG Media and Groupe Rossel. The transaction announced by RTL Group at the end of June 2021 was thereby concluded as of April 1, 2022.

In May 2022, Fremantle acquired 51 percent of the Irish film and television production company Element Pictures, the company behind award-winning films such as "The Favourite" and "Room," the dramatic production "Normal People" and the mini-series "Conversations with Friends."

In May 2022, Bertelsmann increased its stake in Nasdaq-listed education company Afya. The leading provider of medical education and training in Brazil has been consolidated since the stake was increased and is assigned to the Bertelsmann Education Group. After the acquisition of the additional shares and as of the end of the reporting period, Bertelsmann holds 59 percent of the voting rights in Afya. Bertelsmann had been involved in expanding Afya since 2014.

In late May 2022, the Croatian antitrust authority approved the disposal of RTL Croatia to Central European Media Enterprises (CME). With this, the transaction announced by RTL Group in February 2022 was concluded as of June 1, 2022.

Effective October 20, 2022, Jens Maier, Chairman of the Corporate Works Council of RTL Deutschland, and Ilka Stricker, Vice Chairwoman of the Corporate Works Council of Bertelsmann SE & Co. KGaA, were appointed to the Supervisory Board of Bertelsmann SE & Co. KGaA. They took over as employee representatives from Kai Brettmann, former Chairman of the Group Works Council of RTL Deutschland, and Christiane Sussieck, Chairwoman of the Corporate General Works Council of Bertelsmann SE & Co. KGaA, both of whom have stepped down from the Bertelsmann Supervisory Board.

In November 2022, Fremantle acquired a majority stake in 72 Films, an independent TV production company that produced the globally successful sports documentary series "All or Nothing: Arsenal" and the Emmy-winning historical documentary "9/11: One Day in America."

At the end of 2022, Markus Dohle stepped down as CEO of Penguin Random House and at the same time resigned his seat on the Bertelsmann Executive Board. Nihar Malaviya, who was previously President & Chief Operating Officer of Penguin Random House US, was appointed his interim successor as the CEO of Penguin Random House.

In the reporting period and subsequent months, the following decisions were made regarding planned transactions. The announced mergers of Groupe M6 and Groupe TF1 in France, and of RTL Nederland and

Talpa Network in the Netherlands, will no longer be pursued after the competent antitrust authorities in the relevant countries have objected to or prohibited, respectively, the said transactions. Majorel and Sitel also ended talks regarding a possible merger after failing to reach a final agreement. Furthermore, Bertelsmann announced that the Group no longer intends to pursue the previously planned merger of Penguin Random House and Simon & Schuster after the US District Court in Washington, D.C., enjoined the transaction. In November 2020, Penguin Random House announced the acquisition of the book publisher Simon & Schuster from media company Paramount Global (formerly ViacomCBS). The transaction was subject to approval of antitrust authorities. On November 2, 2021, the Department of Justice filed a suit before the District Court in Washington, D. C., to prohibit the transaction, citing concerns about monopsony in relation to the acquisition of author rights. The acquisition was enjoined by court ruling dated November 1, 2022. The contractually agreed “regulatory termination fee” of US\$200 million was paid to Paramount Global in the reporting period.

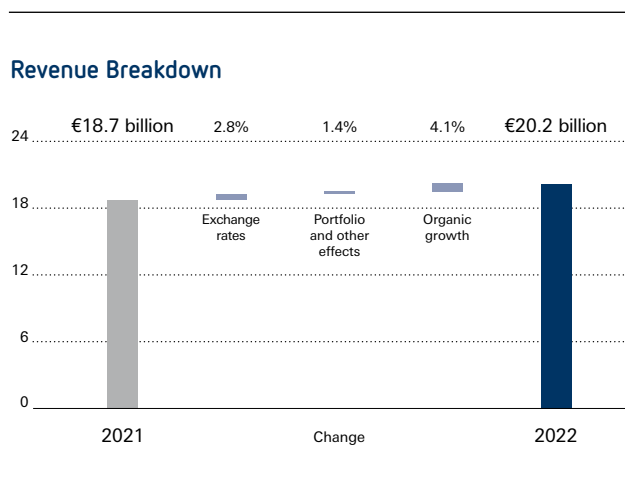
## Results of Operations

### Revenue Development

Group revenues increased in the financial year 2022 by 8.3 percent to €20.2 billion (previous year: €18.7 billion). Revenues increased in almost all corporate divisions, above all in the service, education, entertainment and music businesses. Adjusted by exchange rate, portfolio and other effects, the Group’s organic growth was 4.1 percent.

Revenues at RTL Group grew by 3.0 percent to €7,224 million (previous year: €7,016 million). Organic growth was 1.3 percent. The revenue increase can be attributed to the continued expansion of Fremantle, the positive business development of RTL Nederland, and portfolio effects at

RTL Deutschland, as well as positive currency effects. Portfolio effects from the sale of RTL Belgium and RTL Croatia, however, negatively affected revenues. Revenues at Penguin Random House rose 4.8 percent to €4,223 million (previous year: €4,030 million), largely due to exchange rate effects. The organic decline was 3.3 percent. In contrast, organic revenues increased primarily at the publishers of Grupo Editorial. BMG revenues rose 30.6 percent to €866 million (previous year: €663 million). Organic growth was 22.8 percent. Organic revenue growth was evident both in the publishing and in the recording business, a result of factors such as the substantial investments made in catalog acquisitions. Revenues at Arvato grew by 10.5 percent to €5,564 million (previous year: €5,035 million). Organic growth was 9.3 percent. This can be attributed in particular to the CX company Majorel and the supply chain management businesses. The Bertelsmann Printing Group’s revenues were up 9.8 percent to €1,448 million (previous year: €1,319 million), mainly due to passing on price increases. Organic growth was 8.1 percent. Revenues at the Bertelsmann Education Group increased to €622 million (previous year: €283 million), primarily driven by portfolio effects following the consolidation of Afya. Organic growth was 5.5 percent. Revenues at the Bertelsmann Investments division are largely generated through the former Gruner + Jahr businesses DDV Mediengruppe, Territory as well as the AppLike Group, which have been assigned to the



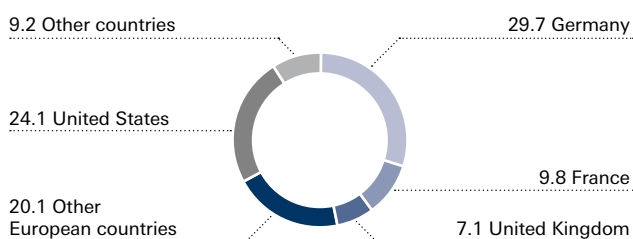
Bertelsmann Investments division since the beginning of 2022. Revenues at Bertelsmann Investments amounted to €535 million (previous year: €589 million). The decline in revenues is mainly the result of the divestment of G+J France in the previous year.

## Revenues by Division

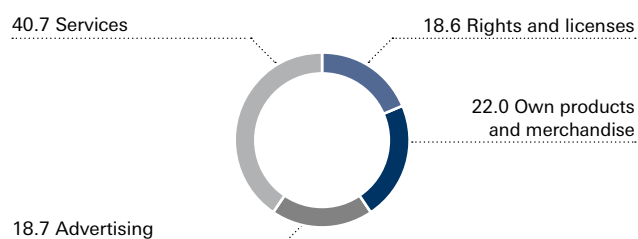
in € millions	2022			2021 (adjusted)		
	Germany	International	Total	Germany	International	Total
RTL Group	2,615	4,609	7,224	2,672	4,344	7,016
Penguin Random House	298	3,925	4,223	281	3,749	4,030
BMG	69	797	866	40	623	663
Arvato	1,952	3,612	5,564	1,851	3,184	5,035
Bertelsmann Printing Group	870	578	1,448	787	532	1,319
Bertelsmann Education Group	4	618	622	3	280	283
Bertelsmann Investments	360	175	535	330	259	589
<b>Total divisional revenues</b>	<b>6,168</b>	<b>14,314</b>	<b>20,482</b>	<b>5,964</b>	<b>12,971</b>	<b>18,935</b>
Corporate/Consolidation	(148)	(89)	(237)	(244)	5	(239)
<b>Continuing operations</b>	<b>6,020</b>	<b>14,225</b>	<b>20,245</b>	<b>5,720</b>	<b>12,976</b>	<b>18,696</b>

There were slight changes in the geographical breakdown of revenues compared to the previous year. The share of revenues generated in Germany was 29.7 percent compared to 30.6 percent in the previous year. The revenue share generated by France amounted to 9.8 percent (previous year: 11.0 percent). In the United Kingdom, the revenue share was 7.1 percent (previous year: 7.0 percent). The share of total revenues generated by the other European countries was 20.1 percent, compared to 20.6 percent in the previous year. The revenue share generated by the United States was 24.1 percent (previous year: 23.3 percent), and the other countries achieved a revenue share of 9.2 percent (previous year: 7.5 percent). This means that the share of total revenues generated by foreign business rose slightly to 70.3 percent (previous year: 69.4 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

Bertelsmann achieved operating EBITDA of €3,192 million in the 2022 financial year (previous year: €3,241 million). Strong earnings growth in the education and music businesses as well as in the service businesses nearly offset higher start-up losses at RTL Group in connection with the expansion of its streaming businesses and lower profits at Penguin Random House and the Bertelsmann Printing Group that were primarily down to market conditions and inflation. The EBITDA margin was 15.8 percent (previous year: 17.3 percent).

Operating EBITDA at RTL Group fell 6.5 percent to €1,323 million (previous year: €1,416 million). The decline is mainly down to higher start-up losses for the accelerated expansion of streaming businesses. In addition, RTL Deutschland and Groupe M6 recorded declines in earnings against a challenging macro-economic background, with corresponding effects on advertising markets. Operating EBITDA at Penguin Random House declined by 11.7 percent to €666 million (previous year: €755 million), due in particular to a primarily market- and inflation-related decline in earnings in the US business. At BMG, operating EBITDA grew 34.9 percent to €195 million (previous year: €144 million) as a result of strong organic growth and increased investment activity. Arvato recorded an operating EBITDA of €877 million (previous year: €825 million). The 6.4 percent increase in earnings is primarily attributable to the CX company Majorel as well as the Arvato Supply Chain Solutions business area. Operating EBITDA at the Bertelsmann Printing Group was down 57.4 percent to €26 million (previous year: €60 million). The main reasons for the strong decline were that cost increases could only be passed on to a limited degree and that capacity utilization was lower. At the Bertelsmann Education Group, operating EBITDA increased significantly to €192 million (previous year: €86 million). The rise is largely attributable to portfolio effects following the increase in the shareholding in Afya in the reporting period. Earnings from operational activities at Bertelsmann Investments declined, in part as a result of portfolio effects, to €22 million (previous year: €68 million).

## Results Breakdown

in € millions	2022	2021 (adjusted)
<b>Operating EBITDA by division</b>		
RTL Group	1,323	1,416
Penguin Random House	666	755
BMG	195	144
Arvato	877	825
Bertelsmann Printing Group	26	60
Bertelsmann Education Group	192	86
Bertelsmann Investments	22	68
<b>Total operating EBITDA by division</b>	<b>3,301</b>	<b>3,354</b>
Corporate/Consolidation	(109)	(113)
<b>Operating EBITDA</b>	<b>3,192</b>	<b>3,241</b>
Amortization/depreciation, impairments/reversals of impairment losses on intangible assets and property, plant and equipment not included in special items	(1,077)	(880)
Special items	(562)	963
<b>EBIT (earnings before interest and taxes)</b>	<b>1,553</b>	<b>3,324</b>
Financial result	(258)	(352)
<b>Earnings before taxes</b>	<b>1,295</b>	<b>2,972</b>
Income tax expense	(246)	(662)
<b>Earnings after taxes from continuing operations</b>	<b>1,049</b>	<b>2,310</b>
Earnings after taxes from discontinued operations	3	-
<b>Group profit or loss</b>	<b>1,052</b>	<b>2,310</b>
attributable to: Earnings attributable to Bertelsmann shareholders	671	1,800
attributable to: Earnings attributable to non-controlling interests	381	510

## Special Items

Special items in the financial year 2022 totaled €-562 million compared to €963 million in the previous year. They consist of impairments or reversals on investments accounted for using the equity method amounting to €-7 million (previous year: €2 million), impairments on other financial assets at amortized cost amounting to €-32 million (previous year: €-1 million), impairments on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations amounting to €-7 million (previous year: -), results from disposals of investments amounting to €136 million (previous year: €786 million),

fair value measurement of investments amounting to €-232 million (previous year: €483 million), as well as restructuring expenses and other special items totaling €-420 million (previous year: €-301 million). There were no adjustments of the carrying amounts of assets held for sale in the reporting period (previous year: €-6 million). Due to the current political and economic situation in Russia, impairment losses were recognized on assets located in Russia in the Arvato division that are of minor significance for the Bertelsmann Group. The results from disposals of investments include disposal proceeds from the sale of RTL Belgium. The high value of the same period in the previous year is primarily related to the sale of SpotX. The increase in restructuring expenses and other special items is mainly the result of expenses in connection with the enjoined takeover of Simon & Schuster with respect to the contractually agreed payment of a “regulatory termination fee” of US\$200 million to Paramount Global plus legal fees.

## EBIT

EBIT amounted to €1,553 million in the financial year 2022 (previous year: €3,324 million) after adjusting operating EBITDA for special items totaling €-562 million (previous year: €963 million) and amortization, depreciation, impairments and reversals of impairment losses on intangible assets, property, plant and equipment and right-of-use assets totaling €-1,077 million (previous year: €-880 million), which were not included in the special items.

## Group Profit

The financial result was €-258 million, compared with the previous year's amount of €-352 million. The income tax expense decreased to €-246 million compared to €-662 million in the previous year. The deviation is attributable to one-off negative special items from transactions in the previous year. The earnings after taxes from continued operations totaled €1,049 million (previous year: €2,310 million). The earnings after taxes from discontinued operations of €3 million (previous year: –) include follow-on effects from the sale of the businesses of the former Direct Group, which were previously accounted as discontinued operations. Taking into consideration the earnings after taxes from discontinued operations, the Group profit is €1,052 million (previous year: €2,310 million). The share of Group profit attributable to non-controlling interests came to €381 million (previous year: €510 million). The share of Group profit attributable to Bertelsmann shareholders was €671 million (previous year: €1,800 million). For the 2022 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 limited to the defined maximum of 2.5. As of December 31, 2022, the leverage factor was 1.8, which was above the previous year's level (December 31, 2021: 1.3). This was mainly a result of the changed consideration of hybrid bonds in the calculation of economic debt. Following the public repurchase offer for the hybrid bond that may be terminated for the first time in April 2023, the par value of all still outstanding hybrid bonds is no longer included in equity at a proportion of 50 percent.

As of December 31, 2022, economic debt increased to €4,785 million compared to €3,475 million in the previous year. Net financial debt also increased to €2,249 million compared to €959 million as of December 31, 2021. As of December 31, 2022, recognized lease liabilities were €1,538 million (December 31, 2021: €1,356 million). Provisions for pensions and similar obligations declined to €710 million as of December 31, 2022 (December 31, 2021: €1,474 million). The main reason for this strong decrease is the rise of the discount rate. Short-term liquidable investments in a special fund amounted to €125 million (December 31, 2021: €102 million).

Another financial target is the (interest) coverage ratio. This is calculated as the ratio of operating EBITDA, used to determine the leverage factor, to financial result, and should exceed four. In the reporting period, the coverage ratio was 11.1 (previous year: 8.3). The Group's equity ratio rose to 45.8 percent (December 31, 2021: 42.8 percent), remaining significantly above the self-imposed minimum of 25 percent.

## Financial Targets

	Target	2022	2021
<b>Leverage Factor:</b> Economic debt/Operating EBITDA <sup>1)</sup>	≤ 2.5	1.8	1.3
<b>Coverage ratio:</b> Operating EBITDA/Financial result <sup>1)</sup>	> 4.0	11.1	8.3
<b>Equity ratio:</b> Equity as a ratio to total assets (in percent)	≥ 25.0	45.8	42.8

1) After modifications.

## Financing Activities

In January 2022, Bertelsmann repaid parts of bonds due in August 2022, October 2024, September 2025, and April 2026 in a total nominal amount of €146 million ahead of schedule as part of a public repurchase offer. In August, a maturing bond totaling a nominal amount of €750 million with a balance after partial repayments of €539 million was repaid on schedule from existing liquidity. In addition, in November 2022, a nominal amount of €504 million of the hybrid bond subject to a termination option in April 2023 was repaid ahead of schedule within the context of a public repurchase offer. In November 2022, a benchmark bond in the amount of €750 million also was issued with a coupon of 3.5 percent and a term of 6.5 years. In addition, the Brazilian education company Afya, which belongs to the Bertelsmann Group, placed a publicly listed bond for BRL 500 million in December 2022. The nominal volume of the bond is due in two equal tranches in 2027 and 2028.

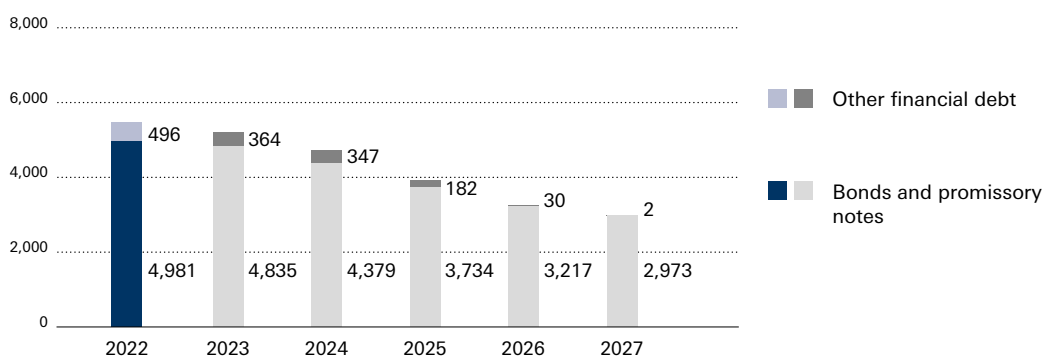
## Rating

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, 2022, 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 €1,382 million (previous year: €1,820 million). The difference compared with the previous year's high figure can be attributed in part to an overall higher amount of funds tied up in net working capital. This was offset by the reduction in taxes paid. The sustainable operating free cash flow, adjusted for special effects, was €876 million (previous year: €2,457 million), and the cash conversion rate was 42 percent (previous year: 107 percent); see also the section "Broadly Defined Performance Indicators." The cash flow from investing activities was €-1,118 million (previous year: €-267 million). Of that amount, €-1,408 million (previous year: €-1,699 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 €-264 million (previous year: €-255 million). Payments from the sales of subsidiaries and other business units as well as of other non-current assets were €554 million (previous year: €1,687 million). The previous year's high figure is due in particular to the sale of SpotX. The cash flow from financing activities was €-1,734 million (previous year: €-1,695 million). Dividend payments to Bertelsmann SE & Co. KGaA shareholders totaled €-220 million (previous year: €-180 million). Dividends paid to non-controlling interests and other shareholders amounted to €-293 million (previous year: €-230 million). As of December 31, 2022, Bertelsmann had cash and cash equivalents of €3.2 billion (previous year: €4.6 billion).

## Consolidated Cash Flow Statement (Summary)

in € millions	2022	2021
Cash flow from operating activities	1,382	1,820
Cash flow from investing activities	(1,118)	(267)
Cash flow from financing activities	(1,734)	(1,695)
Change in cash and cash equivalents	1,470	(142)
Exchange rate effects and other changes in cash and cash equivalents	29	168
Cash and cash equivalents as of 1/1	4,669	4,643
Cash and cash equivalents as of 12/31	3,228	4,669
Less cash and cash equivalents included within assets held for sale	–	(24)
Cash and cash equivalents as of 12/31 (according to the consolidated balance sheet)	3,228	4,645

## Off-Balance-Sheet Liabilities

The off-balance-sheet liabilities include contingent liabilities and other financial commitments, almost all of which result from operating activities conducted by the divisions. The off-balance-sheet liabilities increased compared with the previous year. The off-balance-sheet liabilities existing as of December 31, 2022, 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 €309 million (previous year: €7 million), amounted to €1,981 million in the 2022 financial year (previous year: €1,961 million). Investments as reported in the cash flow statement amounted to €1,672 million (previous year: €1,954 million). As in previous years, the majority of the €450 million investments in property, plant and equipment (previous year: €327 million) stemmed from Arvato. Investments in intangible assets came to €586 million (previous year: €482 million) and were primarily attributable to BMG for the acquisition of music catalogs and RTL Group for investments in film rights. The sum of €372 million was invested in financial assets (previous year: €890 million). This includes in particular the investments by Bertelsmann Investments in start-ups. Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €264 million in the reporting period (previous year: €255 million) and refer in particular to the stake increase in Afya.

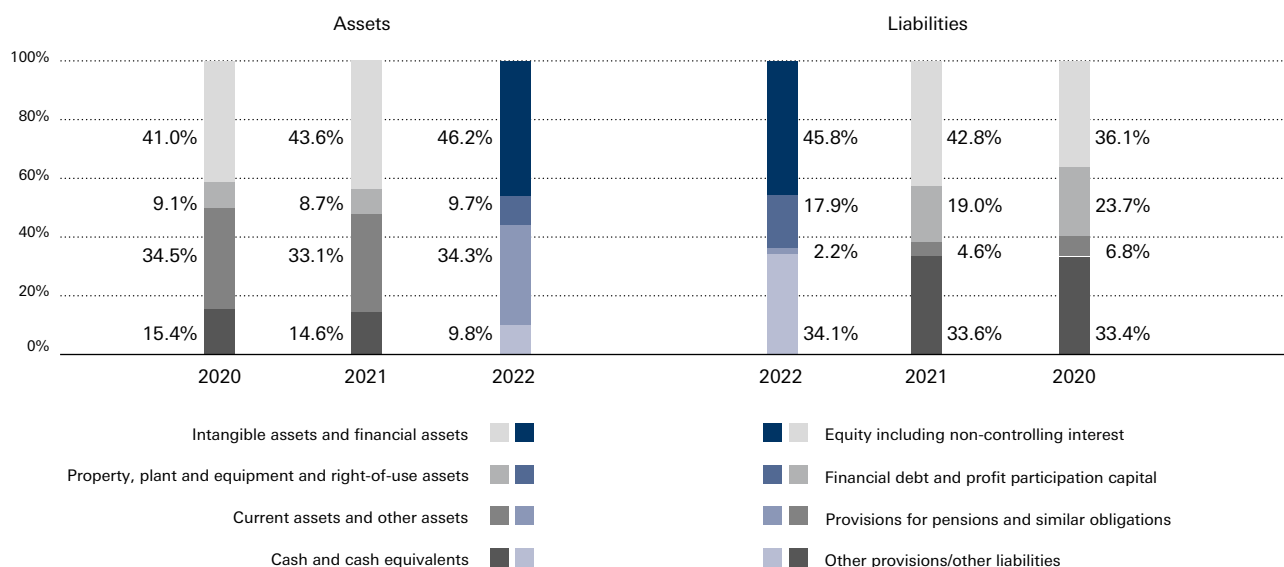
## Investments by Division

in € millions	2022	2021 (adjusted)
RTL Group	196	602
Penguin Random House	104	116
BMG	372	248
Arvato	345	321
Bertelsmann Printing Group	37	37
Bertelsmann Education Group	136	19
Bertelsmann Investments	221	708
Total investments by divisions	1,411	2,051
Corporate/Consolidation	261	(97)
Total investments	1,672	1,954

## Balance Sheet

Total assets increased to €32.8 billion as of December 31, 2022 (previous year: €31.8 billion). The rise can primarily be attributed to the acquisitions, which led to an increase in intangible assets. Cash and cash equivalents totaled €3.2 billion (previous year: €4.6 billion). Equity increased to €15.0 billion, compared to €13.6 billion in the previous year. This resulted in an equity ratio of 45.8 percent (previous year: 42.8 percent). Equity attributable to Bertelsmann SE & Co. KGaA shareholders was €12.5 billion (previous year: €11.6 billion). Provisions for pensions and similar obligations dropped to €710 million (previous year: €1,474 million). The main reason for this decrease is the rise in the discount rate. Gross financial debt totaled €5,477 million, compared to €5,604 million as of December 31, 2021. Apart from that, the balance sheet structure remained largely unchanged from the previous year.

## Balance Sheet



## Profit Participation Capital

Profit participation capital had a par value of €301 million as of December 31, 2022, 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, 2022 (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 2022 financial year was 362.00 percent in January; their lowest was 246.00 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 2022.

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 2022 financial year was 4.18 percent (previous year: 9.88 percent), the payout on the 1992 profit participation certificates for the 2022 financial year will be 5.18 percent of their par value (previous year: 10.88 percent).

The payout distribution date for both profit participation certificates is expected to be May 9, 2023. Under the terms and conditions of the profit participation certificates, the auditors appointed by Bertelsmann SE & Co. KGaA are responsible for verifying whether amounts to be distributed have been calculated correctly. The auditors of both profit participation certificates provide confirmation of this.

# Performance of the Group Divisions

## RTL Group

RTL Group increased its revenues significantly above €7 billion in a challenging environment. Drivers included portfolio effects, particularly at RTL Deutschland and Fremantle, and a very positive business performance at Fremantle and RTL Nederland. Operating EBITDA decreased significantly against the backdrop of higher streaming start-up losses and declining advertising markets in Germany and France. RTL Group's TV advertising revenues were down 4.4 percent year-on-year. Meanwhile, the number of paying subscribers and revenues from the streaming business grew at double-digit rates.

RTL Group's total revenues increased by 3.0 percent to €7.2 billion in 2022 (previous year adjusted: €7.0 billion), while operating EBITDA decreased by 6.5 percent to €1.32 billion (previous year adjusted: €1.42 billion). The group achieved organic sales growth of 1.3 percent compared with the previous year. Its EBITDA margin was 18.3 percent, compared with 20.2 percent in the previous year.

RTL Group completed the combination of RTL Deutschland and Gruner + Jahr on January 1, 2022; the streaming business and the cross-media offering in Germany were expanded. RTL Belgium and RTL Croatia, as well as the shares in the software and data company VideoAmp, were sold during the reporting period.

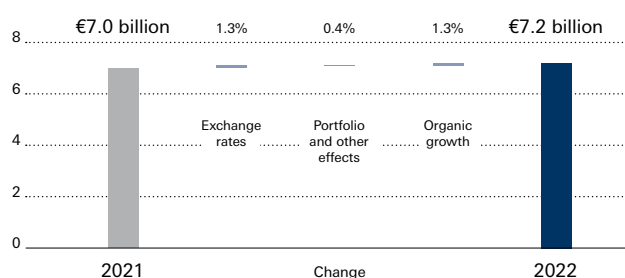
In France, Groupe Bouygues, RTL Group, Groupe TF1, and Groupe M6 decided in September to abandon their plan to merge Groupe TF1 and Groupe M6 in view of far-reaching demands from the French competition authority. In the Netherlands, too, the merger process of RTL Nederland and Talpa Network was stopped as the Dutch competition authority informed both parties that it will not approve the proposed transaction.

The streaming services RTL+ in Germany and Hungary and Videoland in the Netherlands increased their paying subscriber base by 44 percent to a combined 5.5 million; streaming revenues grew by 19.7 percent to €267 million. In Germany, this was driven by the continued distribution partnership with Deutsche Telekom, reality TV formats, football matches of the UEFA Europa League and the growing number of original formats such as "Sisi" and "Der König von Palma". In the Netherlands, too, exclusive content such as the series "Sleepers" and "Mocro Maffia" and live kickboxing events attracted new subscribers. RTL Hungary launched the direct-to-consumer streaming platform RTL+ featuring several locally produced series and shows.

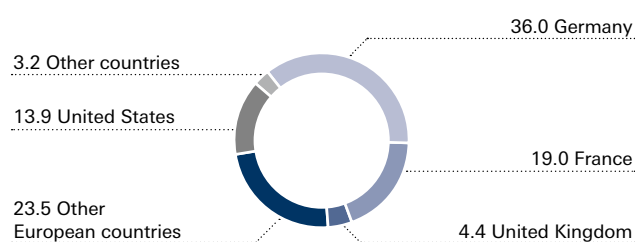
The families of channels in Germany and the Netherlands increased their audience shares in the year under review, while in France, the Groupe M6 channels saw a slight dip in viewer interest.

The group's global content business Fremantle achieved double-digit growth in its revenues and earnings in 2022. Revenue growth was driven by several acquisitions and share increases, strong organic development

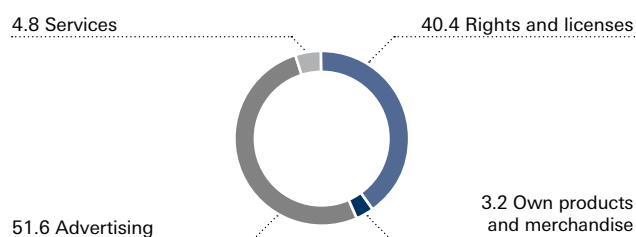
### Revenue Breakdown



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



### Revenues by Category in percent



and positive exchange rate effects. Fremantle acquired majority stakes in the production companies Lux Vide, Dancing Ledge Productions, Element Pictures, 72 Films, Wildstar Films, and Silvio Productions during the reporting period. Fremantle also increased its stakes in Eureka and acquired a stake in Fabel Entertainment as part of its efforts to expand its capacity in the drama and documentary sectors. Fremantle inked a three-year talent deal with Academy Award winner Angelina Jolie covering multiple joint film, documentary and series projects.

## Penguin Random House

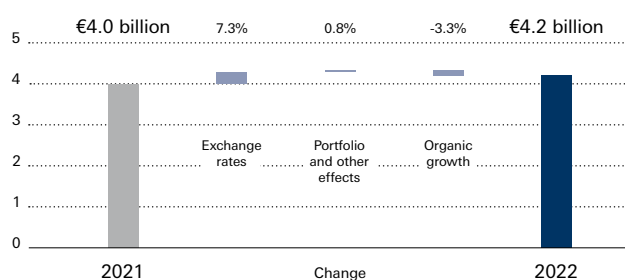
Penguin Random House reported an increase in revenues in 2022, driven by positive currency effects; the operating result declined due to higher costs, including inflation, as well as reduced sales levels. Adjusted for exchange rate effects, revenues also softened, mainly due to normalization of book markets. Revenues reached €4.2 billion, up 4.8 percent from €4.0 billion in the previous year. Operating EBITDA for the year was €666 million (previous year: €755 million, -11.7 percent). The EBITDA margin was 15.8 percent (previous year: 18.7 percent).

In November, Bertelsmann announced that it would no longer pursue the proposed acquisition by Penguin Random House of the international book publishing group Simon & Schuster. Previously, the US District Court in Washington, D.C., had upheld a lawsuit filed by the U.S. Department of Justice opposing the purchase. Bertelsmann paid a contractually agreed termination fee to Paramount Global. At the end of the year, Markus Dohle stepped down as CEO of Penguin Random House; Nihar Malaviya, previously President & COO of Penguin Random House U.S., was appointed his interim successor.

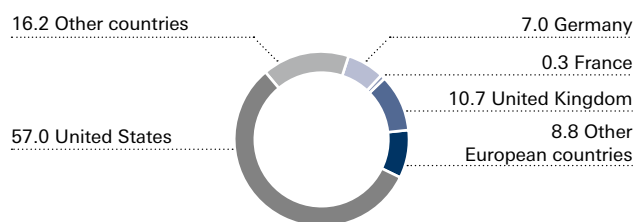
The publishing business in the United States reflected the normalization of demand following the strong sales of the pandemic years, as well as the challenges posed by inflation and supply-chain pressures. The year's biggest bestsellers included Michelle Obama's nonfiction book "The Light We Carry," which topped the bestseller lists upon its release in mid-November and sold more than 1.8 million copies worldwide, across all formats, by the end of the year. Other new releases, including "Surrender" by Bono and "The Boys from Biloxi" by John Grisham, became top sellers, too. Penguin Random House also profited from backlist titles that continued selling strongly, among them "Atomic Habits" by James Clear and "Where the Crawdads Sing" by Delia Owens. In children's books, "Dr. Seuss" classics sold more than nine million copies.

Penguin Random House UK recorded moderate growth despite negative macroeconomic effects. The year's best-selling titles were "Atomic Habits" by James Clear, Richard Osman's "The Bullet That Missed," "The Thursday Murder Club," and "The Man Who Died Twice," and "One" by Jamie Oliver. The DK Publishing

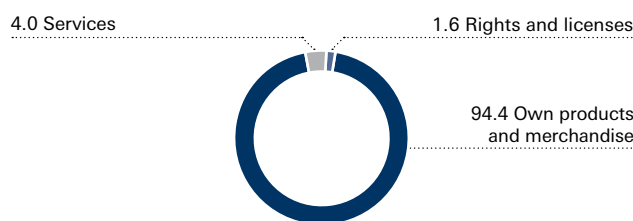
### Revenue Breakdown



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



### Revenues by Category in percent





group also grew, thanks to a strong publishing lineup; its top sellers were “The Natural History Book” and “The Mysteries of the Universe.” DK also acquired Phonic Books, one of the United Kingdom’s leading specialist-education publishers.

Penguin Random House Grupo Editorial achieved growth with strong book sales in Spain, Portugal, and Latin America. The publishing group acquired the remaining shares in PRH Grupo Editorial Portugal and launched Distrito Manga, a new imprint for the Spanish-language market. Top-selling titles included “Violeta” by Isabel Allende, “Revolución” by Arturo Pérez-Reverte and “Roma soy yo” by Santiago Posteguillo.

In a declining book market, the German-language Penguin Random House Verlagsgruppe achieved revenues that were nearly on par with the previous year, thanks to an upturn in sales at the end of the year and positive portfolio effects. The best-selling books were, again, “Der Gesang der Flusskrebse” by Delia Owens, and “Das Kind in Dir muss Heimat finden” by Stephanie Stahl, as well as the new releases “Einsame Nacht” by Charlotte Link and “Zur See” by Dörte Hansen.

Numerous Penguin Random House authors were recognized with major awards for their work, including Andrea Elliott, who won a Pulitzer Prize for Nonfiction for “Invisible Child.”

## BMG

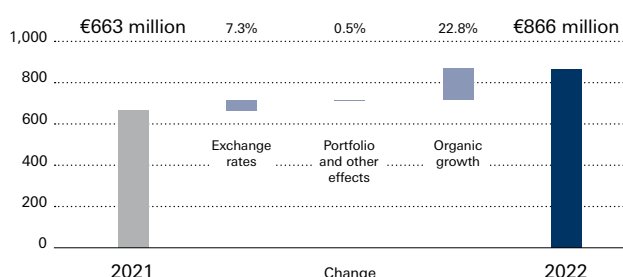
Bertelsmann’s music subsidiary BMG saw a strong increase in both revenues and operating EBITDA in 2022. The increases are attributable to organic growth in its recorded and publishing businesses and were supported by an investment offensive. BMG invested a record €509 million in the acquisition of music catalogs and artist signings in 2022, primarily as part of Bertelsmann’s Boost strategy.

Revenues grew 30.6 percent to €866 million (previous year: €663 million), while operating EBITDA surged 34.9 percent to €195 million (previous year: €144 million); both figures represent an all-time high. The EBITDA margin increased to 22.5 percent (previous year: 21.7 percent), while the share of digital revenues in BMG’s total revenues increased to 70 percent (previous year: 63 percent).

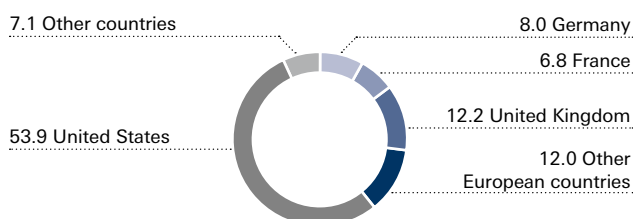
During the financial year, BMG made 45 acquisitions in the catalog sector alone; purchases included the catalogs and licensing rights of iconic artists such as Peter Frampton, Jean-Michel Jarre, Fools Garden, Harry Nilsson, Simple Minds, Primal Scream, and Chris Rea.

In the recorded business, BMG concluded new contracts or extended existing ones with renowned

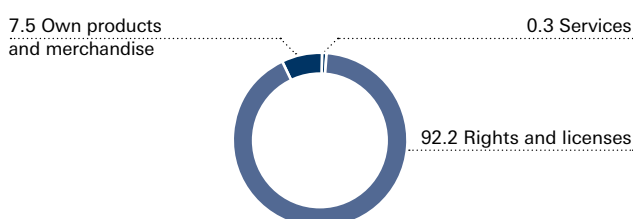
### Revenue Breakdown



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



### Revenues by Category in percent



artists including Rita Ora, Logic, Julian Lennon, Marteria, Stefflon Don, Nickelback, and Jason Aldean. Top-selling albums in 2022 included releases by Jason Aldean, Louis Tomlinson, Mötley Crüe, 5 Seconds of Summer, Backstreet Boys, Buena Vista Social Club, Kylie Minogue, and Bryan Adams. This line of business grew by 38 percent.

In the publishing business, the catalogs of Bruno Mars, Mick Jagger and Keith Richards, Juice WRLD, Kurt Cobain and Roger Waters in particular generated high revenues. The year's top-selling new releases came from artists including DJ Khaled, Kontra K, George Ezra, Carly Pearce, Maxwell, Riccardo Zanotti, Peter Fox, RAF Camora, Kraftklub, Max Giesinger and Johannes Oerding. New contracts or contract extensions/renewals were signed with Halsey, Elvis Costello, Robin Kadir, Bazzazian, Slowthai, Jessie Reyez, Afrojack, Montez, and Lucry. The publishing business increased by 26 percent year-on-year.

In September, BMG acquired the leading German Schlager music label Telamo, its largest label acquisition in Germany to date. Telamo, home to numerous Schlager music stars such as Giovanni Zarrella, Die Amigos, Florian Silbereisen, and Marianne Rosenberg, also includes the "Schlager für Alle" digital offering which has around 1.7 million users on Facebook, Instagram, YouTube and TikTok.

Both the live business and the activities in the film business were expanded. BMG announced a second musical project, "Romeo & Juliet," following the award-winning musical "Ku'damm 56" in Germany, and took over the artistic direction of Berlin's oldest musical theater, "Theater des Westens," for the next two years. Also in Germany, the BMG subsidiary Undercover staged 441 live shows and concerts with high ticket sales following the years of pandemic-related restrictions. In the United States, BMG presented its first American musical, "Punk Rock Girl."

"Moonage Daydream," a documentary about rock legend David Bowie released by BMG in the fall, became the most successful documentary of 2022, with worldwide revenues of €12.2 million.

## Arvato

Bertelsmann's services businesses, which are bundled in the Arvato division, reported a positive overall development in the past financial year. The main drivers were Arvato's supply chain businesses and Majorel's CX business. Overall, the global services group again significantly improved both its revenues and operating profit. Revenues grew by 10.5 percent to €5.6 billion (previous year: €5.0 billion), while operating EBITDA increased by 6.4 percent to €877 million (previous year: €825 million). The EBITDA margin was 15.8 percent, compared with 16.4 in the previous year.

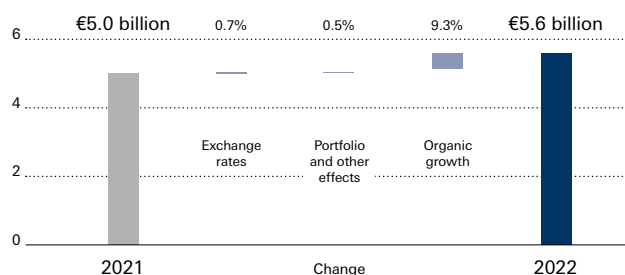
Arvato's supply chain management businesses again saw dynamic and profitable growth in the 2022 financial year. New customers were acquired in the healthcare, tech, and large-scale fashion sectors, among others. Meanwhile, the global distribution network was further expanded. Among other things, eight new logistics centers were opened, including the first warehouse in Australia and the largest location in the United States. The company also invested heavily in modern automation and robotics technology, and in the expansion of its cloud infrastructure.

In the reporting period, Arvato's financial services unit pressed ahead with the further development of existing business models and the development of innovative new ones, completed the accompanying strategic realignment, and implemented a name change. In October, the Arvato Financial Solutions brand and all sub-brands, such as Paigo, AfterPay and AQOUNT, were replaced by the Riverty brand. Revenues from financial services increased in the financial year, while the operating result declined slightly, partly as a result of government regulations in the area of receivables management.

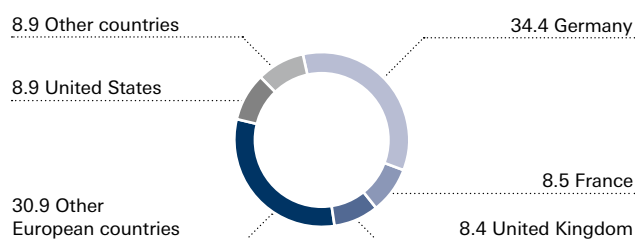
The revenues of the IT services provider Arvato Systems declined in the past financial year against the backdrop of difficult economic conditions. The operating result was also down year-on-year. The unit used 2022 primarily to complete its strategic and organizational focus on six key customer industries and to further expand its own service portfolio. The focus was on industries including energy and healthcare, with the company expanding its offerings for the digitization of healthcare on the one hand, and broadening its customer base on the other. Arvato Systems also grew its portfolio of cloud services and won various high-profile awards in areas including IT security and cloud services.

Majorel, a leading global customer experience company listed on Euronext Amsterdam, consistently delivered double-digit growth during the 2022 financial year against a background of increasingly challenging market conditions. Through a systematic focus on executing its proven strategy, Majorel added

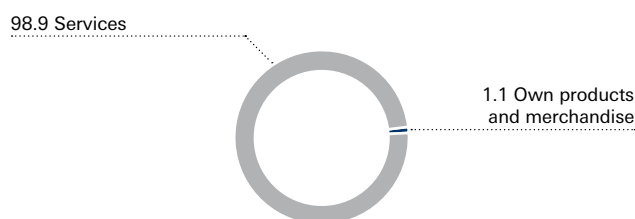
### Revenue Breakdown



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



### Revenues by Category in percent



13 new countries, grew its business with existing clients and won new clients, and expanded its workforce by more than 13,000 to over 82,000. Majorel also completed four acquisitions and launched Majorel X as a platform for CX transformation services.

## Bertelsmann Printing Group

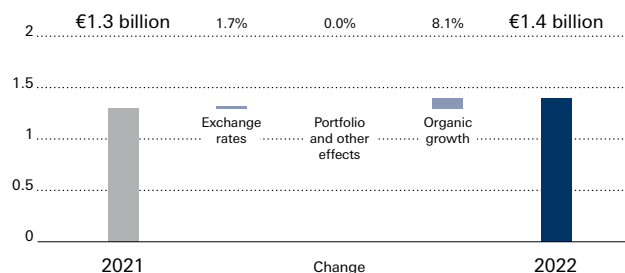
Bertelsmann Printing Group, the international provider of printing and marketing services, was confronted with in some cases steeply rising prices for energy, paper and other production materials in the 2022 financial year. In particular, the resulting increase in production costs led to declining demand across almost all areas. The fact that the Group's revenues of €1.45 billion (previous year: €1.32 billion) were nevertheless 9.8 percent higher year-on-year is mainly due to the passing on of paper price and other material cost increases to customers wherever possible. Operating EBITDA, on the other hand, fell to €26 million (previous year: €60 million). The EBITDA margin was 1.8 percent, compared with 4.5 percent in the previous year.

Overall, the offset printing businesses recorded a significant decline in earnings. This was mainly due to the high increase in production costs (especially paper and energy) and the resulting decline in demand for catalogs. In the gravure segment, the decline in the market for high-volume catalogs and magazines and supplements that has been evident for years continued at a rapid pace. This resulted in an even lower utilization of the production capacities of the Prinovis sites in Germany and the United Kingdom. In response to this prolonged negative market development, Bertelsmann Printing Group continued to drive forward the downsizing of its rotogravure printing business. The closure of the Prinovis site in Dresden announced in 2021 was completed at the end of 2022. In addition, a decision was reached to close the gravure printing site in Liverpool as of June 30, 2023. In January 2023, it was announced that the Ahrensburg location would also close on January 31, 2024.

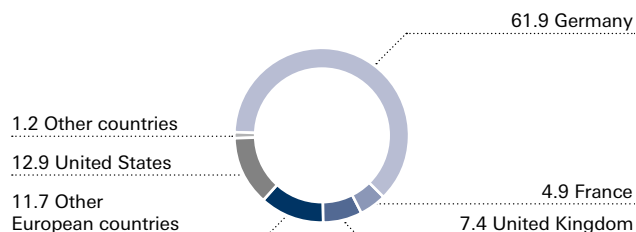
The business performance of the printing activities in the United States was also impacted by the considerable increases in material and other factor costs as well as a weaker U.S. book publishing market in 2022 following two strong years in 2020 and 2021. Lower volumes led to a decline in earnings. A comprehensive investment program for the book printing business aims to significantly improve productivity in the future and effectively expand capacity for publishing customers in the United States.

In the marketing services business, the positive trend of previous years continued in 2022. Partnerships with existing customers were further expanded in the reporting period, new customers were acquired and

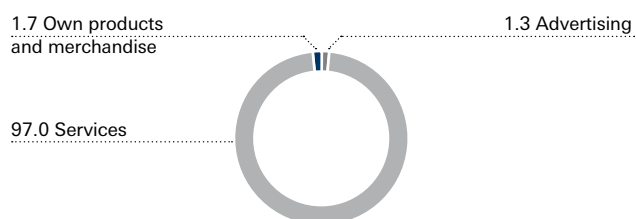
### Revenue Breakdown



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



### Revenues by Category in percent



new services were successfully established on the market. As a result, both revenues and operating profit improved year-on-year. This applies overall to Dialog’s multichannel marketing services, the Deutschland-Card multi-partner rewards program, and Campaign’s campaign-management businesses.

The replication and packaging specialists at Bertelsmann Printing Group held their own in a market that continued to decline, although they registered declining volumes and earnings due to market conditions. By contrast, the business with sustainable packaging solutions for the food industry and the vinyl services business were further expanded.

## Bertelsmann Education Group

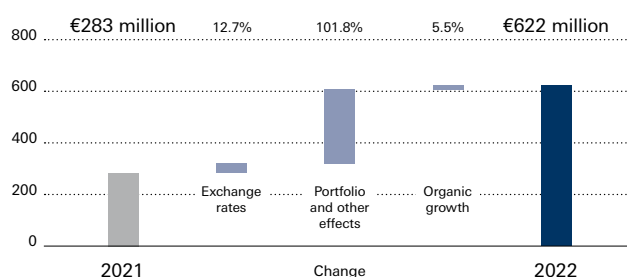
Bertelsmann’s education businesses saw strong growth in revenue and operating EBITDA in 2022, largely driven by the increase in the shareholding and subsequent full consolidation of the Brazilian education provider Afya. At the same time, the e-learning provider Relias, which specializes in professional education and training in the healthcare sector, and the clinical practice-oriented Alliant International University further expanded their offerings.

Bertelsmann Education Group generated total revenues of €622 million (previous year: €283 million), up 120 percent. Operating EBITDA increased by 122 percent to €192 million (previous year: €86 million). The EBITDA margin was once again high at 30.8 percent (previous year: 30.6 percent).

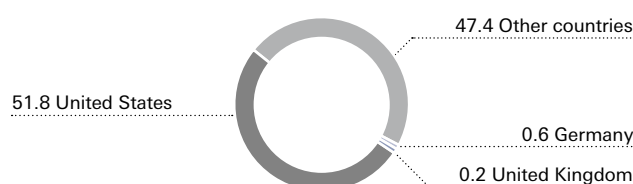
In May 2022, Bertelsmann increased its stake in the Nasdaq-listed education company Afya to initially 57 percent of the voting rights; the holding has since been consolidated as part of Bertelsmann Education Group. Through ongoing further transactions in the open market, Bertelsmann held 59 percent of the voting rights by the end of the year, and 40 percent of the equity. With 35 locations, Afya is Brazil’s largest medical education provider; its focus is on the professional education and advanced training of physicians. At the same time, Afya is increasingly focusing on digital solutions for the medical profession, such as tools to support patient diagnosis or practice management. In October 2022, Afya announced the acquisition of two universities in northeastern Brazil, which together provide 340 medical school seats per year. The transaction, which increases Afya’s total medical school seats to 3,163 per year, closed on Jan 2, 2023. Given that medical studies take six to seven years, Afya will be able to simultaneously provide more than 22,000 students with the opportunity to study medicine.

Relias strengthened its position as the leading digital platform for training healthcare workers. The company launched a new mobile app for learners and a new web offering. Many courses were enhanced using innovative

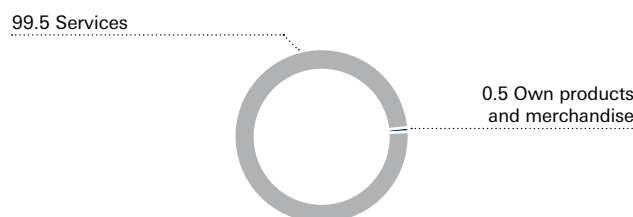
### Revenue Breakdown



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



### Revenues by Category in percent



technologies such as virtual reality and 3D simulations. Healthcare facilities benefited from new offerings that, for example, make it faster and easier to assign compliance training and track it in a legally compliant manner.

Alliant International University in California saw increased student enrollments in both online and offline programs, with particularly strong enrollment growth in teaching degrees. At the end of the year, approximately 4,000 students were enrolled in mental health and teaching degree programs at Alliant’s seven campuses. Furthermore, Alliant launched a new School of Nursing and Health Sciences in Phoenix, Arizona. The new campus expands the university’s offerings in an area that is increasingly suffering from a shortage of skilled workers. Alliant is seeking its accreditation for degree programs in several nursing professions, e.g., Bachelor of Science in Nursing, Family Nurse Practitioner, Master’s in Nursing Administration, and Master’s in Occupational Therapy.

In fall 2022, Bertelsmann announced a new Tech & Data Scholarship initiative, under which the Group will award more than 50,000 scholarships to interested individuals from all over the world over the next three years. Participants will receive advanced training at the online education provider Udacity in the emerging technologies of data management and artificial intelligence, software development and engineering, and cybersecurity.

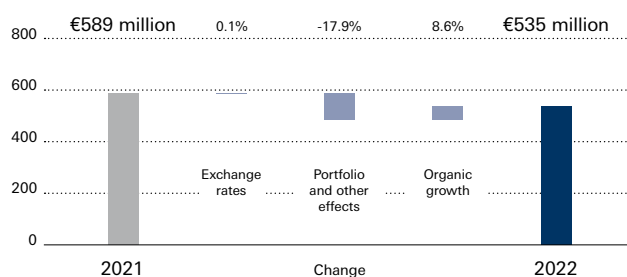
## Bertelsmann Investments

Bertelsmann Investments (BI) comprises Bertelsmann’s global network of funds, the newly created Bertelsmann Next unit, and the Investments & Participations unit, and has been led by Carsten Coesfeld as CEO since June 2022. BI’s revenues amounted to €535 million (previous year: €589 million), and its operating EBITDA was €22 million (previous year: €68 million). Since the merger of RTL Deutschland and Gruner + Jahr at the beginning of 2022, the AppLike Group, the communications agency Territory and associated employability specialist Embrace, the majority stake in DDV Mediengruppe, and a stake in Spiegel Group have also been part of Bertelsmann Investments. The business development of the venture capital business is determined primarily on the basis of EBIT. Mainly due to exchange rate effects and impairments of investments resulting from market conditions, EBIT in the amount of €-70 million was below the previous year’s value (€430 million), which included capital gains and strong increases in the value of investments.

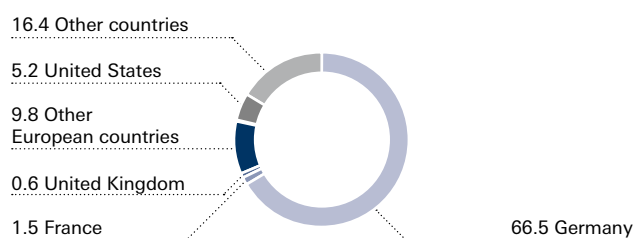
BI expanded its network of funds to 333 active investments with a total of 54 new and 31 follow-on investments, and realized several exits.

Bertelsmann Asia Investments (BAI) made 15 new investments in financial year 2022, including in Clear Motion, a technology company in the automotive sector, and nine follow-on investments. One follow-on investment saw BAI increase its stake in the Latin American neobank Stori.

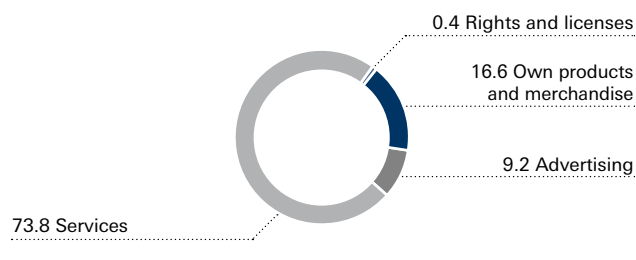
### Revenue Breakdown



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



### Revenues by Category in percent



Since BAI's initial investment in 2019, Stori has achieved significant growth, with its valuation surpassing \$1 billion in 2022.

In connection with the Group-wide Boost strategy, Bertelsmann India Investments (BII) will focus its investment activity on the e-commerce, health tech, ed tech, HR tech and fintech sectors in the years ahead. During the reporting year, BII invested in the CRM software company Vymo and the health tech provider Orange Health, among others. Further investments were made in the sales outsourcing platform Squad-Stack and the agritech platform Bijak. BII also made follow-on investments in existing portfolio companies, including Rupeek, LetsTransport and Shiprocket.

Bertelsmann Digital Media Investments (BDMI) made 28 new and 17 follow-on investments, including in the market intelligence platforms Suzy and Antenna, and in the digital asset management provider Tenovos. BDMI also successfully realized several exits, including the sale of stakes in subscription management provider Zephr, content platform Clique Media, and sports reporter The Athletic.

Beyond the activity of its three main funds BAI, BII and BDMI, BI also expanded its central investment activities. For example, BI made its first direct investments in Southeast Asia by acquiring shares in the healthcare companies Speedoc and Naluri, and also invested in funds operated by Vertex Ventures and Openspace Ventures. Apart from this, BI also strengthened its commitment in Brazil through fund investments in Monashees and Crescera.

During the 2022 financial year, BI was expanded to include the newly created Bertelsmann Next unit. The Next initiative was set up to drive the development of new and existing growth businesses, particularly in the digital health, app economy and HR tech sectors. In the field of Digital Health, Bertelsmann Next made its first direct investments and participated in several funds. These included capital commitments to digital health funds such as General Catalyst, YZR and Rock Health, as well as share purchases in innovative companies in the health sector, including Ada Health and SubjectWell. The revenues of the AppLike Group, which has been assigned to the App Economy section of Bertelsmann Next since 2022, continued to increase.

## General Statement by Company Management on the Economic Situation

The past financial year 2022 was mainly dominated by geopolitical and economic challenges. Nevertheless, Bertelsmann achieved a positive business development overall. The Group increasingly benefited from its growth strategy and generated revenues of more than €20 billion. Earnings performance was characterized by strong increases in the education and music businesses and in the service businesses, but also by higher start-up losses at RTL Group for expanding the streaming businesses as well as a drop in earnings at Penguin Random House and the Bertelsmann Printing Group primarily attributable to market conditions and inflation.

Group revenues in the reporting period rose strongly as expected by 8.3 percent to €20.2 billion from €18.7 billion in the previous year (forecast in the 2021 Annual Report: moderate increase in revenues/adjusted forecast in the 2022 Interim Report: more significant to strong increase in Group revenues). Apart from organic growth of 4.1 percent, the increase is also attributable to portfolio effects, in particular the increase in the shareholding in Afya and positive exchange rate effects. At €3,192 million, operating EBITDA was only slightly below the previous year's high level of €3,241 million (forecast in the



2021 Annual Report: moderate decline). Excluding start-up losses for the expansion of RTL Group's streaming businesses, a stable operating EBITDA of €3,404 million was achieved, compared to €3,393 million in the previous year (forecast in the 2021 Annual Report: stable development before start-up losses). At €109 million, the BVA used for Group management was strongly below the previous year's figure of €474 million, in part due to start-up losses (forecast in the 2021 Annual Report: strongly declining BVA).

In 2022, Bertelsmann continued to implement its Boost strategy. A Group-wide surge in growth has already been achieved against the backdrop of the strategic measures initiated up to now. The growth initiatives also support the further development and the continuing expansion of the five growth priorities: national media champions, global content, global services, education and investment portfolio. Even though it was not possible to implement some of the announced transactions in 2022 as planned, the company forged ahead with its strategic priorities for establishing national media champions and for expanding global content, in the book publishing field in particular, also along alternative scaling paths. The other strategic priorities were expanded as planned. RTL Group's streaming services grew the number of paying subscribers to 5.5 million. The content businesses also expanded further, both organically and through acquisitions. As part of its international growth strategy, Fremantle made a number of acquisitions during the reporting period, taking over several production companies including LuxVide, Element Pictures and 72 Films. BMG expanded its portfolio, including through the takeover of the music label Telamo and the acquisition of further music catalogs. The global services business was strengthened by the establishment of further sites and through acquisitions. Arvato Supply Chain Solutions continued to expand its distribution network, including in Germany and Poland, while Majorel acquired the Spanish CX service provider Findasense. In the education sector, 2022 saw the acquisition of a controlling interest in the Brazilian medical education company Afya. The Bertelsmann Education Group also benefited from continued high demand for digital education and training courses. In 2022, Bertelsmann Investments continued to invest in young companies and funds around the world, and also expanded through the addition of the Bertelsmann Next unit, which will focus on tapping into new business areas and on establishing and developing growth businesses.

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, 2021: 1.3). As of December 31, 2022, the cash and cash equivalents were reported at €3.2 billion (December 31, 2021: €4.6 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	2022	2021
Organic revenue growth	4.1	11.4
Exchange rate effect	2.8	(0.7)
Portfolio effects and other effects	1.4	(2.6)
Reported revenue growth	8.3	8.1

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

in € millions	2022	2021 (adjusted)
EBIT (earnings before interest and taxes)	1,553	3,324
Special items	562	(963)
attributable to: RTL Group	94	(769)
attributable to: Penguin Random House	272	32
attributable to: BMG	7	14
attributable to: Arvato	22	139
attributable to: Bertelsmann Printing Group	25	60
attributable to: Bertelsmann Education Group	46	(59)
attributable to: Bertelsmann Investments	75	(384)
attributable to: Corporate/Consolidation	21	4
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	1,099	909
Adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	(22)	(29)
<b>Operating EBITDA</b>	<b>3,192</b>	<b>3,241</b>

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

## BVA

in € millions	2022	2021
Operating EBITDA	3,192	3,241
Amortization/depreciation, impairments/reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets not included in special items	(1,077)	(880)
Operating EBIT	2,115	2,361
Flat taxes (30 percent)	(634)	(708)
NOPAT (Net Operating Profit After Tax)	1,481	1,653
Average invested capital	18,613	16,166
Cost of capital (8 percent)	1,489	1,293
Correction venture capital business of Bertelsmann Investments	117	114
<b>BVA</b>	<b>109</b>	<b>474</b>

BVA measures the profit realized above and beyond the appropriate return on invested capital. This form of value orientation is reflected in strategic investment and portfolio planning and in the management of operations and, together with qualitative criteria, provides the basis for measuring the variable portion of management remuneration. BVA is used for control essentially at the Group level. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated on the basis of operating EBITDA. The NOPAT figure used to calculate BVA is determined by deducting depreciation and amortization, provided that they are not included in special items, and a flat 30 percent tax. Cost of capital is the product of the weighted average cost of capital (WACC) and the average level of capital invested. The uniform WACC after taxes is 8 percent. The average invested capital is calculated quarterly on the basis of the Group's operating assets less non-interest-bearing operating liabilities. For determining BVA, the venture capital business of the Bertelsmann Investments division is excluded, since business performance is represented primarily on the basis of EBIT. Accordingly, the method does not include a pro rata NOPAT contribution for this division's venture capital business. To maintain consistency, the invested capital of the venture capital business will be adjusted for the Bertelsmann Investments division; hence, capital costs will be neutralized.

## Cash Conversion Rate

in € millions	2022	2021
Cash flow from operating activities	1,382	1,820
Income taxes paid	339	807
Change in provisions for pensions and similar obligations	97	276
Investments in intangible assets and property, plant and equipment (less proceeds from the sale of non-current assets)	(993)	(459)
Lease payments	(358)	(317)
Further adjustments	409	330
Operating free cash flow	876	2,457
Operating EBITDA	3,192	3,241
Amortization/depreciation, impairments/reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets not included in special items	(1,077)	(880)
Operating EBIT	2,115	2,361
<b>Cash Conversion Rate</b> (in percent)		
Operating free cash flow/operating EBIT	42	107

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

## Economic Debt

in € millions	2022	2021
Gross financial debt	5,477	5,604
Less cash and cash equivalents	(3,228)	(4,645)
Net financial debt	2,249	959
Less 50 percent of the par value of the hybrid bonds	n/a	(625)
Less investments in special funds	(125)	(102)
Pension provisions	710	1,474
Profit participation capital	413	413
Lease liabilities	1,538	1,356
<b>Economic debt</b>	<b>4,785</b>	<b>3,475</b>

Net financial debt is calculated on the basis of gross financial debt, which comprises the balance sheet items current and non-current financial debt, minus cash and cash equivalents. Economic debt is defined as net financial debt less the investments in a special fund that can be converted into cash at short notice (see also section “Minority Stakes and Other Financial Assets” in the notes to the consolidated financial statements), plus provisions for pensions, profit participation capital and lease liabilities. As of the end of the 2022 financial year, the hybrid bonds are no longer corrected at a proportion of 50 percent when calculating economic debt. Following the public repurchase offer executed in November 2022 in relation to the hybrid bonds that may be terminated in April 2023, the equity portion of the outstanding hybrid bonds was taken into account differently by the rating agencies. Economic debt is modified for the purposes of calculating the leverage factor.

## Leverage Factor

in € millions	2022	2021
Economic debt	4,785	3,475
Modifications	250	250
Economic debt <sup>LF</sup>	5,035	3,725
Operating EBITDA	3,192	3,241
Modifications	(319)	(324)
Operating EBITDA <sup>LF</sup>	2,873	2,917
<b>Leverage Factor:</b>		
Economic debt <sup>LF</sup> /Operating EBITDA <sup>LF</sup>	1.8	1.3

One of the financial targets is a dynamic leverage factor calculated as the ratio of economic debt to operating EBITDA; this factor should not regularly exceed the defined maximum of 2.5. In determining the leverage factor, the economic debt and the operating EBITDA are modified to enable financial management that corresponds to the Group’s structure. The modifications in regard to the economic debt largely relate to cash and cash equivalents, which are tied up in the Group, while the modifications in regard to the operating EBITDA address the Group’s structure and its co-shareholder shares. The leverage factor determined in this way is thus always more conservative than the figure that would be obtained using only the items recognized in the balance sheet.

# Risks and Opportunities

## Risk Management System

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

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

The Group auditor inspects the risk early-warning system for its capacity to identify developments early on that could threaten the existence of Bertelsmann SE & Co. KGaA according to section 91(2) of Germany's Stock Corporation Act (AktG), and then reports the findings to the Supervisory Board of Bertelsmann SE & Co. KGaA. Corporate Audit conducts ongoing reviews of the adequacy and functional capability of the RMS in all divisions apart from RTL Group and M6, Majorel (Arvato) and Afya (Bertelsmann Education Group). The RMS of RTL Group, M6, Majorel and Afya is evaluated by the respective internal auditing department and by the external auditor. Any issues that are identified are promptly remedied through appropriate measures. The Bertelsmann Executive Board defined the scope and focus of the RMS based on the specific circumstances of the company. However, even an appropriately designed and functional RMS cannot guarantee with absolute certainty that risks will be identified and controlled.

## Accounting-Related Risk Management System and Internal Control System

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

The ICS for the accounting process consists of the following areas. The Group's internal rules for accounting and the preparation of financial statements (e.g., IFRS manual, guidelines and circulars) are made available without delay to all employees involved in the accounting process. The Consolidated Financial Statements are prepared in a reporting system that is uniform throughout the Group. Extensive automatic system controls ensure the consistency of the data in the financial statements. The system is subject to ongoing development through a documented change process. Systematized processes for coordinating intercompany transactions serve to prepare the corresponding consolidation steps. Circumstances that could lead to significant misinformation in the Consolidated Financial Statements are monitored centrally by employees of Bertelsmann SE & Co. KGaA, and then verified by external experts as required. Central contact persons from Bertelsmann SE & Co. KGaA and the divisions are also in continuous contact with local subsidiaries to ensure IFRS-compliant accounting as well as compliance with reporting deadlines and obligations. These preventive measures are supplemented by specific controls in the form of automated and manual analyses by the Corporate Financial Reporting department of Bertelsmann SE & Co. KGaA. The purpose of such analyses is to identify any remaining inconsistencies. The controlling departments at the Group and division levels are also integrated into the internal management reporting. Internal and external reporting are reconciled during the segment reconciliation process. The further aim 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. Like the RMS, each ICS cannot guarantee with absolute certainty that significant misinformation in the accounting process can be prevented or identified.

Corporate Audit and the internal auditing departments of RTL Group, 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	Cyclical development of economy			■		
2	Supplier risks			■		
3	Customer risks			■		
4	Changes in market environment			■		
5	Legal and regulatory risks			■		
6	Pricing and discounting			■		
7	Audience and market share			■		
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 and financial market risks. These risks are largely managed at the corporate level.

## Strategic and Operational Risks

In 2022, global economic development weakened considerably due to the impact of the war in Ukraine, high inflation rates, the continuation of some of the pandemic-related restrictions, above all in China, and the persisting disruptions in supply chains. The real gross domestic product (GDP) rose by 3.4 percent, compared to 5.9 percent in 2021. The global economy will remain under significant pressure in the future in view of the war in Ukraine. The associated distortions, such as the energy crisis and high inflation, are affecting economic development worldwide. By contrast, positive effects are expected from China in the course of 2023, where the strict zero-COVID policy has been lifted meanwhile. The tightening of monetary policy by major central banks poses a global risk to further economic development. Bertelsmann's business development is also subject to other macroeconomic risks. Even though the possible negative effects of the coronavirus pandemic on Bertelsmann's businesses is now considered to be less significant, especially as regards the advertising-financed businesses of RTL Group, there is ongoing uncertainty regarding a further slowdown of the economy, resulting in, amongst other things, increasing customer risks. 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. It is largely possible to transfer this upwards pressure on prices, but only with a time delay in some cases. Additional cost measures will be required in individual divisions as part of the offsetting measures. In the short and medium term,



negative economic developments, supplier and customer risks, a changing market environment, legal and regulatory risks, drops in prices and margins 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, the development and implementation of products and services by competitors, bad debt losses, and default and interference along the production chains in individual sectors. Information security and financial market risks 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 major tech platforms continue to consider ad-supported programming, which could increase competition in advertising markets. Furthermore, 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 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 possibility of changing market conditions constitutes a risk for Penguin Random House. In the area of procurement and supply chains, rising costs for raw materials and energy represent additional risks. These risks are countered through ongoing cost management and by reviewing the materials used. Any risks of bad debt loss are being limited through debtor management, and in some cases through credit insurance. Penguin Random House is also finding itself exposed to general economic risks that could lead to lower sales. The risks are addressed through careful management of supplier relationships and innovative marketing activities, and by maintaining a flexible cost structure that allows for a quick response in the event of an economic downturn.

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

Against the backdrop of growing macroeconomic uncertainty, Arvato sees itself as particularly exposed to risks from customer and supplier relationships. The risk of loss of key customers is being countered through contracts offering comprehensive service packages with simultaneously flexible cost structures. On the supplier side, there are risks associated with the availability of services and the further rise in factor costs.

Countermeasures include an active exchange with existing suppliers and entering into long-term framework agreements. Growing competition for qualified professionals as well as the continued rise in labor costs represent the major personnel-related risks. There are plans to address these risks by using targeted HR instruments. A further slowdown of the economy could 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. Moreover, new legislation could have a negative impact on business models. This risk is mitigated by observing legislative developments and adjusting business processes.

For the Bertelsmann Printing Group, the most significant risk is the volatile price situation on the raw materials and energy markets on the supplier side. In addition, price and margin pressures result from the market environment, which is characterized by overcapacity, primarily in the gravure printing segment. The potential loss of customers also represents an additional risk. The persistent increase in digital substitution continues to accelerate the decline in circulations and the number of pages per issue, in particular in the magazine and catalog print segments. A deterioration in the economic environment may also lead to an acceleration in the decline of the print market. 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 prices for printing services.

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 could lead to growing price and margin pressure and to reduced new customer acquisition, and it could negatively impact the planned growth targets should new 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. Additionally, higher education is highly regulated in the United States and Brazil, especially with regard to financial aid for students. 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 full compliance with regulatory standards and potential changes in laws and regulations that may impact companies as well as regular interactions with regulators and accrediting bodies. Furthermore, the Bertelsmann Education Group is exposed to macro-economic risks (e.g., currency effects and political uncertainty) in Brazil and the United States.

The key risks for the venture activities at Bertelsmann Investments consist of falling portfolio valuations and lost sales proceeds. These risks are being addressed through a standardized investment process and the continuous monitoring of the investment portfolio, including possible exit opportunities. In the Bertelsmann Next unit, changing conditions in the digital business represent a risk. 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, accelerated even more by the coronavirus pandemic, and in Bertelsmann's business segments means employees will need to be more willing and able to adapt in the future. There are also continuing demographic risks that impact the recruitment, development and retention of talent as a result of shifts in the age distribution of the workforce. The pandemic has also resulted in

a skills shortage in many operational business areas, and suitable measures, in particular customized training opportunities, comprehensive health programs, competitive remuneration and flexible working models, are required to counteract this shortage. Bertelsmann is also enhancing its talent management by digitalizing recruiting processes and measures, and making it easier for employees to switch jobs within the Group by harmonizing processes and structures.

### Acquisition-Related Risks

The Group strategy focuses on acquisitions of businesses 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, education activities are subject to regulatory provisions of government authorities and accreditation bodies. Some of the financial services activities are subject to banking supervision regulations. Bertelsmann Group companies occupy leading market positions in many lines of business, and may therefore have limited potential for growth through acquisition due to antitrust legislation. Other risks include litigation relating to company acquisitions and disposals, as well as increased data protection regulations leading to growing challenges, especially for data-based business models. These risks are being continuously monitored by the relevant divisions within the Group.

Several subsidiaries of RTL Group are being sued by the broadcaster RTL 2 Fernsehen GmbH & Co KG and its sales house, El Cartel Media GmbH & Co KG, before the regional court in Düsseldorf, Germany, seeking disclosure of information to substantiate a possible claim for damages. The proceedings follow the imposition of a fine in 2007 by the German Federal Cartel Office for abuse of market dominance with regard to discount scheme agreements (share deals) granted by Ad Alliance GmbH (formerly IP Deutschland GmbH) and SevenOne Media GmbH to media agencies. The German Federal Cartel Office argued that these discounts would foreclose small broadcasters from the advertising market. In 2014, the district court of Düsseldorf decided to order an expert report. The expert concluded in February 2018 that the likelihood of damages cannot be proven with certainty. In July 2018, RTL 2 Fernsehen GmbH & Co KG filed a motion claiming that the expert was not impartial, with the aim of getting the court to obtain a new expert opinion. Ad Alliance GmbH has rejected the motion of lack of impartiality as unfounded. Due to his unexpected death in February 2020, the court expert could not submit his response to the allegation of impartiality. The court has announced that it would take a decision on the issue of impartiality in the upcoming weeks. The court case will continue. Similar proceedings from other small broadcasters, initiated in different courts, were unsuccessful or have been withdrawn.

In June 2016, the main competitors of Fun Radio alleged that a host of the morning show had influenced Fun Radio's results by encouraging his listeners to give favourable 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 23 January 2023, the Court decided to award damages for unfair competition. Fun Radio appealed the Court's decision on 26 January 2023 and is confident to achieve a favourable 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 €38.2 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 continues to be subject to changes. The Chinese government is tackling what it sees as undesirable social developments by implementing regulatory interventions, e.g., currently in the areas of crypto currencies or the outflow of data to foreign countries. This is influencing the focus of Bertelsmann Asia Investments' (BAI) 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. After the National Congress of the Chinese Communist Party, a stronger ideologization of politics can be observed, with accompanying challenges for the economy. Possible exit timings largely depend on the further effects of the COVID-19-pandemic and may generally be pushed back. In addition, current global geopolitical tensions may also adversely affect BAI's portfolio. In the meantime, at least 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. Foreign direct investments in the People's Republic of China are also subject to regulatory restrictions. To satisfy local requirements, some of Bertelsmann's activities are held by trustees as part of VIE (Variable Interest Entity) structures. These are standard market practice for investments in China and are only rarely subject to judicial disputes in China. There is a certain risk that it will not be possible to safeguard VIE structures through the courts, particularly if the People's Republic changes its policies or if courts and authorities change their case law or administrative practice toward investments by foreigners

(particularly in respect to VIE structures). Bertelsmann lawyers and external legal counsel are working closely with the Group legal department to follow further developments in order to anticipate legal and economic consequences early on. This affects companies within BMG, Arvato and the investments of BAI.

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

## Information Security Risks

The ability to provide information in a timely, complete and confidential way, and to process it without disruptions, is crucial to Bertelsmann's success, and it continues to grow in importance. Bertelsmann is addressing the operating environment, which is made tougher by cyber threats, at the management level by operating a Group-wide Information Security Management System (ISMS, based on ISO 27001) and the measures thereby initiated. The ISMS's goals are the structured management of cyber risks and to monitor compliance with minimum Group standards that are refined based on the state of the art. In order to have access to cutting-edge cyber security technologies and specialist expertise in regular operations and emergencies, Bertelsmann – in addition to providing and further developing its own resources – also uses a network of external partners, and is an active member of the German Cyber Security Organization (Deutsche Cyber-Sicherheitsorganisation: DCSO). Furthermore, Bertelsmann addresses the increased risk with specific measures that directly increase resilience in cyber security – for example, by supporting the activities of Security Operations Centers and authentication technologies. An indicative assessment of information security risks was conducted in the 2022 financial year on the basis of the method used to assess operative Group risks. The results indicate that information security risks are moderate, analogous to the categorization of major Group risks.

## Financial Market Risks

As an international corporation, Bertelsmann is exposed to various forms of financial market risk, especially interest rate and currency risks. These risks are primarily monitored centrally by the Finance Department on the basis of guidelines set up by the Executive Board. Derivative financial instruments are used solely for hedging purposes. Currency derivatives are primarily used to hedge future obligations that are subject to a foreign currency risk. Some firm commitments denominated in foreign currency are partially hedged when they are made, with the hedged amount being adapted over time. A number of subsidiaries are based outside the eurozone. The resulting translation risks to the leverage factor (ratio of economic debt to operating EBITDA) 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 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 2022 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. In addition, the key pandemic-related risks to Bertelsmann are now considered as being lower. The overall risk situation is therefore slightly below the previous year's level. Due to high inflation and large uncertainties regarding a potential slowdown of the economy, risks arising from economic development continue to represent the main challenge. Supplier and customer risks, risks arising from a changing market environment, legal and regulatory risks, pricing and margin risks and the possible loss of audience and market share at RTL Group constitute other key risks. However, as a result of the diversification of Group businesses, there are no concentration risks stemming from dependency on individual business partners or products in either procurement or sales. The Group's financial position is solid, with liquidity needs covered by existing liquidity and available credit facilities.

## Opportunity Management System

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

## Opportunities

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

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

For RTL Group, 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 media 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 the monetization thereof. Moreover, the growing international market penetration of subscription-based music streaming services offers opportunities to better monetize the recorded-music and music-publishing markets. This will be achieved by increasing price levels for subscription-based streaming services among end customers, by more advantageous billing models between streaming providers and BMG, and through market expansion, for example in the areas of gaming, fitness or self-help apps.

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

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



In particular, a further shift from traditional classroom-based delivery methods toward online and skill-based training, 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 recruiting as well as compliance and workforce management solutions for hospitals. 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 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 holdings. In the Bertelsmann Next unit and for the other investments, there are opportunities arising from improved macro-economic conditions that could, for example, lead to a stronger 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 2023. The global economy remains under significant pressure in view of the war in Ukraine. The associated distortions, such as the energy crisis and high inflationary pressure, are dampening economic sentiment worldwide. By contrast, positive effects are expected from China in the course of the year, where the strict zero-COVID policy has been lifted meanwhile. The simultaneous quantitative tightening measures by major central banks pose a global risk to further economic development. Growth in 2023 is therefore likely to be subdued early in the year and should then pick up again slightly as the factors weighing on the economy recede. According to the forecast published by the Institute for the World Economy (IfW) in Kiel, global production is estimated to increase by 2.2 percent in 2023, compared to a rise of 3.1 percent in 2022.

Economic growth is expected to be low in the eurozone, despite the adverse factors. The IfW estimates real economic growth of 0.6 percent in 2023. Germany’s GDP is expected to grow by 0.3 percent in real terms, according to the IfW. The growth rate in France is also expected to be 0.3 percent in real terms. For the United Kingdom, however, GDP is expected to decline by 0.6 percent in real terms in 2023. The IfW, in its report of December 2022, also forecast economic output in the United States to decrease by 0.4 percent in real terms in 2023. However, other institutions have predicted economic growth and therefore a more positive development.

## 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 2023, the TV advertising markets in Germany are expected to decline slightly, while moderate decrease is expected in France, a significant decline in the Netherlands and a stable development in Hungary. The streaming markets in Germany and the Netherlands are expected to continue growing strongly. The book markets are expected to remain stable overall. In the relevant music market, the publishing market segment is expected to grow significantly, whereas strong growth is projected for the recordings market segment. The services markets are predicted to show moderate (customer experience solutions, IT solutions) to significant (logistics and financial services) growth in 2023. The European printing markets are expected to record a moderate (offset) to strong (gravure) decline, while the book printing market in North America is expected to 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. The economic consequences of the Ukraine war and the further development of the high inflation environment 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 represent 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 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 2023 financial year, Bertelsmann anticipates moderately declining 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 and assuming that the situation regarding the war in Ukraine will not aggravate, Bertelsmann expects revenues to show a moderate to significant increase in the 2023 financial year, also in view of the ongoing growth initiatives. Operating EBITDA is forecast to show a stable development in the 2023 financial year. These expectations are based on operational planning for the 2023 financial year and on the exchange rates as of November 2022. In view of changes to the strictly defined performance indicators, the BVA will no longer be forecast from the 2023 financial year onwards.

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

These forecasts are based on Bertelsmann's business strategy, as outlined in the section "Corporate Profile." In general, the forecasts reflect careful consideration of risks and opportunities. All statements concerning potential future economic and business developments represent opinions advanced on the basis of the information that is currently available. Should underlying assumptions fail to apply and/or further risks arise, actual results may differ from those expected. Accordingly, no assurances can be provided concerning the accuracy of such statements.

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

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

The Annual Financial Statements of Bertelsmann SE & Co. KGaA, in contrast to the Consolidated Financial Statements, have not been prepared in accordance with the International Financial Reporting Standards (IFRS), but in accordance with the regulations of the German Commercial Code (HGB) and the supplementary regulations of the German Stock Corporation Act (AktG).

## Results of Operations of Bertelsmann SE & Co. KGaA

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

in € millions	2022	2021
Revenues	106	100
Other operating income	103	227
Cost of materials	(21)	(20)
Personnel costs	(154)	(147)
Amortization, depreciation and write-downs	(21)	(21)
Other operating expenses	(327)	(274)
Income from other participations	173	557
Interest income	145	(66)
Write-downs of long-term financial assets	(6)	0
Taxes on income	24	2
Earnings after taxes	22	358
Other taxes	(2)	(2)
Net income	20	356
Income brought forward	724	718
Transfer to other retained earnings	-	(130)
Net retained profits	744	944

The results of operations of Bertelsmann SE & Co. KGaA are significantly affected by the amount of income from other participations, due to Bertelsmann SE & Co. KGaA's role as the parent company of the Bertelsmann Group. The decrease in net income to €20 million (previous year: €356 million) is primarily attributable to the drop in other operating income and in income from participations. In contrast to this, the improvement in interest income had a positive impact on the development in net income.

The €124 million decrease in other operating income is due to the decrease in reversals of write-downs of shares in affiliated companies and the reversals of loss allowances on receivables. The reversals of write-downs and reversals of loss allowances of €60 million each in the previous year relate to shares in

RM Hamburg Holding GmbH, Hamburg, and the receivables from Prinovis GmbH & Co. KG, Hamburg. The increase of €53 million in other operating expenses is largely attributable to an increase in losses from derivatives for managing exchange rate fluctuation risks.

Income from other participations is primarily affected by the amount of income from a profit and loss transfer agreement with Bertelsmann Capital Holding GmbH, Gütersloh. As a result of the collection of dividends in the previous year, the amount of income coming from the profit and loss transfer agreement with this company declined by €409 million. The increase in returns on investments had the opposite effect on income from other participations due to a payout by Bertelsmann UK Limited, London (€174 million). The income from other participations was burdened in the reporting year and the previous year by a restructuring subsidy paid to a subsidiary.

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

The taxes on income for the 2022 financial year relate to refunds 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	31.12.2022	31.12.2021
<b>Assets</b>		
<b>Fixed assets</b>		
Intangible assets	9	10
Tangible assets	364	356
Long-term financial assets	19,049	18,613
	19,422	18,979
<b>Current assets</b>		
Receivables and other assets	5,167	5,632
Securities	879	1,029
Cash-in-hand and bank balances	621	221
	6,667	6,882
<b>Prepaid expenses and deferred charges</b>	22	18
	26,111	25,879
<b>Equity and liabilities</b>		
<b>Equity</b>	10,259	10,459
<b>Provisions</b>	769	610
<b>Liabilities</b>	15,079	14,806
<b>Deferred income</b>	4	4
	26,111	25,879

The total assets of Bertelsmann SE & Co. KGaA rose €232 million from the previous year to €26,111 million. A high ratio of equity (39 percent) and long-term financial assets (73 percent) to total assets continues to characterize net assets and financial position.

The increase in long-term financial assets, at €306 million, concerns investments in Bertelsmann Capital Holding GmbH, Gütersloh. The decline in receivables and other assets is largely apportioned to financing granted to Bertelsmann, Inc., Wilmington. The €400 million increase in cash funds is related to the repayment of receivables from affiliated companies.

Equity decreased by the dividend of €220 million paid out for the 2021 financial year less the net income of €20 million for the reporting year. Bonds and obligations have decreased by €439 million due to the repurchase of bonds and the repayment of bonds and obligations. The €749 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 2023 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 2022 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 following information relates to Bertelsmann SE & Co. KGaA and the Bertelsmann Group (“Bertelsmann”) with its incorporated, fully consolidated subsidiaries (“subsidiaries”) in accordance with sections 315b and 315c of the HGB, in conjunction with sections 289b to 289e of the HGB. Bertelsmann operates in the core business fields of media, services and education in around 50 countries 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 based on the standards of the Global Reporting Initiative (GRI) is published in the middle of the financial year.

## Company Principles and Guidelines

The prerequisites for a corporate culture in which employees, management and shareholders work together successfully, respectfully and in a spirit of trust are common goals and shared values. These are set forth in the corporate constitution as well as in the Bertelsmann Essentials "Creativity & Entrepreneurship." Furthermore, the Bertelsmann Code of Conduct – as a binding guideline 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 sets out the mandatory minimum standards for its business partners in their relationship with Bertelsmann. Bertelsmann's actions are also determined by external guidelines.

Bertelsmann is committed to the principles of the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights. 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 Environmental, Social, Governance (ESG) priorities in line with the corporate strategy, anchoring corporate responsibility and ESG reporting more strongly in the corporate divisions and 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. Within the Bertelsmann corporate structure, the local management teams are responsible for implementing corporate responsibility through specific measures. The corporate divisions and companies have their own structures and processes in place for this, in accordance with local requirements.

### Topics

To identify thematic 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 (2021–2023) is currently being implemented; progress is regularly monitored. Its content with relevance for the 2022 financial year is explained elsewhere in this non-financial statement. ESG topics, including their performance indicators, are increasingly important for Bertelsmann’s businesses. Against this backdrop, ESG was included in 2022 as a new 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 or its environment and stakeholders.

For the non-financial matters defined in the German Commercial Code – employee and social matters, respect for human rights, anti-corruption and bribery matters, and environmental matters – no significant risks that were very likely to have serious negative effects, either individually or collectively, were identifiable as part of the 2022 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 re- and up-skilling activities of Bertelsmann University, standardizing and providing IT support for HR processes, and continually developing corporate responsibility and the corporate culture.

The CHRO heads the HR Committee, which is the corporate committee responsible for international HR 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 fair working conditions and provide a framework that allows their employees to speak up freely and without fear of retaliation.

At Bertelsmann, remuneration issues are an integral part of fair working conditions. The compensation system is designed to ensure that remuneration is driven by market, function and performance considerations, taking into account business-specific characteristics. Numerous domestic and foreign subsidiaries have operational/divisional success and profit-sharing models adapted to local requirements. In 2022, a total of €89 million was distributed as part of such success and profit-sharing schemes globally for 2021.

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 international 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 four positions on the Supervisory Board of Bertelsmann SE & Co. KGaA available to employees on a voluntary basis. In 2022, three seats are held by members of works councils of German Group companies, 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, including anti-discrimination, 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 (2021–2023). These include the further development of a Group-wide management approach to fair working conditions and respecting human rights, the further development of processes for identifying risks concerning human rights issues and the continuous advancement of knowledge on these topics.

In 2022, the most important measures included the Code of Conduct training program and an international survey by the Bertelsmann Representative Committee of 1,000 employees about their satisfaction and the future of work.

## Diversity, Equity & Inclusion (DEI)

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

The DEI strategy and the DEI relevant aspects of the Bertelsmann ESG Program (2021–2023) 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 2022 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, 2022, the genders were almost evenly distributed across the entire staff, with 54 percent women and 46 percent men, remaining unchanged from the previous year). The Group Management Committee was comprised of 20 members (previous year: 18), of which seven were women (previous year: five). Bertelsmann had initially set itself the target of raising the ratio of women in top management and senior management across all corporate divisions to one-third by the end of 2021. This target was reached in 2022. Compared with the previous year, the proportion of female executives was increased from 30 percent to 35 percent in top management and 36 percent in senior management (see table). Furthermore, the targeted proportion of women was set at one-third for the top management and senior management talent pool, respectively, and 50 percent for the career development pool for the 2021/2022 cohort. For future cohorts, the targeted proportion of women was increased to 40 percent for the top management talent pool and to 50 percent for the senior management talent pool. The targeted proportion for the career development pool remains unchanged at 50 percent. The Supervisory Board and the Executive Board are notified annually of progress in regard to these targets.

### Targeted Proportion of Women in Top Management and Senior Management

Target for 2021	in percent	2022	2021
One-third of positions across all divisions occupied by women	Top management <sup>1,2)</sup>	35	30
	Senior management <sup>1,3)</sup>	36	30

1) Top management and senior management comprises those positions that are of particular importance because of their success-critical function and their strategic relevance for the Group's continued transformation and the achievement of its strategic targets. Top management positions comprise GMC positions but not Executive Board positions.

2) Basis: permanent and fixed-term employees as of December 31; with gender indication 2022 (100 percent), with gender indication 2021 (100 percent), limited comparability.

3) Basis: permanent and fixed-term employees as of December 31; with gender indication 2022 (92 percent), with gender indication 2021 (91 percent), limited comparability.

The company also defined strategic objectives relating to DEI as part of the Bertelsmann ESG Program (2021–2023). 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 initiated in 2022 to drive the integration of DEI in prioritized phases of the Employee Life Cycle. In addition, further resources and expertise for DEI were established in the corporate divisions, and corresponding working groups were set up. 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. The third annual evaluation can be viewed on the Bertelsmann website: [bertelsmann.com/disability-and-inclusion](https://bertelsmann.com/disability-and-inclusion).

The LGBTQ+ employee network “be.queer” has advanced international collaboration with the LGBTQ+ networks in the corporate divisions. For example, Pride Month was marked with numerous activities. The Bertelsmann website provides an overview of the DEI measures at Bertelsmann and in the corporate divisions at [bertelsmann.com/diversity](https://bertelsmann.com/diversity).

## Health & Well-being

Bertelsmann aims to create a health-promoting working environment and conditions for avoiding occupational health risks. In 2022, the topic “Health & Well-being” was confirmed by the Bertelsmann Executive Board as a Group-wide ESG priority and is now part of the CHRO’s strategic HR agenda. The CR department is responsible for developing and implementing the Health & 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 ongoing coronavirus pandemic, the focus in the first half of 2022 continued to be the immediate health protection of all employees around the world. This primarily included COVID-19 vaccines as well as additional prevention and protection measures. Since the summer of 2022, the previous obligations regarding prevention and protection measures against the coronavirus for employees have been changed to recommendations. Measures such as working from home and the provision of masks, disinfectants and coronavirus test kits were continued.

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 (2021–2023): 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 2022, a cross-divisional survey was carried out as regards the degree of coverage of external counseling services for employees (Employee Assistance Program) outside of Germany in order to be able to provide employees worldwide with access to job-related social counseling in the future. Mental health was also the focus of a cross-divisional initiative to raise awareness among employees. In addition, training courses to promote a health-oriented leadership style and an international fitness challenge were introduced as part of a pilot project.

## Learning

Bertelsmann aims to empower employees on all levels to adapt to the challenges of a quickly changing environment and to continuously learn from and with one another. Among other things, this is reflected in the fact that great importance is attached to an open attitude that embraces experimentation as an element of creativity in the Bertelsmann Essentials. The topic of “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 aspects of this learning strategy, and supports its implementation in the corporate divisions. Furthermore, the central focus areas for learning are 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 (2021–2023). 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 2022 in this context. To better identify and close qualification gaps, regular reporting on the success-critical Tech & Data roles (target/actual analysis) was expanded to include uniform performance indicators. In addition to the digital program series “BeReady,” for example, the strategy programs “Managing Strategy for Action” and “Reimagining Strategy” were held at Harvard Business School to empower and network Bertelsmann’s top executives. The three-year Udacity technology scholarship program, which provides 50,000 scholarships for which both Bertelsmann employees and external candidates are eligible to apply, was ended after the third round. A new three-year follow-up program for an additional 50,000 scholarships was started. Moreover, an “Employee Scholarship” program for Bertelsmann employees was initiated to build Tech & Data expertise. To promote a learning culture, the digital peer-to-peer learning format “Your Campus” was continued, and the new learning format “Your Growth Booster” was launched to strengthen learning skills.

## 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. The company publishes a wide variety of opinions and positions. These basic principles of the content businesses are therefore also set forth in the Bertelsmann Code of Conduct. 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 a cross-divisional working group to discuss issues relating to press freedom and editorial and journalistic independence, 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 (2021–2023). 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 2022, key measures included extensive coverage of the war in Ukraine. When the war broke out, RTL Deutschland interrupted the regular TV program of its main channel RTL Television and – together with its news channel n-tv – broadcast more than 200 hours of special programs. Reporters and news teams reported live on-location to provide audiences with reliable and continuous information about the war. Another measure involved conducting the nationwide “Trusted News Brands” survey, which showed a high level of interest among media users in news, especially on the topics of world news, regional news and politics. In this survey, n-tv achieved high scores in the area of trust, and the RTL brand showed clear potential for improvement. In March 2022, “Stern,” together with the Dorling Kindersley publishing company and in close cooperation with other units of the Bertelsmann Content Alliance, published the Hungarian storybook “Meseország mindenkié” [Fairyland is for Everyone], which addresses various LGBTIQ+ themes, in Germany, Austria and Switzerland. The publication of the German version of the original Hungarian book is another strong signal sent by the Bertelsmann Content Alliance to advocate social plurality and freedom of expression.

## 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”). 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 (2021–2023). 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 2022, RTL Deutschland carried out the secure integration of content for children as well as a technical adjustment of the youth protection system for RTL+ by implementing an automated provision of age ratings in the system. In addition, comprehensive themed weeks were conducted, organized by various units of the Bertelsmann Content Alliance. These included the Diversity Week initiated by RTL Deutschland in June, focusing on the dimensions of gender identity and sexual orientation, and the Sustainability Week launched in October around energy and mobility as part of the format “Packen wir’s an” [Let’s get to grips with it]. In addition, as a result of allegations of sexual misconduct and abuse of power on the show “The Voice of Holland,” RTL Nederland, together with the Talpa Network, founded an initiative to create a safe and inspiring work culture for the entire Dutch media industry.

## Respect for Human Rights

Bertelsmann is committed to respecting and protecting human rights within the company and in its supply chains. This stance is anchored in the Code of Conduct and is expressed through the voluntary commitment to external guidelines, e.g., the Guiding Principles on Business and Human Rights 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. The Integrity & Compliance (I&C) department is responsible for implementing the topic, and is subordinated to the CCC in the organization. I&C supports the CCC in fulfilling its tasks and makes suggestions for necessary improvements to the I&C program. It is I&C’s task to make all employees worldwide aware of the key legal provisions and internal company guidelines, including those concerning respect for human rights. I&C coordinates the collaboration between RTL Group, Majorel, Afya and Alliant, each of which has separate compliance organizations.

Bertelsmann is committed to fulfilling its 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.

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. Information on the options and the procedure applicable to reporting incidents can be viewed on Bertelsmann website: [integrity.bertelsmann.de](https://integrity.bertelsmann.de). An investigation is initiated for each compliance case reported, based on a defined procedure in line with the Executive Board's guideline for dealing with compliance violations, with the aim of fully clarifying each case. If Bertelsmann learns of actual and/or suspected human rights violations at business partners, the company contacts those responsible and takes the necessary remedial action.

The new Code of Conduct training introduced in 2022 is compulsory for all employees in order to enhance the general understanding of topics such as human rights issues among employees. In this context, measures to sensitize employees to the issue of anti-discrimination were also taken, and employees were advised of their rights. Contact persons for the German "General Equal Treatment Act" (AGG) are available at sites in Germany and employees were informed of their associated rights. In 2022, 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 advanced the revision of the Supplier Code of Conduct to fulfil human-rights due diligence obligations in supply chains as well as the development of a human rights strategy in the Group. Moreover, the head of the corporate legal department was appointed the Bertelsmann Human Rights Officer. The findings of the Bertelsmann Compliance Risk Analysis of 2022 show that the risks of human rights violations and discrimination are minimized to the greatest extent possible in view of the measures that have been taken.

## Anti-Corruption and Bribery Matters

Bertelsmann actively combats corruption. As a participant in the United Nations Global Compact, the company is committed to taking a stance against all types of corruption, among other things. A 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 internationally.

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 dealing with third parties. A due diligence review is carried out for each individual risk profile through a corresponding risk classification. The general business partner risk and the supply chain risk are assessed annually as part of the Bertelsmann Compliance Risk Analysis. The Anti-Corruption and Integrity Executive Board Guideline also describes the channels for reporting suspected violations and seeking additional advice, as well as other prevention and control measures. The Executive Board guideline for dealing with alleged compliance violations anchors an obligation to report even suspected violations of the prohibition of corruption to the Bertelsmann Corporate Center.

The most important measures in 2022 included the rollout of the new Code of Conduct training, which is compulsory for all employees. Majorel, Afya and Alliant have their own training programs. Furthermore, training on the topic of “Anti-Corruption & Integrity” was provided to relevant employees across the Group and the corruption risk outlined in the annual compliance report to the Executive Board. The findings of the Bertelsmann Compliance Risk Analysis of 2022 show that the risk of corruption is minimized to the greatest extent possible in view of the measures that have been taken.

## 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 (2021–2023). 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 2022, the focus of the collaboration was on measures to implement the strategic objectives of the Bertelsmann ESG Program (2021–2023), such as procurement and generation of electricity from renewable sources, the further development of environmental planning and reporting across the Group, the publication of a guideline for climate-friendly business travel, the increase in transparency on supply chain emissions in relation to print and digital products, and the development and external verification of product carbon footprints of print products.

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.

On December 31, 2022, the number of sites using green electricity was 378, a significant rise of 197 on the previous year's figure of 181. The ratio of green energy in the electricity procured by sites with electricity consumption of more than 100 megawatt hours was 76 percent. The ongoing conversion to renewable energies using certificates of origin and the expansion of photovoltaic systems at the company's own sites 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). In 2022, Bertelsmann's CO<sub>2</sub> emissions totaled 12.9 tons of CO<sub>2</sub>e per €1 million turnover (Scope 1 and 2, previous year: 18.2 tons CO<sub>2</sub>e per €1 million turnover).

## Environmental key figures

	2022	2021
Number of sites with green electricity supply	378	181
GHG emissions in tons of CO <sub>2</sub> e Scope 1 and 2 (combined)	261,800	340,200
GHG emissions in tons of CO <sub>2</sub> e Scope 1 and 2 (combined) per € 1 million turnover	12.9	18.2

In 2022, further data was collected from suppliers and business partners for the quantification of indirect Scope 3 emissions. Next to data gathering from paper manufacturers and print service providers, the focus was on the analysis of film productions and video streaming.

Further Group-wide environmental key figures are published in the second quarter of 2023 on the Bertelsmann website at [bertelsmann.com/environmental](https://bertelsmann.com/environmental).

## EU Taxonomy

With EU regulation 2020/852 (hereinafter "EU Taxonomy"), the EU Commission establishes the criteria for determining what qualifies as an "environmentally sustainable activity" and the criteria for classifying an economic activity as environmentally sustainable. For the 2022 financial year, as was already the case in 2021, the Group's EU Taxonomy reporting relates to the environmental targets 1 "Climate Change Mitigation" and 2 "Climate Change Adaptation." This includes information on the proportion of Taxonomy-eligible economic activities, and for the first time in the 2022 financial year Taxonomy-aligned economic activities, in revenues, investments (CapEx) and operating expenses (OpEx).

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 targets, (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 on an ongoing basis on the Group level together with the corporate divisions in order to ensure the completeness of the Taxonomy-eligible economic activities. In the 2022 financial year, Bertelsmann carried out an analysis of the required Taxonomy criteria for determining Taxonomy alignment for the first time.

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, investment expenditure and operating expenses connected with these CHP plants are immaterial for Bertelsmann. Moreover, in Bertelsmann's view, the economic activities described in Attachment XII of the Complementary Climate Delegated Act are not congruent with Bertelsmann's economic activities in connection with the CHP plants. The reporting is therefore not applicable in that respect.

### **Taxonomy eligibility**

With regard to the "Climate Change Mitigation" environmental target, Bertelsmann reports via the Arvato division's revenues from the economic activities "8.1. Data processing, hosting and related activities" and "8.2. Data-based solution for reducing greenhouse gas emissions." Regarding the "Climate Change Adaptation" environmental target, the following economic activities in the EU Taxonomy are defined as being relevant for Bertelsmann with respect to revenues: "11. Education" and "13.3. Motion picture, video and television program production, sound recording and music publishing activities." These economic activities represent an "enabling activity" as defined in the EU Taxonomy, and they relate to the corporate divisions RTL Group, BMG and Bertelsmann Education Group, and are reported for the first time for the 2022 financial year. As Bertelsmann understands it, the EU Taxonomy criteria do not currently provide clear guidelines on when the "enabling activities" and thereby the economic activities of the divisions RTL Group, BMG and Bertelsmann Education Group can make a direct contribution to climate change adaptation. Bertelsmann has therefore not performed an evaluation of the direct contribution to climate change adaptation in the 2022 financial year. Within the framework of the information on investments (CapEx), Bertelsmann reports other economic activities that can be seen in the section "EU Taxonomy Indicators."

### **Taxonomy alignment**

Bertelsmann does not report Taxonomy-aligned revenues, CapEx and OpEx in relation to the environmental objectives 1 "Climate Change Mitigation" and 2 "Climate Change Adaptation" for the financial year 2022. The technical screening criteria for a significant 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 as a climate risk and vulnerability assessment of the economic activities relevant for Bertelsmann was not carried out. In view of the need for cumulative compliance with the requirements of the technical screening criteria for a significant 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 expenditure (OpEx) defined in Article 8 of the EU Taxonomy.

If revenues, CapEx or OpEx can be assigned to both the "Climate Change Mitigation" and the "Climate Change Adaptation" targets, they are allocated in full to the "Climate Change Mitigation" target to avoid double counting. The calculation of the key 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. These revenues can be allocated to Bertelsmann’s economic activities pursuant to Annex I and II of the EU Taxonomy:

Economic activities	Revenues		Substantial Contribution to Climate Change Mitigation	Substantial Contribution to Climate Change Adaptation	Compliance with Do No Significant Harm Criteria	Compliance with Minimum Safeguards	Taxonomy-Aligned Proportion of Revenues	Category Enabling Activity (E)	Category Transitional Activity (T)
	in € millions	in %	in %	in %	Yes/No	Yes/No	in %	E	T
<b>A. Taxonomy-eligible activities</b>	<b>8,837</b>	<b>44</b>					<b>0</b>		
8.1 Data processing, hosting and related activities	146	1	100	0	No	No	0		T
8.2 Data-driven solutions for GHG reductions	7	0	100	0	No	No	0	E	
11. Education	622	3	0	100	No	No	0	E	
13.3 Motion picture, video and television program production, sound recording and music publishing activities	8,062	40	0	100	No	No	0	E	
<b>B. Taxonomy-non-eligible activities</b>	<b>11,408</b>	<b>56</b>							
<b>Total (A + B)</b>	<b>20,245</b>	<b>100</b>							

**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 the 2022 financial year, Taxonomy-eligible investment expenditure totaled €760 million (previous year: €58 million). The increase compared to the previous year was primarily because investment expenditure of €398 million in music and film rights was taken into account for the first time, and additions from leases for land, land rights and buildings amounting to €209 million were taken into account for the first time. For the 2022 financial year, Bertelsmann does not report any Taxonomy-aligned investment expenses. 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.

The investments can be allocated to Bertelsmann's economic activities pursuant to Annex I and II of the EU Taxonomy:

Economic activities	Investments (CapEx)		Substantial Contribution to Climate Change Mitigation	Substantial Contribution to Climate Change Adaptation	Compliance with Do No Significant Harm Criteria	Compliance with Minimum Safeguards	Taxonomy-Aligned Proportion of Investments	Category Enabling Activity (E)	Category Transitional Activity (T)
	in € millions	in %	in %	in %	Yes/No	Yes/No	in %	E	T
<b>A. Taxonomy-eligible activities</b>	<b>760</b>	<b>31</b>					<b>0</b>		
6.5 Transport by passenger cars and light commercial vehicles	1	0	100	0	No	No	0		T
7.1 Construction of new buildings	66	3	100	0	No	No	0		
7.2 Renovation of existing buildings	21	1	100	0	No	No	0		T
7.3 Installation, maintenance and repair of energy efficiency equipment	2	0	100	0	No	No	0	E	
7.6 Installation, maintenance and repair of renewable energy technologies	5	0	100	0	No	No	0	E	
7.7 Acquisition and ownership, and lease, of buildings	249	10	100	0	No	No	0		
8.1 Data processing, hosting and related activities	11	1	100	0	No	No	0		T
8.2 Data-driven solutions for GHG reductions	7	0	100	0	No	No	0	E	
13.3 Motion picture, video and television program production, sound recording and music publishing activities	398	16	0	100	No	No	0	E	
<b>B. Taxonomy-non-eligible activities</b>	<b>1,685</b>	<b>69</b>							
<b>Total (A + B)</b>	<b>2,445</b>	<b>100</b>							

**OpEx:** Operating expenditures within the meaning of the EU Taxonomy comprise operating repair and maintenance expenditures (including maintenance expenses for taxonomy-eligible software) and expenditures arising from short-term leases. Other expenditures in connection with the daily operation of property, plant and equipment are not included in operating expenditures. The expenditures from operating repair and maintenance expenses and short-term leases amounted to €266 million in the 2022 financial year (OpEx denominator in accordance with the EU Taxonomy). Operating expenditures for the 2022 financial year defined within the meaning of the EU Taxonomy only make up an insignificant proportion (1 percent) in relation to the total operating expenses (cost of materials, royalty and license fees, personnel costs as well as other operating expenses) reported in the Consolidated Income Statement. In application of the exemption option granted by the EU Commission (Second Commission Notice dated December 19, 2022), Bertelsmann therefore reports Taxonomy-eligible operating expenditures of €0 million or 0 percent. Companies can forgo the calculation of the OpEx numerator if the operating expenses within the meaning of the EU Taxonomy are not significant for the company's business model.