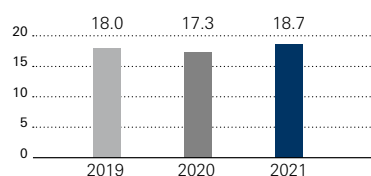


# Combined Management Report

## Financial Year 2021 in Review

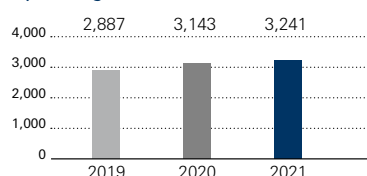
In the financial year 2021, Bertelsmann strongly increased its revenues and achieved an operating result of more than €3 billion for the second consecutive time. The Group recorded revenue growth of 8.1 percent to €18.7 billion (previous year: €17.3 billion), driven by strong organic growth of 11.4 percent.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

**Revenues** in € billions



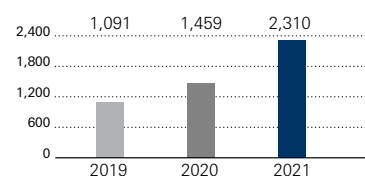
- Organic revenue growth of 11.4 percent compared to previous year, or 9.0 percent compared to 2019
- Revenue increases primarily at RTL Group, Penguin Random House and Arvato

**Operating EBITDA** in € millions



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

**Group Profit** in € millions



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

## Fundamental Information about the Group

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

## Corporate Profile

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

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

RTL Group is one of the leading European television groups in the broadcasting, content and digital business, with interests in 67 television channels, 10 streaming platforms, 39 radio stations, global content production companies as well as digital video networks. The television portfolio includes RTL Deutschland, M6 in France and the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia and Hungary, as well as a stake in Atrismedia in Spain. RTL Group's streaming services include RTL+ in Germany, Videoland in the Netherlands, and 6play and Salto in France. RTL Group's content

business, Fremantle, is one of the largest international creators, producers and distributors of scripted and unscripted content in the world. RTL Group also owns the streaming tech company Bedrock and the ad-tech company Smartclip. RTL AdConnect is RTL Group's international advertising sales house. RTL Group is a listed company and a member of the SDAX (MDAX as of March 21, 2022).

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

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

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

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

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

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

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

## Regulatory Environment

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

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

## Shareholder Structure

Bertelsmann SE & Co. KGaA is a capital market-oriented but unlisted company limited by shares. Three foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) indirectly hold 80.9 percent of Bertelsmann SE & Co. KGaA

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

## Strategy

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

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

Bertelsmann also invested in the expansion of the global content business. The production company Fremantle announced several acquisitions and stake increases, and established the Global Factual unit in order to expand the business in high-end documentaries. Penguin Random House achieved creative and business successes, for example with "How to Avoid Climate Disaster" by Bill Gates

and "Atlas of the Heart" by Brené Brown. BMG signed global superstars such as Bryan Adams, Santana and Johnny Marr, and – with the acquisition of the rock band Mötley Crüe's music catalogue – effected the single biggest catalog acquisition since the company was founded in 2008. In March, BMG also entered into a strategic partnership with the private equity firm KKR for the acquisition of major music rights packages. In October, BMG also announced the acquisition of an extensive portfolio of Tina Turner rights.

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

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

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

Bertelsmann is continually developing its strategy. Compliance with and achievement of the strategic development priorities are examined by the Executive Board and at the divisional level, through regular meetings of

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

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

## Value-Oriented Management System

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

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

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

### Strictly Defined Operational Performance Indicators

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

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

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

### Broadly Defined Performance Indicators

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

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

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

Bertelsmann's financial management system is defined by the internal financial targets outlined in the section “Net

Assets and Financial Position.” These financing principles are pursued in the management of the Group and are included in the broadly defined value-oriented management system.

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

## Non-Financial Performance Indicators

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

### Employees

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

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

### Innovations

Businesses invest in the research and development of new products in order to ensure their long-term competitiveness. Bertelsmann has a similar imperative to create innovative media content, media-related products, and services and educational offerings in a rapidly changing environment. Instead of conventional research

and development activities, Bertelsmann views the company's own innovative power as particularly important for business development. The long-term success of the Group depends heavily on product innovations, investing in growth markets and integrating new technologies. Furthermore, innovative expertise is very important for strategy implementation.

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

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

Innovations at Penguin Random House have been driven by investments in distribution and supply chains, consumer

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

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

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

infrastructure. The strategic expansion of BMG's service offering included further acquisitions in live events in Germany and the international expansion of BMG's artist management partner, Shelter Music Group.

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

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

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

## Report on Economic Position

### Corporate Environment

#### Overall Economic Developments

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

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

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

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

#### Developments in Relevant Markets

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

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

The markets for printed books showed positive development overall in 2021. There was strong growth in revenue for printed books in the United States and in the Spanish-language market, while the British and German markets each showed

moderate growth. After noticeable growth in the previous year, revenues from e-books were down moderately in the United States and strongly in the United Kingdom. In contrast, revenues from digital audiobooks continued to grow strongly in both countries.

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

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

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

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

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

## Significant Events in the Financial Year

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

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

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

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

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

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

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

The takeover of Gruner + Jahr's German magazine businesses and brands by RTL Deutschland was announced on August 6, 2021. Merging these two companies forms a national cross-media champion in the areas of television, streaming, magazines, radio and digital media. The transaction closed on January 1, 2022. As of the beginning of



the financial year 2022, Gruner + Jahr is no longer reported as an independent division. The remaining Gruner + Jahr activities will be assigned to the Bertelsmann Investments division in the future. This does not affect the reported figures in the 2021 Annual Report.

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

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

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

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

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

## Results of Operations

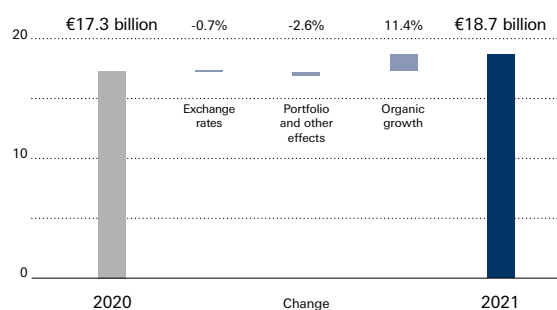
### Revenue Development

Group revenues increased in the financial year 2021 by 8.1 percent to €18.7 billion (previous year: €17.3 billion). In addition to the recovery of the advertising-financed

businesses, the positive performance of the book publishing and services businesses was a key factor in this strong revenue growth. Adjusted by exchange rate, portfolio and other effects, the Group's organic growth was 11.4 percent.

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

### Revenue Breakdown



## Revenues by Division

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

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

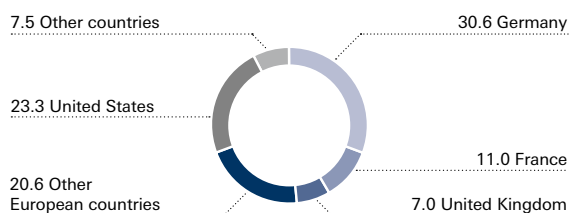
There were slight changes in the geographical breakdown of revenues compared to the previous year. The share of revenues generated in Germany was 30.6 percent compared to 30.9 percent in the previous year. The revenue share generated by France amounted to 11.0 percent (previous year: 11.9 percent). In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

## Operating EBITDA

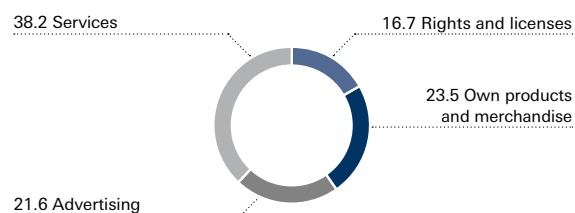
Bertelsmann achieved a record operating EBITDA of €3,241 million in the financial year 2021 (previous year: €3,143 million). The previous-year period included high capital gains from real-estate transactions. Despite that, the Group recorded a 3.1 percent increase in earnings. Strong earnings growth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

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

### Consolidated Revenues by Region in percent



### Consolidated Revenues by Category in percent



## Results Breakdown

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

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

### Special Items

Special items in the financial year 2021 totaled €963 million compared to €51 million in the previous year. They consist of impairments or reversals of impairment losses on investments accounted for using the equity method amounting to €2 million (previous year: €-62 million), impairments on other financial assets at amortized cost amounting to

€-1 million (previous year: €-26 million), adjustments of the carrying amounts of assets held for sale amounting to €-6 million (previous year: –), results from disposals of investments amounting to €786 million (previous year: €410 million), fair value measurement of investments of €483 million (previous year: €59 million), as well as restructuring expenses and other special items totaling €-301 million (previous year: €-214 million). During the reporting period, there were no impairments on goodwill and other intangible assets with indefinite useful lives, compared with €-116 million in the previous year. The strong increase in results from disposals of investments is particularly due to the disposal of SpotX. The increase in the fair value measurement of investments is particularly due to companies in the Bertelsmann Investments portfolio.

### EBIT

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

## Group Profit

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

## Net Assets and Financial Position

### Financing Guidelines

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

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

Bertelsmann utilizes a financial control system employing quantitative financial targets concerning the Group's

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

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

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

### Financing Activities

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

## Financial Targets

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

1) After modifications.

## Rating

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

## Credit Facilities

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

## Cash Flow Statement

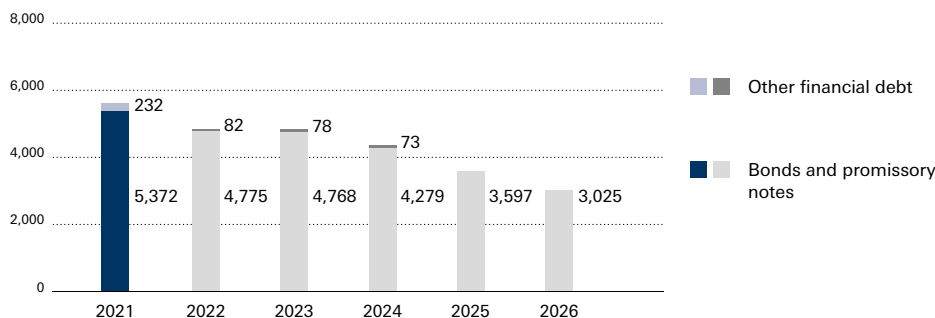
During the reporting period, cash flow from operating activities was generated in the amount of €1,792 million (previous year: €2,995 million). The sustainable operating free cash flow, adjusted for special effects, was €2,457 million (previous year: €2,571 million), and the cash conversion rate was 107 percent (previous year: 118 percent); see also the section "Broadly Defined Performance Indicators." The cash flow from investing activities

was €-267 million (previous year: €-263 million). Of that amount, €-1,699 million (previous year: €-879 million) was attributable to investments in intangible assets, property, plant and equipment, and financial assets. Purchase price payments for consolidated investments (less acquired cash and cash equivalents) were €-255 million (previous year: €-41 million). Payments from the sales of subsidiaries and other business units as well as of other non-current assets were €1,687 million (previous year: €657 million). The increase in payments represents in particular the disposal of SpotX as well as the disposals of Prisma Media and Ludia. The cash flow from financing activities was €-1,667 million (previous year: €330 million). The deviation is primarily due to the repayments stated in the section "Financing Activities." Dividend payments to Bertelsmann SE & Co. KGaA shareholders totaled €-180 million, after the dividend payment was suspended in the previous financial year due to the coronavirus pandemic. Dividends paid to non-controlling interests and other payments to shareholders amounted to €-230 million (previous year: €-10 million). As of December 31, 2021, Bertelsmann had cash and cash equivalents of €4.6 billion (previous year: €4.6 billion).

## Off-Balance-Sheet Liabilities

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

## Maturity Structure of Financial Debt in € millions



## Consolidated Cash Flow Statement (Summary)

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

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

### Investments

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

(less acquired cash and cash equivalents) totaled €255 million (previous year: €41 million) and relates, among others, to the full acquisition of Super RTL.

### Balance Sheet

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

## Investments by Division

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

## Profit Participation Capital

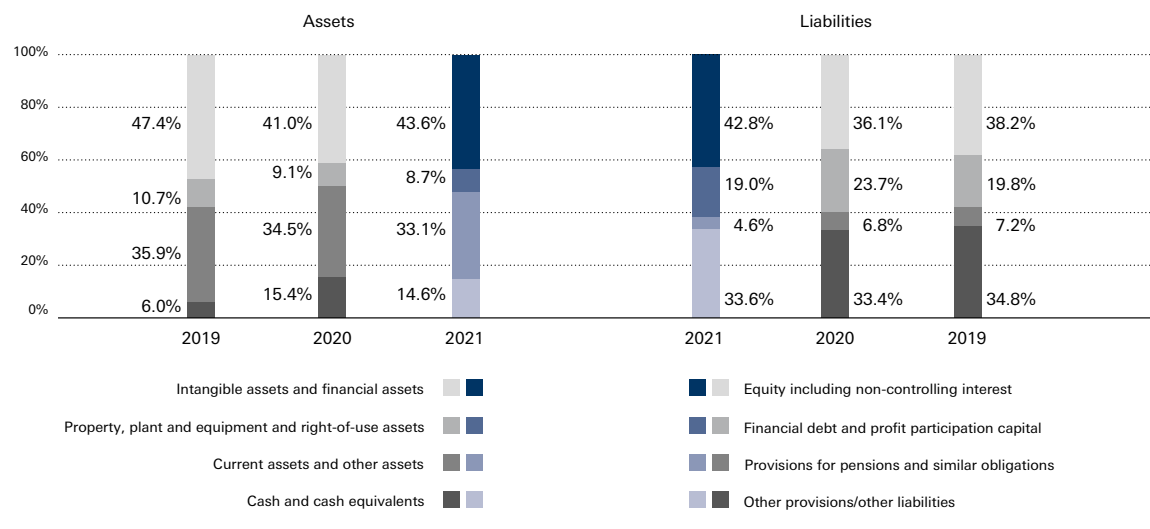
Profit participation capital had a par value of €301 million as of December 31, 2021, which is unchanged from the previous year. If the effective interest method is applied, the carrying amount of profit participation capital was €413 million as of December 31, 2021 (previous year: €413 million). The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

The 2001 profit participation certificates are officially listed for trading on the Regulated Market of the Frankfurt Stock

Exchange. Their price is listed as a percentage of par value. The lowest closing rate of the 2001 profit participation certificates during the 2021 financial year was 325.00 percent in January; their highest was 365.00 percent in December.

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

## Balance Sheet



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

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



## Performance of the Group Divisions

### RTL Group

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

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

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

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

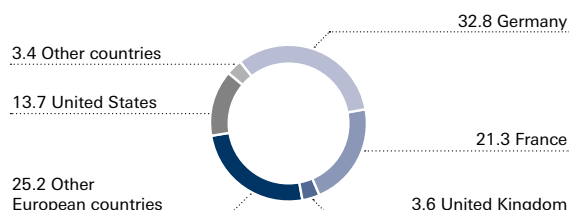
Groupe M6 and RTL Nederland increased their audience shares as their information and entertainment programs scored high ratings. The combined audience share of RTL Deutschland's channels decreased slightly, partly because the popular European soccer championship was broadcast by the public broadcasters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

RTL Group increased its shareholding in several production companies in 2021. Fremantle also expanded its position in

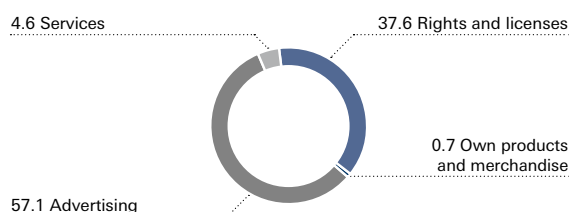
the Scandinavian market with the acquisition of 12 production companies from Nordic Entertainment Group. RTL Group generated a high capital gain from the sale of SpotX to the US ad tech company Magnite. The mobile video games subsidiary Ludia was sold to the US company Jam City.

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

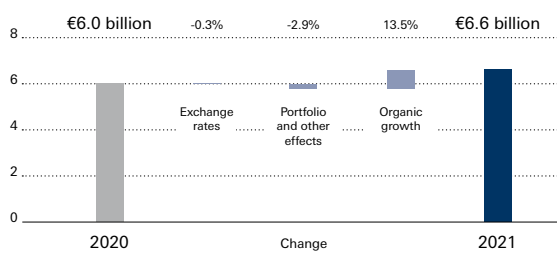
#### Revenues by Region in percent (without intercompany revenues)



#### Revenues by Category in percent



#### Revenue Breakdown



## Penguin Random House

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

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

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

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

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

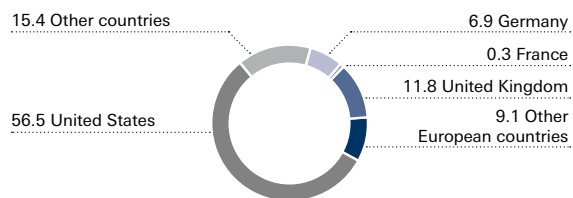
Penguin Random House US enjoyed a successful publishing and business year. Its biggest bestseller was "Atomic Habits" by James Clear, published in 2018; new releases such as "The Judge's List" by John Grisham, "The 1619 Project" created by Nikole Hannah-Jones and the New York Times Magazine, and "Go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

In the British book market, Penguin Random House UK was successful with titles such as "The Thursday Murder Club" and "The Man Who Died Twice" by Richard Osman,

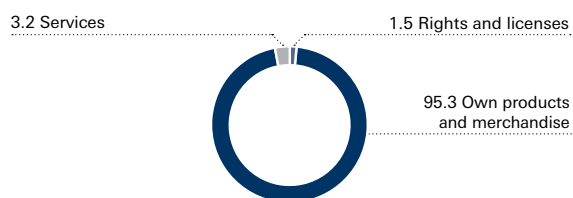
"The Very Hungry Caterpillar" by Eric Carle and, again, "Atomic Habits" by James Clear. Penguin Random House Grupo Editorial benefited from continued growth in online sales and a strong backlist catalog. Top titles included "El Italiano" by Arturo Pérez-Reverte and "De Ninguna Parte" by Julia Navarro.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

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

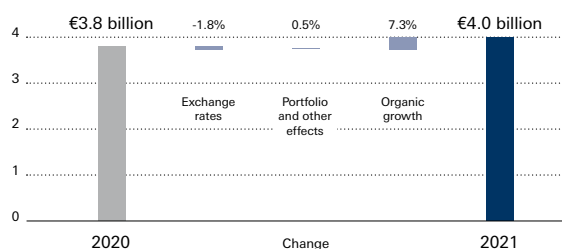
### Revenues by Region in percent (without intercompany revenues)



### Revenues by Category in percent



### Revenue Breakdown



## Gruner + Jahr

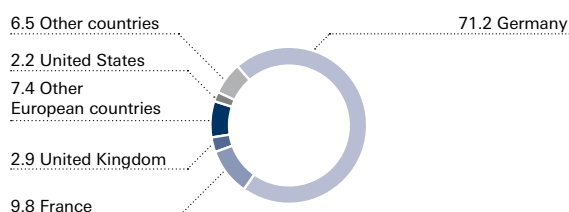
Gruner + Jahr had a successful year. Revenues declined by 7.4 percent to €1.05 billion (previous year: €1.14 billion), mainly as a result of the divestment of Prisma Media in France. Operating EBITDA increased by 5.9 percent to €134 million (previous year: €127 million). The EBITDA margin improved to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

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

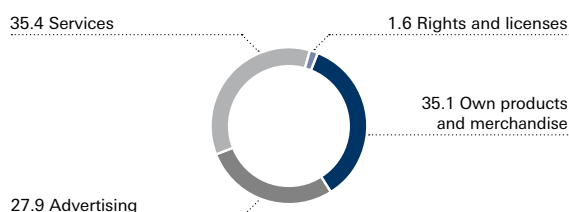
As a member of the Bertelsmann Content Alliance, Gruner + Jahr was involved in the development of numerous new content formats. For example, "Stern," RTL and ntv launched the weekday podcast "heute wichtig" ("important today"). Vox and Stern are working together on a long-term report on the consequences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

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

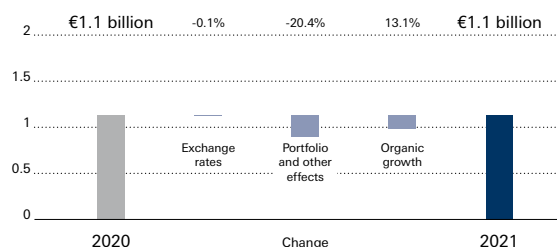
### Revenues by Region in percent (without intercompany revenues)



### Revenues by Category in percent



### Revenue Breakdown



## BMG

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

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

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

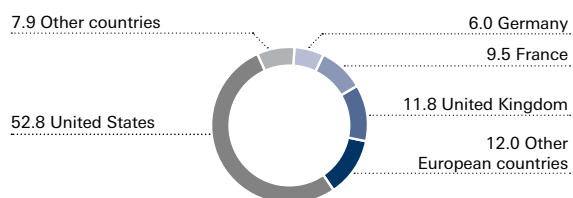
In the publishing business, DJ Khaled, Iron Maiden, Inhaler and RAF Camora released new albums that soared to number one in various markets. BMG songwriter Tyron Hapi co-wrote "Astronaut in the Ocean" (with Masked Wolf), the most-used song in 2021 on TikTok and Shazam. Singer/songwriter Diane Warren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

BMG entered into a long-term, exclusive agreement with Netflix to manage the video streaming service's music

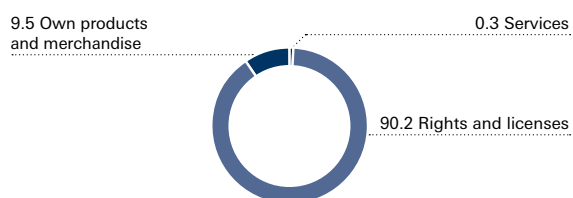
publishing rights for all countries outside the United States. It also announced a partnership with online gaming platform Roblox to open up the platform to develop opportunities for BMG artists and songwriters. BMG expanded into live music by acquiring KARO, the concert agency that organizes Germany's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

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

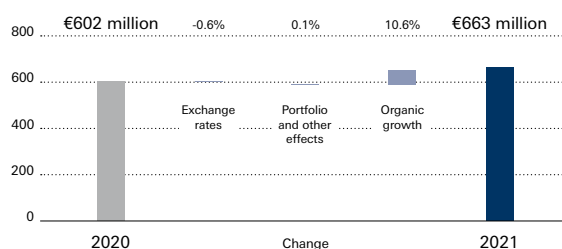
### Revenues by Region in percent (without intercompany revenues)



### Revenues by Category in percent



### Revenue Breakdown



## Arvato

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

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

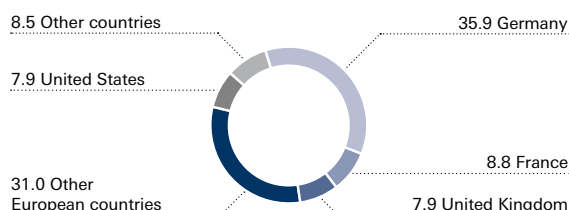
Revenues from Arvato's financial services businesses declined slightly in the period under review. This is mainly due to a change in the portfolio, relating to the sale of 60 percent of the risk management business to the information services provider Experian in 2020. By contrast, the "Pay after Delivery"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

The IT services provider Arvato Systems grew strongly in fiscal year 2021 with new customers, primarily from the public sector, and existing customers in particular from the healthcare sector. It further developed its business with proprietary products and platforms and strongly expanded the cloud business. The intensification of strategic partnerships with major international software and Internet groups contributed to this. As IT security plays an important

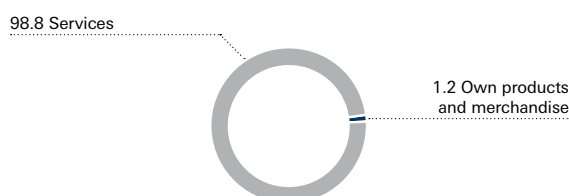
role, Arvato Systems became a member of the Microsoft Intelligent Security Association (MISA) in 2021, to be able to deploy security solutions for customers even more rapidly. Arvato Systems won various business awards during the reporting period, which underscored both the company's expertise and its market perception as a partner for the transformation to digital.

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

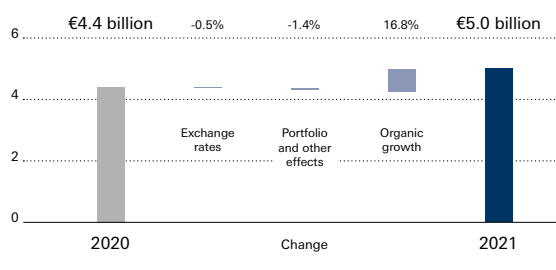
### Revenues by Region in percent (without intercompany revenues)



### Revenues by Category in percent



### Revenue Breakdown



## Bertelsmann Printing Group

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

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

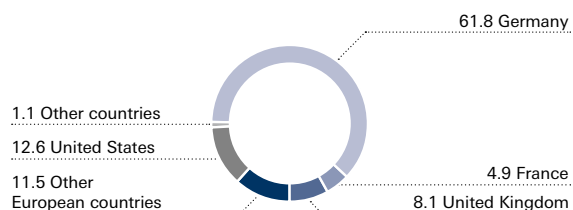
The direct marketing and digital businesses in Germany, Austria and Switzerland improved their overall revenues and earnings year on year. DeutschlandCard's business in particular saw strong growth, mainly due to the acquisition of several new partners and the further digitization of subscriber communications.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

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

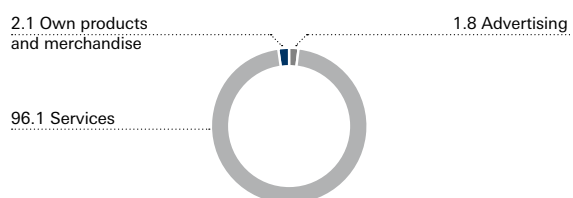
The replication and packaging specialists at BPG performed very well in a market that continued to decline, and were

able to increase revenues strongly, particularly through the acquisition of a major entertainment customer. The business with sustainable packaging solutions for the food industry also grew.

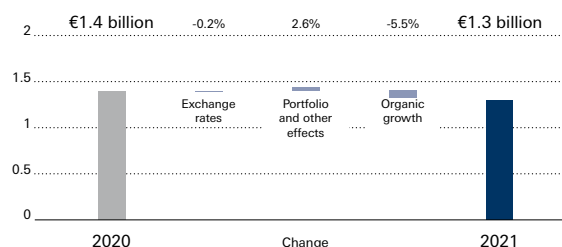
Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Revenue Breakdown



## Bertelsmann Education Group

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

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

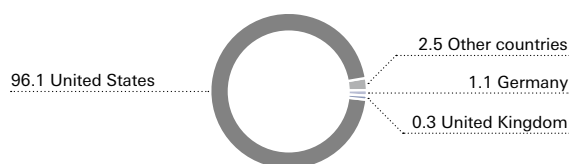
Relias is increasingly focusing on digitized, cloud-based and data-driven educational formats to strengthen its market leadership in training and continuing education for healthcare professionals in the United States. The company expanded its investments in tech innovations as well as the product portfolio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

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

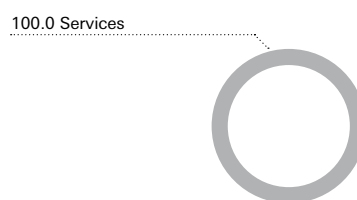
The online continuing education platform Udacity, in which Bertelsmann owns a significant stake, expanded its course offerings to include cybersecurity programs, among other things, in order to meet the growing demand from companies and government agencies for qualified specialists in this field.

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

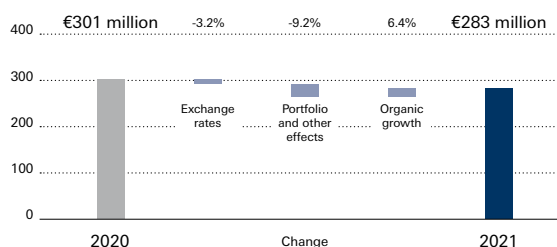
### Revenues by Region in percent (without intercompany revenues)



### Revenues by Category in percent



### Revenue Breakdown



## Bertelsmann Investments

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

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

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

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

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

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



## General Statement by Company Management on the Economic Situation

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

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

In 2021, Bertelsmann set the course for a Group-wide growth initiative. The five new strategic priorities were presented at the beginning of the year: National Media Champions, Global Content, Global Services, Online Education and Investments. The Bertelsmann businesses defined their respective growth ambitions and function as drivers of a Group-wide surge in growth. In terms of the strategy's implementation so far, the planned mergers of Groupe M6 and Groupe TF1 in France, and of RTL Nederland and Talpa in the Netherlands, as well as the combination of RTL Deutschland and the German magazine businesses and brands of Gruner + Jahr, which was completed in early 2022, will create national cross-media champions in Europe. As of the end of the 2021 financial year, the streaming services RTL+ in Germany and Videoland in the Netherlands alone had 3.8 million paying subscribers, representing growth of almost 74 percent.

Furthermore, acquisitions in the book publishing and TV production business have helped to expand Bertelsmann's global content businesses and drive forward BMG and KKR's collaboration for purchasing music catalogs. The global services business was further strengthened through the consistent implementation of the growth strategy. This involved acquisitions as well as establishing additional locations. In 2021, Majorel acquired the CX consultancy firm Junokai, one of the leading independent customer experience consulting companies in the DACH region. The US book printing business was also strengthened. The online education division saw significant expansion with the acquisition of shares in the Brazilian education company Afya. Meanwhile, Bertelsmann Investments continued to invest in young companies and funds around the world.

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

## Alternative Performance Measures

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

### Organic Revenue Growth

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

## Organic Revenue Growth

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

## Operating EBITDA

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

## BVA

BVA measures the profit realized above and beyond the appropriate return on invested capital. This form of value

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

## Cash Conversion Rate

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

## Operating EBITDA

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

## BVA

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

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

### Economic Debt

Net financial debt is calculated on the basis of gross financial debt, which comprises the balance sheet items

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

### Leverage Factor

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

### Cash Conversion Rate

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

## Economic Debt

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

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

## Significant Events after the Balance Sheet Date

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

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

Also in January 2022, RTL Group sold its stake in the US advertising technology company VideoAmp. RTL Group held 8.57 percent of the company's shares, which it sold for

US\$104 million in cash. The transaction was carried out as a share buyback by VideoAmp.

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

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

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

## Leverage Factor

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

## Risks and Opportunities

### Risk Management System

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

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

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

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

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

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

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

Corporate Audit and the internal auditing departments of RTL Group and Majorel evaluate the accounting-related

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

## Major Risks to the Group

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

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

## Overview of Major Risks to the Group

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

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

■ Existing risks

## Strategic and Operational Risks

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

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

The possibility of shifting business models and market conditions constitute significant risks for Penguin Random House. Due to the changing retail landscape, another risk is declining sales volumes in brick-and-mortar book retail. Penguin Random House is addressing these risks by supporting brick-and-mortar retailing, increasing online sales of physical books and audiobooks, and continuously examining alternative selling and marketing options. Any risks of bad debt loss are being limited through debtor management, and in some cases through credit insurance. In the area of procurement and supply chains, rising costs for raw materials and energy, and operational challenges at commissioned printers also represent risks. These risks are countered through ongoing cost management and by continually prioritizing and securing additional printing capacities. In addition to the risk



of cost increases, Penguin Random House is finding itself exposed to general economic risks that could lead to lower sales. The risks are addressed through careful management of supplier relationships and innovative marketing activities, and by maintaining a flexible cost structure that allows for a quick response in the event of an economic downturn.

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

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

For Bertelsmann Printing Group, the most significant risks are possible further capacity adjustments, made necessary by a deterioration in market development and existing or growing overcapacities in the print market. Other significant risks on the supplier side include the growing shortage of raw materials caused by supply bottlenecks as well as rising prices for raw materials, especially paper and energy.

The loss of customers also represents an additional risk. In addition, price and margin pressures result from the market environment, which is characterized by overcapacity. Furthermore, deterioration in the economic environment may also lead to declining circulations or even product discontinuation. Digital substitution was given a lasting boost by the coronavirus pandemic, and this constitutes another factor in the decline in circulations and the number of pages per issue, in particular in the magazine and catalog print segments. Risk minimization strategies are based, in particular, on the expansion of innovative print and marketing services, ongoing initiatives to sign up large customers and constantly optimizing cost structures and processes. Rising factor costs are to be gradually offset by higher prices for printing services.

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

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

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



## Acquisition-Related Risks

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

## Legal and Regulatory Risks

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

Several subsidiaries of RTL Group are being sued by the broadcaster RTL 2 Fernsehen GmbH & Co KG and its sales house El Cartel Media GmbH & Co KG before the regional court in Düsseldorf, Germany, seeking disclosure of information to substantiate a possible claim for damages. The proceedings follow the imposition of a fine in 2007 by the German Federal Cartel Office for abuse of market dominance with regard to discount scheme agreements (share deals) granted by AD Alliance GmbH (former IP Deutschland GmbH) and SevenOne Media GmbH to media agencies. The German Federal Cartel Office argued that these discounts would foreclose small broadcasters from the advertising market.

In 2014, the district court of Düsseldorf decided to order an expert report. The expert concluded in February 2018 that the likelihood of damages cannot be proven with certainty. In July 2018, RTL 2 Fernsehen GmbH & Co KG filed a motion claiming that the expert was not impartial, with the aim of getting the court to obtain a new expert opinion. AD Alliance GmbH has rejected the motion of lack of impartiality as unfounded. In May 2019, the court announced it would give the expert the opportunity to comment on the motion of lack of impartiality. Because the expert died in February 2020, an expert opinion was not submitted. The court stated that it would appoint a new expert. It is expected that the process of appointing a new expert and the preparation of the expert opinion will take two to three years. It could ultimately take 15 to 20 years after filing (2008) for a final judgment to be handed down. The court case will continue. Similar proceedings from other small broadcasters, initiated in different courts, were unsuccessful or have been withdrawn.

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

On February 22, 2018, the Spanish Competition Authority (CNMC) communicated to Atresmedia the opening of a proceeding for sanctions in relation to possible practices

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

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

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

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

## Information Security Risks

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

## Financial Market Risks

As an international corporation, Bertelsmann is exposed to various forms of financial market risk, especially interest rate and currency risks. These risks are primarily monitored centrally by the Finance Department on the basis of guidelines set up by the Executive Board. Derivative financial instruments are used solely for hedging purposes. Currency derivatives are primarily used to hedge future obligations that are subject to a foreign currency risk. Some firm commitments denominated in foreign currency are partially hedged when they are made, with the hedged amount being adapted over time. A number of subsidiaries are based outside the eurozone. The resulting translation risk to the leverage factor (ratio of economic debt to operating EBITDA) is managed by aligning the leverage factors for the main currencies USD and GBP in the long term with the maximum permitted for the Group. Foreign currency translation risks arising from net investments in foreign entities are not hedged. The cash flow risk from interest rate changes is centrally monitored and controlled as part of interest rate management. The aim is to achieve a balanced ratio of different fixed-interest rates through the selection of

appropriate maturity periods for the originated financial assets and liabilities affecting liquidity, and through the ongoing use of interest rate derivatives. The liquidity risk is regularly monitored on the basis of the budget planning. The syndicated loan and appropriate liquidity provisions form a sufficient risk buffer for unplanned payments. Counterparty risks exist in the Group in respect to invested cash and cash equivalents, as well as in case a counterparty to derivative transactions defaults. Transactions involving money market securities and other financial instruments are exclusively conducted with a defined group of banks with high credit ratings. Within the guidelines, a risk limit specified by the Executive Board has been issued for financial assets and derivatives for each counterparty. Compliance with this limit is regularly monitored by the Finance Department. The guidelines concerning the investment of cash and cash equivalents are continuously monitored and extended if necessary. Financial investments are made on a short-term basis, so that the investment volume can be reduced if the credit rating changes. Financial market risks remain at a moderate level. The setup of a strategic and anticipatory liquidity reserve in the wake of the coronavirus pandemic creates increased interest rate risks related to investing the liquidity.

## General Statement on the Risk Situation

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

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

## Opportunity Management System

An efficient opportunity management system enables Bertelsmann to secure its corporate success in the long term,

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

## Opportunities

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

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

For RTL Group, a better-than-expected development of the advertising and streaming markets, as well as higher audience and advertising market shares, are major opportunities. The increasing digitalization and fragmentation of the media landscape are opening up opportunities. Professionally produced content can be distributed across multiple platforms nationally and internationally. New revenue streams could be generated by exploiting existing TV content across different platforms, and by creating native digital content. Also, the increased presence in the digital sector provides opportunities for online video advertising sales on all devices and platforms, and growing subscriber-based revenues in the on-demand

business. Other opportunities can be found in target-group marketing of the Group's own inventory (addressable advertising) and advertising technology products for third parties. In addition, more widespread use of new technologies such as UHD/4K could lead to greater revenue growth in the distribution business.

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

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

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

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

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

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

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

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

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

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

## Outlook

### Anticipated Overall Economic Development

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

The economic recovery in the eurozone is expected to progress further. The IfW estimates real economic growth of 3.5 percent in 2022. The IfW expects Germany’s GDP to grow by 4.0 percent in real terms. The growth rate in France is expected to be 2.9 percent in real terms. For the

United Kingdom, GDP is expected to rise by 4.5 percent in real terms in 2022. Positive growth rates are also expected once again in the United States. The forecast for 2022 is real economic growth of 4.4 percent.

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

### Anticipated Development in Relevant Markets

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

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

### Expected Business Development

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

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

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

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

RTL Group revenues will grow, among other factors, after taking over Gruner + Jahr's publishing activities, and are

expected to strongly increase compared to the previous year. Otherwise, the expected performance of any individual division of key significance for the Bertelsmann Group is not expected to deviate significantly from that of the Group.

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

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

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

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

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

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

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

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

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

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

The decrease in other operating income is attributable to the proceeds from the disposal of a plot of land and a building in the previous year as well as the reduction in foreign currency gains. This development was partly offset by the rise in reversals of write-downs of shares in affiliated companies and by the reversals of loss allowances on receivables. The €60 million in reversals in the reporting year relates to shares in RM Hamburg Holding GmbH, Hamburg (formerly: Gruner + Jahr GmbH, Hamburg) and results from the agreed

sale of significant parts of the business and of the shares held in subsidiaries to RTL Deutschland. The increase of €16 million in other operating expenses is largely attributable to an increase in currency losses and expenses arising from guarantee agreements. This was offset by the reduction of loss allowances on receivables.

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

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



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

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

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

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

The increase in long-term financial assets concerns investments in affiliated companies (€706 million) and investment securities (€242 million). Investments in affiliated companies increased due to contributions to Bertelsmann Capital Holding GmbH, Gütersloh, in the amount of €648 million, and the reversal of impairments of shares in RM Hamburg Holding GmbH, Hamburg (formerly: Gruner + Jahr GmbH, Hamburg). The addition to investment securities relates to €100 million of securities in a special fund serving as a liquidity investment. The increase in receivables and other assets is largely related to financing extended to affiliated companies. The €2,255 million reduction in cash and cash equivalents is largely attributable to measures taken in the liquidity portfolio. Funds amounting to €1,029 million were invested in securities held as current assets.

Equity increased by €356 million as a result of the net income of the reporting year, minus the dividend of €180 million paid out for the financial year 2020. Bonds and obligations have decreased by €1,028 million due to the repurchase of bonds and the repayment of bonds and obligations. The increase in liabilities to affiliated companies from €7,601 million to €8,917 million is attributable to the increase in the amount of cash and cash equivalents that were deposited by subsidiaries with Bertelsmann SE & Co. KGaA.

### Risks and Opportunities for Bertelsmann SE & Co. KGaA

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



## Outlook for Bertelsmann SE & Co. KGaA

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

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

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

## Combined Non-Financial Statement

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

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

## Company Principles and Guidelines

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

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

## Corporate Responsibility Management Organization

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

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

## Topics

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

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

## Risks

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

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

## Employee Matters

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

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

## Fair Working Conditions

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

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

Continual dialogue between employees and company management at Bertelsmann represents another key

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

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

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

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

## Diversity, Equity & Inclusion (DEI)

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

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

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

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

## Targeted Proportion of Women in Top and Senior Management

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

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

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

## Health & Well-being

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

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

Due to the ongoing coronavirus pandemic, the focus in 2021 remained the immediate health protection of all employees around the world. One focus of efforts to prevent infections was vaccination against the coronavirus and the development of the necessary infrastructure in the corporate divisions

(depending on the respective regional legal regulations). All employees in Germany received a vaccination offer via the regional company doctors. Vaccination centers for employees and their families were also established in the Gütersloh area and in Cologne. Further prevention and protection measures, e.g., working from home and the provision of masks, disinfectants and coronavirus test kits, were continued in accordance with basic regulatory conditions. All of these measures were accompanied by numerous support programs for maintaining mental and physical health as well as extensive internal communication activities.

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

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

## Learning

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

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

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

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

## Social Matters

### Creative/Editorial Independence & Freedom of Expression

Free and critical thinking as well as exchange of varying opinions are prerequisites for creativity. Bertelsmann stands for editorial and journalistic independence in its content businesses, as well as for freedom of the press and artistic license. The company publishes a wide variety of opinions and positions. These basic principles for business activities are therefore also set forth in the Bertelsmann Code of Conduct. Bertelsmann aims to ensure this creative/editorial independence in two directions. Inside the company, it means that our management does not attempt to influence the decisions of artists, authors, editors and program managers, or to restrict their freedom. To the outside, this means that both content

managers and company managers comply with existing laws regarding the separation of editorial content and commercial advertising and do not capitulate to political or economic influence in their coverage. In accordance with the Bertelsmann "Editor-in-Chief Principle," editorial decisions are the sole responsibility of the content managers.

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

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

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

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

### Content Responsibility

Content responsibility at Bertelsmann means reflecting on the repercussions of content production and distribution, to protect the rights and interests of media users, customers and third parties as far as possible. Overriding principles and guidelines of media ethics are set by national and international laws governing the press, broadcasting and multi-media. These are underpinned by voluntary commitments to external guidelines, such as the ethics codes of national press

councils, and within the company by the Bertelsmann Code of Conduct. In accordance with these principles and guidelines, Bertelsmann's editorial staff are committed to, among other things, "respecting privacy and the responsible treatment of information, opinion and images." As a result, the company expects careful research, high-quality reporting and transparency in case of errors – because thorough journalistic work is more important than ever in the face of online disinformation ("fake news"). Cross-divisional verification teams provide their expertise in discerning between authentic and manipulated photos and videos, or those taken out of context.

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

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

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

The company shoulders a special responsibility when creating and distributing content for children and teenagers,

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

## Respect for Human Rights

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

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

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

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

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

## Anti-Corruption and Bribery Matters

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

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

Both the Bertelsmann Code of Conduct and the Executive Board Guideline on anti-corruption and integrity expressly prohibit all forms of corruption and bribery. This prohibition also applies to all third parties that work for, with or on behalf of Bertelsmann, as stipulated in the Supplier Code of Conduct. Along with instructions for dealing with officials, and guidelines for the granting or accepting of gifts in the context of

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

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

## Environmental Matters

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

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



## Environmental key figures

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

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

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

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

In 2021, further data was collected from suppliers and business partners for the quantification of indirect Scope 3 emissions. Next to data gathering from paper manufacturers and print service providers, the focus was on the analysis of film productions and digital sources of CO<sub>2</sub> emissions.

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

In addition to the climate strategy "Bertelsmann Climate Neutral 2030," the company defined additional strategic objectives, and developed measures from those, as part of the Bertelsmann CR Program (2021–2023). These objectives include strengthening the governance for climate and environmental protection, and further developing environmental planning and reporting. In addition, the company intends to increase the share of renewable energy (green

electricity, photovoltaics), implement new mobility concepts, and advance energy efficiency, by the development of "Green IT" and the measurement of the digital footprint. Emissions from the print and digital products supply chain are to be reduced in a joint effort with business partners.

## EU Taxonomy

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

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

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

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



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

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

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

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

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

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

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