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Innovation and Growth



BERTELSMANN

BERTELSMANN

At a Glance
2016

Key Figures (IFRS)

in € millions	2016	2015	2014	2013	2012
Business Development					
Group revenues	16,950	17,141	16,675	16,179	16,065
Operating EBITDA	2,568	2,485	2,374	2,311	2,210
EBITDA margin in percent ¹⁾	15.1	14.5	14.2	14.3	13.8
Bertelsmann Value Added (BVA) ²⁾	147	155	188	283	362
Group profit	1,137	1,108	572	885	612
Investments ³⁾	1,240	1,259	1,578	1,312	655
Consolidated Balance Sheet					
Equity	9,895	9,434	8,380	8,761	6,083
Equity ratio in percent	41.6	41.2	38.9	40.9	32.2
Total assets	23,794	22,908	21,560	21,418	18,864
Net financial debt	2,625	2,765	1,689	681	1,218
Economic debt ⁴⁾	5,913	5,609	6,039	4,216	4,773
Leverage factor	2.5	2.4	2.7	2.0	2.3
Dividends to Bertelsmann shareholders	180	180	180	180	180
Distribution on profit participation certificates	44	44	44	44	44
Employee profit sharing	105	95	85	101	92

Figures until 2015 are the most recently reported previous year's figures.

The figures shown in the table are, in some cases, so-called Alternative Performance Measures (APM), which are neither defined nor described in IFRS. Details are presented in the "Alternative Performance Measures" section in the Combined Management Report.

Rounding may result in minor variations in the calculation of percentages.

1) Operating EBITDA as a percentage of revenues.

2) Bertelsmann uses BVA as a strictly defined key performance indicator to evaluate the profitability of the operating business and return on investment.

3) Taking into account the financial debt assumed, investments amounted to €1,244 million (2015: €1,281 million).

4) Net financial debt less 50 percent of the par value of the hybrid bonds plus pension provisions, profit participation capital and the present value of operating leases.

Bertelsmann is a media, services and education company that operates in about 50 countries around the world. It includes the broadcaster RTL Group, the trade book publisher Penguin Random House, the magazine publisher Gruner + Jahr, the music company BMG, the service provider Arvato, the Bertelsmann Printing Group, the Bertelsmann Education Group and Bertelsmann Investments, an international network of funds. The company has 116,000 employees and generated revenues of €17.0 billion in the 2016 financial year. Bertelsmann stands for creativity and entrepreneurship. This combination promotes first-class media content and innovative service solutions that inspire customers around the world.

www.bertelsmann.com

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The Bertelsmann Divisions



RTL Group is a leader across broadcast, content and digital, with interests in 60 television channels and 31 radio stations, content production throughout the world and rapidly growing digital video businesses. RTL Group's television portfolio includes RTL Television in Germany; M6 in France; the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia and Hungary; and Antena 3 in Spain. The Group also operates the channels RTL CBS Entertainment and RTL CBS Extreme in Southeast Asia. Fremantle Media is one of the largest international creators, producers and distributors of multigenre content outside the United States. Combining the catch-up TV services of its broadcasters, the multichannel networks BroadbandTV, StyleHaul and Divimove as well as Fremantle Media's 260 YouTube channels, RTL Group has become the leading European media company in online video. RTL Group also owns a majority stake in the programmatic video advertising platform SpotX. RTL Group S. A. is a listed company and included in the German index MDAX. Bertelsmann is the majority shareholder of RTL Group, holding 75 percent of its shares.

www.RTLGroup.com



Arvato is an international service provider. Almost 70,000 employees in over 40 countries develop and realize innovative solutions for clients from all over the world. They include CRM, SCM, finance and IT solutions. Businesses representing many different industries rely on Arvato's integrated solution portfolio – from telecommunication firms to energy suppliers, banks, insurance companies, e-commerce retailers, IT companies and Internet providers. Arvato is wholly owned by Bertelsmann.

www.arvato.com



With more than 250 imprints and brands on five continents, more than 15,000 new titles and close to 800 million print, audio and e-books sold annually, **Penguin Random House** is the world's leading trade book publisher. Penguin Random House is committed to publishing adult and children's fiction and nonfiction print editions and is a pioneer in digital publishing. Its book brands include storied imprints such as Doubleday, Viking and Alfred A. Knopf (United States); Ebury, Hamish Hamilton and Jonathan Cape (United Kingdom); Plaza & Janés and Alfaguara (Spain); Sudamericana (Argentina); and the international imprint DK. Its publishing lists include more than 60 Nobel Prize laureates and hundreds of the world's most widely read authors. Penguin Random House is dedicated to the mission of nourishing a universal passion for reading by connecting its authors and their writing with readers everywhere. Bertelsmann owns 53 percent of shares in Penguin Random House; Pearson owns 47 percent.

www.penguinrandomhouse.com

The German-language **Verlagsgruppe Random House** in Munich, with renowned publishers such as Goldmann and Heyne, is managed by Bertelsmann outside Penguin Random House.

www.randomhouse.de



The **Bertelsmann Printing Group** comprises all of Bertelsmann's printing operations. The group includes the offset printing companies Mohn Media, GGP Media and Vogel Druck in Germany; Prinovis's gravure printing activities in Germany and the United Kingdom; and the offset and digital printing facilities of Berryville Graphics, Coral Graphics and OPM in the United States. The Bertelsmann Printing Group brings together a broad printing and services portfolio, including marketing services; creative and content services; data services; prepress, printing and postpress services; comprehensive logistics and customer loyalty. This Bertelsmann division with more than 8,000 employees also includes the RTV Media Group, the creative services provider MBS and the international storage media producer Sonopress. Bertelsmann Printing Group is wholly owned by Bertelsmann and is headquartered in Gütersloh.

www.bertelsmann-printing-group.com



Gruner + Jahr creates media products for the digital society. With over 500 magazines and digital offerings in more than 20 countries, Gruner + Jahr is one of Europe's largest magazine publishers. Its core markets are Germany and France. In France, G+J operates the country's leading bi-medial magazine publisher, Prisma Media. In Germany, G+J's well-known magazine brands, including "Stern," "Geo" and "Brigitte," are part of the publishing house. More than a dozen new titles, including "Flow," "Beef" and "Barbara," underscore its position as an innovation leader in the magazine business. In the rapidly growing digital market, the Hamburg publishing house's journalistic websites command leading positions in the women's, family, people, living, food, popular science and news segments. G+J also operates high-traffic online communities including Chefkoch and Urbia, and its growing e-commerce business includes the "Schöner Wohnen" shop. Ligatus gives G+J a leading position in the European market for native advertising, while the G+J subsidiary Territory leads the market in content-driven communications. G+J owns majority stakes in the special-interest publisher Motor Presse Stuttgart and the DDV Mediengruppe in Dresden. Gruner + Jahr is wholly owned by Bertelsmann.

www.guj.com



The **Bertelsmann Education Group** encompasses Bertelsmann's education businesses. The group is shaping professional learning in the twenty-first century with digital education and service offerings focused on the healthcare and technology sectors, and it draws on Bertelsmann's resources and global network. The Bertelsmann Education Group is wholly owned by Bertelsmann.

www.bertelsmann-education-group.com



BMG is the new model music company founded by Bertelsmann in 2008 as a direct response to the challenges of music's digital revolution. Key to its innovative approach is its representation of the traditionally separate music publishing and recording rights of the same state-of-the-art platform internationally. BMG is already the world's fourth largest music publisher and the first new global player in the recording business in decades. BMG's pitch is unique – a relentless focus on fairness, transparency and service to its artist and songwriter clients. BMG's 14 offices across 12 core music markets now represent over 2.5 million songs and recordings, including the catalogs of Chrysalis, Bug, Cherry Lane, Sanctuary, Primary Wave and Alberts Music, and literally thousands of artists and songwriters attracted by its fresh approach. With its multiplatform perspective, integrated technology platform and commitment to help artists maximize their income, BMG aims to be the best company in music to do business with. BMG is wholly owned by Bertelsmann.

www.bmg.com



Bertelsmann Investments unites Bertelsmann's start-up investments around the world. Its activities are focused in the strategic growth regions of Brazil, China and India and in the United States and Europe. Shareholdings are acquired through the strategic investment funds Bertelsmann Brazil Investments (BBI), Bertelsmann Asia Investments (BAI), Bertelsmann India Investments (BII) and Bertelsmann Digital Media Investments (BDMI). Bertelsmann owns stakes in more than 130 innovative companies via these funds.

www.bertelsmann-investments.com

Interactive Online Report

The Bertelsmann Annual Report can also be accessed online at: ar2016.bertelsmann.com

As well as company information and an extensive financial section, the online report offers many extra features, including several videos and extracts.

The Annual Report is also available as a free app in the Apple App Store and in Google Play.



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Thomas Rabe

Chairman and CEO of Bertelsmann

Dear readers and friends of Bertelsmann,

Bertelsmann had a successful year in 2016. We achieved a positive business performance with a record operating result. And we made further strategic advances that brought us closer to our target portfolio – Bertelsmann is becoming a faster-growing, more digital, more international and more diversified company.

Thanks to improved organic growth, our revenues reached €17 billion despite negative exchange rate and portfolio effects. RTL Group, Arvato, BMG and the Bertelsmann Education Group all contributed to organic growth. At €2.6 billion, our operating EBITDA reached a new high, despite start-up losses for digital and new businesses. The increase was primarily driven by RTL Group, Arvato, BMG and Gruner + Jahr. At more than €1.1 billion, Group net income exceeded the previous year's high level.

The development of our key indicators over time shows that the Group's transformation during the past few years has paid off. This can be seen in our new corporate structure with eight divisions, whose development we are documenting for the first time in an annual report. And it is also accompanied by other strategic advances we made in 2016.

Strengthening the core was realized, for example, in the further expansion of RTL Group's families of channels, in Gruner + Jahr's cofounding of Deutsche Medien-Manufaktur with the Landwirtschaftsverlag publishing company and in the acquisition of major new customers by Arvato and Bertelsmann Printing Group.

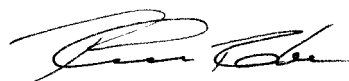
At the same time, we continued the **digital transformation** of our businesses. Mediengruppe RTL Deutschland acquired the online video marketer Smartclip, Penguin Random House grew its e-book offerings to 128,000 titles, Gruner + Jahr generated nearly a quarter of the revenues in its core markets Germany and France with digital offerings and Arvato grew with customers in the IT and high-tech sectors.

We also expanded our **growth platforms**. Fremantle Media strengthened its position through new investments and partnerships, and BMG made a series of acquisitions and catalog purchases. In addition, our music division signed numerous new artists and writers, including Pink Floyd legend Roger Waters. Arvato's e-commerce and financial services continued to grow, and our education business expanded as well. Our e-learning subsidiary Relias Learning grew organically and through acquisitions, and it expanded its business internationally – as did the e-learning provider Udacity.

We also strengthened our footprint in the **growth regions**. Our investment funds, which are grouped in Bertelsmann Investments, played a major role in this by investing in more new companies than ever before – 43 in total. They included the fitness app Keep (China), the Fintech company Lendingkart (India) and – together with our partner Bozano Investimentos – the education company Medcel (Brazil).

We will continue to develop in the years ahead. Our colleagues' commitment and dedication will remain the most important foundation for innovation and growth at Bertelsmann, and I would like to take this opportunity to express my sincere appreciation to them.

We are pleased that you are joining us on this journey!



The Bertelsmann Executive Board



Immanuel Hermreck

Bernd Hirsch

Thomas Rabe

Anke Schäferkordt

Markus Dohle

Fernando Carro

Thomas Rabe

Member of Bertelsmann's Executive Board since January 1, 2006.
Chairman and Chief Executive Officer of Bertelsmann, Gütersloh, since January 1, 2012.
Born on August 6, 1965, in Luxembourg.

Fernando Carro

Member of Bertelsmann's Executive Board since July 13, 2015.
Chief Executive Officer of Arvato, Gütersloh.
Born on July 27, 1964, in Barcelona (Spain).

Markus Dohle

Member of Bertelsmann's Executive Board since June 1, 2008.
Chief Executive Officer of Penguin Random House, New York.
Born on June 28, 1968, in Arnsberg (Germany).

Immanuel Hermreck

Member of Bertelsmann's Executive Board since January 1, 2015.
Chief Human Resources Officer of Bertelsmann, Gütersloh.
Born on March 22, 1969, in Rheda-Wiedenbrück (Germany).

Bernd Hirsch

Member of Bertelsmann's Executive Board since April 1, 2016.
Chief Financial Officer of Bertelsmann, Gütersloh.
Born on July 24, 1970, in Ellwangen (Germany).

Anke Schäferkordt

Member of Bertelsmann's Executive Board since April 19, 2012.
Co-Chief Executive Officer of RTL Group, Luxembourg (until April 19, 2017)
and Chief Executive Officer of Mediengruppe RTL Deutschland, Cologne.
Born on December 12, 1962, in Lemgo (Germany).

The Bertelsmann Group Management Committee

The Group Management Committee (GMC) advises and supports the Executive Board on important issues of corporate strategy and development and other enterprise-wide topics. It is composed of the members of the Bertelsmann Executive Board and select executives from the Bertelsmann Group. The GMC reflects Bertelsmann's diversity and internationality, as well as its most important markets. It is led by Thomas Rabe.



Thomas Rabe
Chairman and Chief Executive Officer
of Bertelsmann



Fernando Carro
Chief Executive Officer of Arvato



Markus Dohle
Chief Executive Officer of
Penguin Random House



Immanuel Hermreck
Chief Human Resources Officer
of Bertelsmann



Bernd Hirsch
Chief Financial Officer
of Bertelsmann



Julia Jäkel
Chief Executive Officer of Gruner + Jahr



Kay Krafft
Chief Executive Officer of
Bertelsmann Education Group



Andreas Krohn
Chief Executive Officer of
Arvato CRM Solutions



Annabelle Yu Long
Chief Executive Officer of
Bertelsmann China Corporate Center
and Managing Partner of
Bertelsmann Asia Investments



Hartwig Masuch
Chief Executive Officer of BMG



Guillaume de Posch
Co-Chief Executive Officer
of RTL Group



Gail Rebeck
Board Member Penguin Random House



Anke Schäferkordt
Co-Chief Executive Officer of
RTL Group (until April 19, 2017)
and Chief Executive Officer of
Mediengruppe RTL Deutschland



Frank Schirmeister
Chief Executive Officer of
Arvato SCM Solutions



Karin Schlautmann
Executive Vice President Corporate
Communications of Bertelsmann



Nicolas de Tavernost
Chairman of the Executive
Board of Groupe M6

The Four Strategic Priorities

Bertelsmann pursues four strategic priorities in transforming itself into a faster-growing, more digital, more international and more diversified company. Besides ongoing investments in existing businesses, Bertelsmann is increasingly opening up new lines of business that benefit from digitization, growing demand for education and growing consumption in regions such as Latin America, China and India. At the core of the value creation of all its businesses, Bertelsmann focuses especially on the innovative power of creativity.

Strengthening the Core

A diverse range of creative content is at the heart of many Bertelsmann businesses. At the same time, the Group offers solutions for a wide range of business processes to clients all over the world. These core businesses are strengthened through targeted investments and acquisitions and by taking advantage of opportunities for consolidation. The Group picks up on trends and new customer requirements, for example, with additional digital offerings to complement TV programming or topic-specific media platforms (verticals). At the same time, Bertelsmann works to ensure the protection of intellectual property in the digital domain as it does elsewhere.



Digital Transformation

Bertelsmann's business models and lines of business are also changing as a result of digitization and shifts in media use. The company is shaping this transformation with a clear focus on customers' needs and requirements. Bertelsmann is reinventing itself, attracting new customer groups and opening up new distribution channels – TV content on every available device from TV sets to smartphones to tablets, e-books and author portals, apps and platforms tying in to established magazines, online education and digital services. The transformation to digital is a long-term endeavor that is of great importance to the company's future.

Growth Platforms

Bertelsmann has been systematically broadening its business activities for several years, investing in fast-growing sectors. These include the education business, which is driven by the growing worldwide demand for continuing education and accredited academic degrees. In the long term, education is to become a third mainstay of revenues, alongside media content and services. Other promising fields of activity are the production of video content, the digital activities of RTL Group and Gruner + Jahr, as well as e-commerce, financial and IT services.



Growth Regions

Bertelsmann is pursuing a targeted expansion in regions where a middle class with high purchasing power and an affinity for media and education has emerged in recent years. In the Group's view, these primarily include Brazil, China and India. Bertelsmann already has operations and Corporate Centers in these places, and it intends to further expand this presence in the years ahead. As it expands its existing activities, Bertelsmann will also increasingly invest in the education and digital media sectors in these three countries.

The Four Goals

Bertelsmann strives to create a faster-growing, more digital, more international and more diversified Group portfolio. Besides investing in existing activities, this involves developing new lines of business and regional markets that ensure a broader overall revenue structure.

Higher Growth

A sustained improvement of the growth profile is the overarching goal of all strategic measures at Bertelsmann. The company achieves this by taking two main approaches – expanding and further developing its growth business and downscaling structurally declining businesses.

More Digital

Digitization changes the markets of a media, services and education company more than any other megatrend. To seize the opportunities associated with this change, Bertelsmann is continuously transforming its core businesses into the digital world and investing in digital business models, while also developing new lines of business, customers and sales channels that will profit from the transformation to digital.

More International

Bertelsmann is increasingly expanding its businesses into regions that have higher long-term growth prospects than the core European markets, significant market potential in the businesses that are relevant for Bertelsmann and a favorable regulatory and competitive environment. The main focus here is on Brazil, China, India and the United States.

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More Diversified

As a company owned by a foundation and a family, Bertelsmann strives for a broad-based revenue structure. For this reason, the Group broadens the business operations of its existing activities – where it makes strategic sense – and develops new lines of business, such as the Education division. One result of Bertelsmann’s increased diversification is the Group structure with eight business divisions that has been in effect since January 1, 2016.

Interview with Thomas Rabe

“We are already significantly closer
to achieving our target portfolio.”

Bertelsmann is to become a faster-growing, more digital, more international and more diversified company. That seems very ambitious. Why four goals all at once?

These four objectives belong together, but their order is not random. When we developed our strategy five years ago, all of the Group's bodies quickly agreed that growth should be the top priority. Growth is the foundation that enables us to invest in our businesses and to continue developing our employees.

How do the other objectives fit into this plan?

They feed into it directly. Take digitization, for example. It is perhaps the most important megatrend of our time, and growth rates in our digital businesses are accordingly high. The same is true of internationalization. Many market segments in China, India or South America are growing significantly faster than in Germany and the rest of Europe. Therefore, expanding our presence in these regions also means faster growth.

And what about the fourth point of becoming more diversified?

On the one hand that, too, is about growth – we want to expand our fast-growing lines of business. On the other hand, it is also about reducing dependence on specific revenue sources.

You just mentioned the strategy process began in 2012. What has Bertelsmann done in the past five years to achieve its goals?

Four strategic priorities have been established and remain decisive for us – strengthening our core, digital transformation, building and expanding growth platforms, and the regional expansion of our businesses. To achieve this, we have developed our core businesses, withdrawn from structurally declining ones and built new ones. For example, since 2011, we have invested more than €4 billion in digital and high-growth businesses.

What do you think of the progress that has been made to date?

Bertelsmann's development has been gratifying in the past few years. Even as we undertook an extensive transformation of the Group, we were able to increase our operating result by an average of around €100 million per year – most recently to a record €2.6 billion. At the same time, we made great strategic strides – from the integration of Penguin and Random House and the full acquisition of BMG and Gruner + Jahr to the establishment of our education business, to name just a few.

What most demonstrates that Bertelsmann is becoming more international?

The fact that we have seen a significant increase in our revenues outside of Europe in recent years. In 2011, they accounted for 20 percent; in 2016, 28 percent. The expansion of our business in the United States, the world's largest and most innovative media market, has contributed significantly to this development. In the medium term, we plan to generate 30 percent of our revenues there. But we have also strengthened our presence in the strategic growth regions of China, India and Brazil.

How has this actually made Bertelsmann faster-growing, more digital, more international and more diversified?

We are already significantly closer to achieving our target portfolio. Our growth profile has improved noticeably over the past five years. In 2011, our high-growth businesses contributed just 20 percent to total revenues. By 2016, they had already increased to 30 percent. In the future, we want to increase our share to 40 percent. In addition, we have downscaled our structurally declining businesses over the past five years. They now represent less than 5 percent of Bertelsmann's revenues; in 2011, they still accounted for 16 percent.

And what about the other goals?

We are rapidly becoming more digital. Many of our divisions are leaders in their respective markets. RTL Group is one of the biggest players in online video. Arvato is a service provider to the world's top high-tech corporations, and the business models of BMG and our education providers benefit from digitization. These and other developments are reflected in our portfolio. Bertelsmann now generates 44 percent of its revenues from digital businesses. In 2011, it was just 30 percent.

And where is Bertelsmann in terms of diversification?

Bertelsmann now has a broader portfolio than ever before – with eight divisions based on the three pillars of media, services and education.

So Bertelsmann intends to continue developing its portfolio in the years ahead. How will this affect your business performance?

In the medium term, we are aiming for revenues of €20 billion and operating EBITDA of €3 billion. If we continue the successful implementation of our strategy, I am confident we will achieve this in the next three to five years.

2011–2016

The New Bertelsmann Is **Growing Faster**

B

20%

Growth businesses

contribution to Group revenues 2011

The background is a deep blue gradient with several bright, white, diagonal light streaks that create a sense of motion and energy. Small, faint white particles are scattered throughout the scene, giving it a cosmic or digital feel.

30%

Growth businesses

contribution to Group revenues 2016

Bertelsmann Is Growing Faster

One of Bertelsmann's strategic priorities is to sustainably improve its growth profile. The company is pursuing this in two ways – building and developing high-growth businesses while downscaling businesses that are structurally declining.

As part of defining its corporate strategy, Bertelsmann specified growth areas into which the Group has increasingly invested in recent years. They include the digital businesses of RTL Group and Gruner + Jahr, Bertelsmann Investments and the company's strategic growth platforms – Fremantle Media; Arvato's services businesses in the e-commerce, financial services and IT sectors; the BMG music company; and the Education division. All of these areas benefit from positive long-term market forces, including major trends like digitization or demographic changes.

By systematically investing more than €4 billion in digital and growth businesses since 2011 and by growing organically, Bertelsmann has significantly improved the profile of its portfolio over the past few years. RTL Group has become one of the world's leading players in online video services. The e-commerce services business has been strengthened. The music business has expanded. And with the entry into the education sector, a third pillar is being created in the long term alongside media and services. Investments in growth businesses are subject to clear investment criteria, including global potential and scalability.

The result: While the share contributed by high-growth businesses to total Group revenue was around 20 percent in 2011, it increased to 30 percent by the end of 2016 – an average increase of two percentage points per year. In the medium term, thanks to the Group's further organic expansion and acquisition, fast-growing businesses are expected to contribute at least 40 percent to total revenue.

In conjunction with this digital and growth expansion, Bertelsmann is withdrawing from structurally declining businesses. In the past few years, for example, printing activities outside Germany have fallen off, and the Club businesses have been discontinued or sold in many countries. In 2016, structurally declining businesses contributed only 4 percent to Group revenues as a result of these measures, while in 2011 they accounted for 16 percent.

As a direct result of these efforts, in 2016 Bertelsmann achieved its highest organic growth in four years.



Creative Powerhouse

It would take about 12,000 hours to watch all the video content broadcast that was produced by the RTL Group subsidiary Fremantle Media in 2016. Highlights of the past year included "The Young Pope" featuring Hollywood stars Jude Law and Diane Keaton. The critically acclaimed series was Sky Italia's strongest series premiere when it launched in Italy and the most popular international drama series on Canal+ in France and can be watched in nearly 200 countries. The UFA Fiction series "Deutschland 83"

continued its string of international successes, causing the RTL Group subsidiary to announce a second season.

Meanwhile, Fremantle Media continued to expand its business through investments as well. For example, the company invested in several innovative production companies and acquired a majority stake in Abot Hameiri, a company from Israel that specializes in entertainment, scripted reality and drama.



Coordinated, Cross-Media Cooperation between Sister Companies



RTL Group and Gruner + Jahr created scale in the advertising market: the Ad Alliance, an umbrella under which the two companies' sales houses – IP Deutschland and G+J EMS – offer advertisers communication solutions across all of the Bertelsmann subsidiaries' brands and genres. The offer covers everything from traditional commercials and ads to display and programmatic advertising. The Ad Alliance portfolio reaches about 99 percent of the German population each month. It includes the TV channels RTL Television and Vox; the magazines "Stern," "Brigitte" and "Gala"; and both Bertelsmann subsidiaries' digital offerings.



Concentrated Competence

In May 2016, Gruner + Jahr caused a sensation in the agency business by merging its Corporate Content units G+J Corporate Editors and Medienfabrik, the personal marketing specialists Employour, the media agency CrossMarketing and the collaborative marketing specialists at trnd into a single new unit: Territory. With about 850 employees, the company became the largest provider overnight of content-driven communication in the German market.

Gruner + Jahr also pooled its expertise with Landwirtschaftsverlag last year and founded Deutsche Medien-Manufaktur. The new company created the new magazine "Essen & Trinken mit Thermomix®." The title was a success from the start, selling out less than a week after its launch in mid-October and having to be reprinted. In all, the first edition sold 140,000 copies, and the title generated 26,500 subscriptions within just three months.



New Stars at BMG

Blink-182, Nickelback, Robin Schulz, Rick Astley and Max Giesinger are just a few of the stars who entrusted their work to BMG last year and now rely on the Bertelsmann division's support in recordings or music publishing. One of BMG's greatest successes in 2016 was signing Pink Floyd legend Roger Waters in June. The company also expanded its business through acquisitions last year. For example, BMG acquired a majority interest in the ARC Music publishing catalog, which comprises rights to songs by Chuck Berry, the Beach Boys and John Lee Hooker. In all, at the end of 2016 BMG administered more than 2.5 million music rights.



Nickelback



Arvato on an Expansionist Course

Arvato substantially expanded its fast-growing service operations in 2016 – quite literally in some places. New logistics centers have been under construction since last year in the United States (Louisville, Kentucky), the Netherlands (Gennep) and in Germany (Dorsten and Gütersloh). The cornerstone ceremony for the warehouse in Dorsten on November 15 was the symbolic starting signal for Arvato’s largest ongoing construction project worldwide. In the first construction phase, three halls and a central office building with a total area of 28,200 square meters will be built; the final construction phase will result in more than 100,000 square meters of usable space.



Arvato CEO Fernando Carro (2nd from left) with partners at the cornerstone laying

Arvato Financial Solutions broadened its activities, among other things, by further expanding its innovative fraud solutions, making the AfterPay service available in other European countries, and acquiring 49 percent of the shares in MF Group, a leader in e-commerce B2C factoring in Switzerland.

In the CRM sector, the Bertelsmann subsidiary grew mainly by adding international clients in the IT, Internet and tourism industries and through investments in the emerging healthcare business. Among other things, Arvato has cooperated more closely with Gesundheitsforen Leipzig since 2016 and, in this context, acquired the analytics and care management division from the company along with the corresponding research database.



Rick Astley

Robin Schulz



2011–2016

The New Bertelsmann Is **More Digital**

A large, white, serif letter 'B' logo, positioned on the left side of the page. The background is a dark blue gradient with glowing light trails and particles at the bottom.

30%
Digital revenues
in Group revenues 2011

The background is a dynamic, abstract digital landscape. It features several bright, glowing blue light trails that curve and sweep across the frame, creating a sense of motion and depth. Scattered throughout the scene are numerous small, light blue 3D cubes, some of which appear to be floating or falling. The overall color palette is a range of blues, from deep navy to bright, almost white highlights where the light trails intersect or glow. The lighting is dramatic, with strong highlights and deep shadows, giving the impression of a high-tech, futuristic environment.

44%
Digital revenues
in Group revenues 2016

Bertelsmann Is More Digital

The media sector had to deal with the risks and opportunities of the digital transformation earlier than many other industries, and Bertelsmann was no exception. As a result, there are many successful digital business models across the company.

RTL Group is one of the global leaders in online video; Penguin Random House has a larger e-book offering than any other trade publisher; Gruner + Jahr generates a substantial share of its revenues with digital businesses; large parts of the business models of BMG and the newly created Education division are designed specifically to meet the requirements of the digital world; and in the services sector, Arvato is becoming the service provider of choice for various tech and IT companies.

These activities illustrate that the digital transformation of business has become crucial to success for Bertelsmann. One of the most important requirements for this is to equip executives and employees with the necessary skills to navigate the digital world. As early as summer 2013, the Group's top management visited Silicon Valley for several days to get firsthand information about digital trends, discuss their importance and learn how to strengthen ties to the digital world. This was followed up with "boot camp" and "lounge" exchanges to gain innovative digital expertise for Bertelsmann executives and various employees. The new, improved Bertelsmann University relies increasingly on digital teaching methods to provide vocational training – on digital and other topics – to all employees, anytime and anywhere – a redefinition of the corporate learning culture meant to encourage lifelong learning. Beyond this, close ties to more than 130 digital start-ups and various other partnerships in the technology sector have also had a positive impact.

In conjunction with the digital transformation of its core businesses, Bertelsmann has made "having an established digital business model" a key requirement for investing in new activities. As a result, many of the companies acquired over the past few years have exclusive digital operations, including the education provider Relias Learning, the multichannel network StyleHaul, the online advertising marketer SpotX and others.

The upshot of all of these measures is a growing share of digital revenues. In 2016, Bertelsmann generated 44 percent of its revenues digitally, compared to 30 percent in 2011. Digital revenues come from five areas:

- digital advertising (e.g., online advertising income, online marketing)
- digital products (e.g., online services, e-books)
- digital distribution (e.g., advertising revenue from digitally distributed RTL Group broadcasts)
- digital sales (e.g., G+J's e-commerce businesses)
- revenue from clients in the digital sector (e.g., clients in IT/high-tech and e-commerce)

All of these have increased their revenue contribution significantly since 2011 and are expected to continue so in the years ahead.



Guillaume de Posch and Anke Schäferkordt



“Total Video”

“Total Video” in white lettering on a red background framed by a digital-looking heart: the presentation by RTL Group’s entire top management at the Bertelsmann Management Meeting 2016 made it clear that the Group has wholeheartedly embraced the redefinition of “TV” – and for good reason. Alongside broadcast and content, digital activities now form the third pillar of RTL Group. The Bertelsmann subsidiary now generates more than 26 billion video views per month. In 2016, the Group continued to work on better monetizing this vast digital reach. Beyond the production of innovative, original content for the digital world – e.g., by Fremantle Media digital studios including Tiny Riot, UFA Lab and Shotgun Media – the focus is on developing technology competence in the field of digital ad sales.



To that end, the Group took over the digital advertising sales house Smartclip. The €48 million investment – Mediengruppe RTL Deutschland’s largest digital acquisition ever – strengthened the Group’s position as an online video advertising sales house in Europe.



In cooperation with the programmatic advertising platform SpotX, which was acquired in 2014, Smartclip also opened up opportunities for innovation for RTL Group worldwide.

Penguin
Random
House

E-Books for Every Occasion

"This is the coolest thing to ever happen to the [New York City] subway," wrote the magazine "InStyle" in praise of the "Subway Reads" campaign by Penguin Random House

and the New York Metropolitan Transportation Authority (MTA). For eight weeks last year, the publishing group offered train commuters in New York City five short stories as well as excerpts on an online platform from 175 books by celebrated Penguin Random House authors. Subway passengers were invited to download them immediately and read them for free – an innovative way to reach the widest possible reading public. The campaign also provided a gateway into Penguin Random House's steadily growing e-book offerings. At the end of 2016, 128,000 titles were available in digital across its worldwide divisions – no other trade publisher offers such a large portfolio.



G+J

Digital Growth at Gruner + Jahr

Launched at the beginning of 2016, AppLike was already live in 12 countries by the end of the year. G+J's new marketing platform expanded very swiftly last year, with double-digit growth rates in monthly user base and revenues. And this wasn't the company's only success in the digital business. The multichannel video network "Club of Cooks" was also successfully established and now generates more than nine million views per month on YouTube and 30 million on Facebook.



G+J also invested in its digital business through acquisitions. In France, Prisma Media took over Groupe Cerise in June and since then has been the country's market-leading publisher in terms of video reach, with 7.5 million unique users per month.

By acquiring the technology company LiquidM in September, the G+J subsidiary Ligatus expanded its position as the leading provider of native programming in Europe.

Fraud Prevention 2.0

Both the volume of successful fraud attempts and the cost of fraud per dollar are on a steady rise. Given the variety and increasing speed of the different forms of fraud, it is becoming more and more important to find effective solutions for digital business models. Arvato Financial Solutions has developed an innovative fraud management solution that covers all relevant fields of fraud (identity theft, account takeover and payment fraud). The digital fraud solution not only enables effective fraud detection along the entire customer journey, but also facilitates a customer-friendly process design.

The industry-independent solution uses state-of-the-art technologies such as big data and machine learning. When the solution is used globally, it takes European data protection laws into account. Arvato Financial Solutions thus offers its customers an innovative solution that reduces all types of fraud and helps prevent attacks.



Next-Generation Customer Service

In 2016, Arvato CRM Solutions and the IT corporation IBM collaborated on further advancing digitization in customer service. For example, a solution was developed for the tourism industry that immediately and precisely classifies emails by their content, enabling partially automated processing. The system is trained, based on the cognitive technology IBM Watson, using

several million past customer inquiries. In the next step, it will be transferred to a chatbot to allow fully automated dialogue between man and machine. The advantages of this solution are that customers are given a 24/7, easily accessible source of information for uncomplicated inquiries, and customer advisors are able to focus on more complex processes.

2011–2016

The New Bertelsmann Is **More International**



B

The background is a dark blue gradient with several bright, white, diagonal light streaks that create a sense of motion and depth. The streaks vary in thickness and brightness, some appearing as sharp lines while others are more blurred and ethereal. The overall effect is modern and high-tech.

28%

Revenues outside Europe

in Group revenues 2016

20%

Revenues outside Europe

in Group revenues 2011

Bertelsmann Is More International

Positive demographic changes, a growing middle class with increased purchasing power and rising demand for digital media, services and education – these are just a few of the reasons why Bertelsmann foresees ideal conditions for its businesses in Brazil, India and China (BIC) in the long term.

The same is true for other countries outside of Europe, where Bertelsmann's potential for growth is greater than in its core markets.

Beyond the BIC countries, Bertelsmann has increasingly strengthened its business activities in the United States over the past few years. The reasons are obvious – the US market for media and digital learning is the largest and most innovative in the world, and there is a broad range of opportunities for the services Bertelsmann offers.

The Group's US business was already greatly strengthened in 2013 with the merger of Bertelsmann's and Pearson's book-publishing operations. The world's largest trade publisher, Penguin Random House, has been managed from New York since then.

RTL Group focused primarily on the United States too, with the expansion of its multi-channel networks; Fremantle Media stepped up its investments there; and Arvato became the service provider of choice for many US companies. The newly founded Bertelsmann Education Group is also headquartered in the United States, and all of the division's businesses that were set up there are now expanding internationally. Bertelsmann now employs more than 10,000 people in the United States, where it currently generates nearly €3.5 billion annually in revenue.

At the same time, Bertelsmann has intensified its activities in the BIC countries. In 2012, the company opened new Corporate Centers in India's capital New Delhi and in Brazil's business

metropolis São Paulo. Bertelsmann's Chinese office in Beijing was also expanded. These locations are where the Group's various business activities are centered and coordinated. Penguin Random House, for example, is now the largest English-language publisher in India and the leading player in the Latin American book market. Arvato now provides services in all three of these countries, and Bertelsmann's growth platforms – like BMG and the Bertelsmann Education Group – have gradually increased their activities there. Meanwhile, Bertelsmann Investments' funds acquired stakes in several innovative start-ups. This not only opens up strategic opportunities for Bertelsmann, but also ensures access to advances in technology and industry trends in these markets.

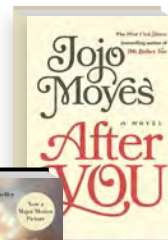
These measures have led to a sizable increase in the revenue share Bertelsmann has generated outside of Europe since 2011. While 80 percent of Bertelsmann's revenues were generated from business in Europe in 2011, in 2016 it was 72 percent. Meanwhile, the revenue share generated outside of Europe increased from 20 to 28 percent.

In the years ahead, Bertelsmann is set to become even more international; its target revenue distribution is 60 percent from Europe, 30 percent from the United States and 10 percent from the rest of the world.

Penguin
Random
House

Bestsellers Around the World

Penguin Random House's bestsellers in 2016 were as diverse as the publishing group is international. The group, which operates on five continents, last year placed 585 print and e-book titles in the "New York Times" bestseller lists in the US market. The company's divisions and imprints published successfully across all genres and formats with such major bestsellers as "The Girl on the Train" by Paula Hawkins, "Me Before You" and "After You" by Jojo Moyes, the posthumous memoir "When Breath Becomes Air" by Paul Kalanithi and children's classics by Dr. Seuss and Roald Dahl.



Jamie Oliver



Penguin Random House offers its authors a truly international audience, and Jamie Oliver was one of the many to demonstrate this in 2016. The celebrated chef's books are bestsellers not only in his native United Kingdom, but they also enjoy massive sales in Australia and China.

Last year, Penguin Random House Grupo Editorial, the publishing group's division in the Spanish and Latin American markets, benefited from the successful integration of Santillana Ediciones Generales' Spanish and Portuguese-language publishing companies, acquired in 2014, as well as from growing e-book sales. Bestsellers of 2016 in the Spanish-speaking markets included "Falcó" by Arturo Pérez-Reverte and "Los Herederos De La Tierra" by Ildefonso Falcones.

BMG

BMG Continues International Expansion

In 2016, BMG expanded its operations to additional major music markets. Last year, the Bertelsmann subsidiary opened offices in Sydney, Australia, and in São Paulo, Brazil. Just a few months after launching in Australia, the world's sixth-largest music market and a source of international repertoire, BMG announced its first major deal there – the acquisition of the legendary music company Alberts.

Alberts

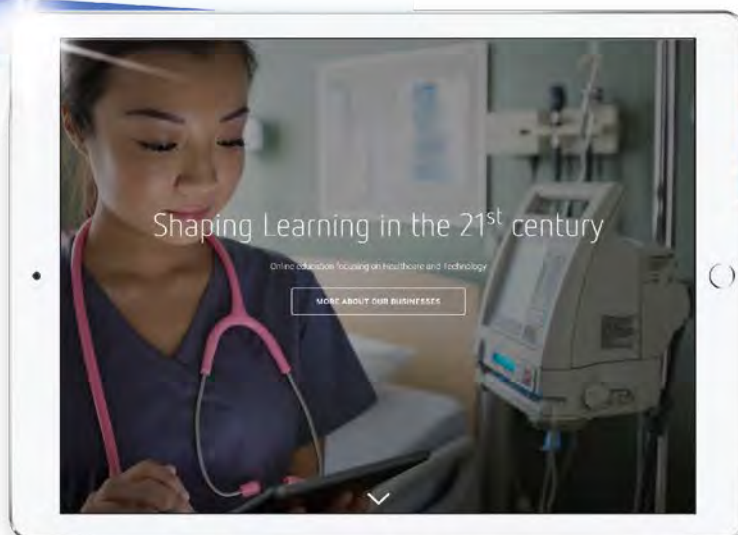


Meanwhile in China, BMG expanded its partnership with Alibaba Music, the music division of the well-known e-commerce platform. The two companies renewed their 2014 license agreement and additionally entered into a cooperation agreement to support the planned offering of Alibaba in the areas of film, television, fan interaction and e-commerce. The intensified collaboration creates a win-win situation – the partnership gives Alibaba Music easier access to Western artists, who in return gain entry into the huge Chinese music market.

Bertelsmann
Education Group

Education for the World

Growth in the United States and beyond – Relias Learning and Udacity, the Bertelsmann Education Group's online education providers in the fields of healthcare and technology, expanded their offerings in the US home market last year, while also exporting them to other countries. For example, in 2016 Relias expanded its offerings to the United Kingdom and Germany and also to the strategic growth region of China. Since last year, Udacity, too, has offered its Nanodegree programs in China and in Brazil. In India, Udacity has had a presence since 2015. In each of these countries, more than 1,000 students have already enrolled in paid Udacity courses.





Bertelsmann Funds Invest in BIC Countries and the United States

A partner for young companies around the world – in 2016 Bertelsmann invested in 43 new start-ups with innovative business models via its four strategic investment funds. The investments are focused in Brazil, India and China (BIC) and the United States.

The Bertelsmann Asia Investments (BAI) fund alone was responsible for 27 new shareholdings, including the Fintech company Yixin Capital and the bike-sharing app Mobike.



BAI also made several follow-on investments in existing portfolio companies, for example, the fitness app Keep and the dating platform Tantan.

In India and Brazil, too, Bertelsmann strengthened its activities in business segments such as Fintech and education through investments. For example, Bertelsmann India Investments invested in Lendingkart, a start-up offering loans to small and medium enterprises in India in a fully automated and digitized way.



In Brazil, together with its strategic partner Bozano Investimentos, Bertelsmann acquired a stake in NRE Education Group, one of the country's largest medical university groups.

In the United States, Bertelsmann Digital Media Investments acquired stakes in several new start-ups. The fund's largest investment in 2016 was the online video network FloSports, a start-up specializing in live streams of sporting events.



2011–2016

The New Bertelsmann Is **More Diversified**

4

corporate divisions

2011

A large, white, serif letter 'B' is positioned on the right side of the page. It is set against a dark blue background with several horizontal, wavy light trails in shades of blue, cyan, and magenta. The trails appear to be glowing and moving from left to right, creating a sense of motion and energy.

8

corporate divisions

2016



Bertelsmann Is More Diversified

Eight divisions, three pillars, one group – this has been Bertelsmann’s structure since January 2016. After coming into effect at the beginning of last year, this composition is the visible result of the various strategic advances that have been made in recent years. Bertelsmann now has a broader portfolio than ever before.

The basic strategic rationale behind the new structure is to spread the Group’s opportunities and risks more broadly while simultaneously increasing the company’s transparency.

Its greater diversification can be seen at various levels. For one, Bertelsmann entered an entirely new business arena, the education sector. In the long term, this sector will represent the Group’s third pillar of business, alongside media and services. The reason for this move was obvious. Bertelsmann has long possessed the content and services expertise that education needs, and the education sector is growing markedly as a result of several major trends. As a result, Bertelsmann has gradually built up a range of activities in this field in recent years, focusing on vocational training in healthcare and technology. All of these businesses are now a part of the newly created Bertelsmann Education Group.

Bertelsmann also gave its media and services businesses room to grow. To make the most of important activities, the music company BMG became a separate division, and Arvato refocused its energies on services businesses. The company pooled its printing businesses into the Bertelsmann Printing Group, to continue developing them under a shared umbrella in spite of a challenging market environment. Each division also underwent further diversification. RTL Group, for example, reduced its dependency on advertising, and it found new revenue streams from sources such as cable carriers. Arvato, too, has long since come to rely on a broader customer base for its services than just a few years ago.

This increased focus on activities outside Europe has also broadened the Group’s base for businesses geographically. The expanded fund activities with their respective focuses on Brazil, China, India and North America were also grouped into a separate division in 2016. The result is a “new Bertelsmann” with eight divisions.

Bertelsmann
Education Group

Third Mainstay Continues to Grow

The Bertelsmann Education Group took up operations on January 1 last year, forming Bertelsmann's third mainstay of business alongside media and services. Besides services for educational institutions, the Group has a particular focus on digital, professional training (e-learning) in the fields of healthcare and technology, a sector that continued to see especially strong growth in 2016.

settings among other things. The company also improved its analytics processes to further personalize its innovative training offerings and designed more than 400 new online courses for healthcare workers. Relias is breaking new ground in providing access to these offerings as well – a first app is now available that allows nurses and caregivers to complete Relias courses on mobile devices.

RELIAS | LEARNING

A look at the Bertelsmann subsidiary Relias Learning provides impressive evidence of this. The online education provider increased its customer base to around 5,500 corporate customers, whose employees complete some 30 million courses a year. The expansion of the business was fueled by several company acquisitions in North America, gaining Relias entrance to the market for training in hospital

settings among other things. The company also improved its analytics processes to further personalize its innovative training offerings and designed more than 400 new online courses for healthcare workers. Relias is breaking new ground in providing access to these offerings as well – a first app is now available that allows nurses and caregivers to complete Relias courses on mobile devices.

Udacity, which specializes in technical training, also expanded its range of courses last year. The company is constantly developing new Nanodegree programs to qualify students for technology jobs for today and tomorrow, including the "Self-Driving Car Engineer" and "Artificial Intelligence" Nanodegree programs.

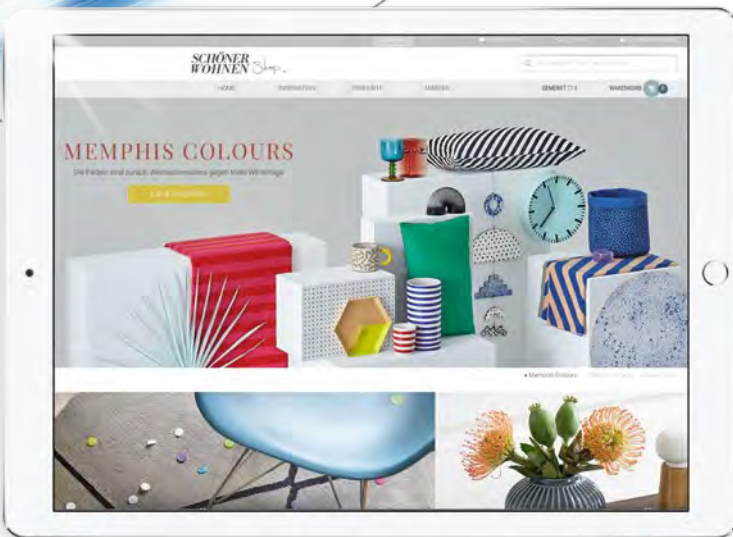
UDACITY





RTL Group Decreases Its Dependence on TV Advertising Revenues

RTL Group broadened its revenue base step by step. Traditional TV advertising was still the Group's most important revenue source, generating 48 percent of its revenues, but the share of digital revenues, for example, from the Bertelsmann subsidiary's online video sites and ad tech platforms, is rising. Last year, for the first time, digital revenues accounted for more than 10 percent of total revenues – a milestone that the Group hadn't originally planned to achieve until a few years from now. Another important source of revenue for RTL Group was income from Fremantle Media's content production and the distribution of rights and licenses.



Gruner + Jahr Enters E-Commerce in the Home Living Segment

From home accessories to small furniture items – when it was launched last summer, the online store of the German home living magazine “Schöner Wohnen” already offered more than 1,000 products. The launch expanded Gruner + Jahr's e-commerce activities into the home living segment. All products in the new shop are selected and recommended by “Schöner Wohnen” experts or selected guest curators. “Schöner Wohnen” also features some items on specially marked pages in the magazine.



**Bertelsmann
Printing Group**

Pioneer in a New Segment

Well over a million discs delivered within only six months – Sonopress struck a chord last year with its production of the Ultra HD Blu-ray Disc (4K). The Bertelsmann Printing Group subsidiary is one of the few companies in the world that is certified to produce the innovative storage medium. Demand from both Europe and North America is high – numerous Hollywood studios including Warner Bros. and Universal Pictures are among its customers. Thanks to intensive process development and machine configurations, Sonopress was one of the first companies in the world to produce Ultra HD discs with a storage volume of up to 100 gigabytes.

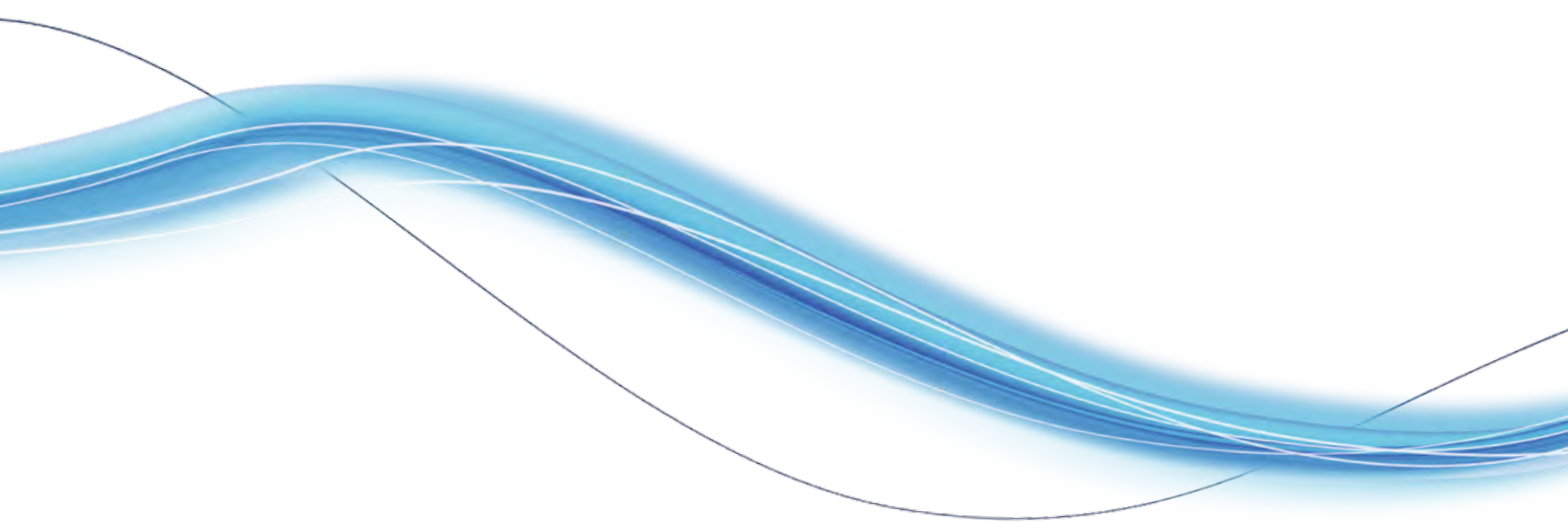


Bertelsmann

Sense of Purpose

Why do we do what we do? In 2016, Bertelsmann responded to this question by formulating a purpose statement – or “sense of purpose” – offering guidance and giving orientation to its companies, partners and employees.

“To Empower. To Create. To Inspire.” – these three terms form the “Bertelsmann Sense of Purpose,” Bertelsmann’s response to a key question: What is the company’s purpose?

A decorative graphic consisting of several overlapping, wavy lines in various shades of blue, ranging from light to dark. The lines flow from the left side of the page towards the right, creating a sense of movement and depth. The background is white, making the blue lines stand out.

“In times of digital disruption and organizational transformation, maximum guidance is essential,” says Immanuel Hermreck, Chief Human Resources Officer of Bertelsmann. He adds that Bertelsmann has changed steadily over recent years, “and these conversations kept raising questions of identity and purpose.” The company’s newly formulated purpose serves as a “Bertelsmann compass for our shared journey into the company’s future,” says Hermreck. It is meant to shine inward, a beacon that gives orientation to employees and provides a more holistic understanding of the work they do. “Make no mistake: a sense of purpose you can identify with pays huge dividends when it comes to employer branding – this is enormously important, particularly to our younger generation of colleagues,” says Hermreck.

It should not come as a surprise, then, that a strong sense of purpose has a direct impact on the company’s bottom line. According to a recent Harvard University study, purpose-oriented companies generate up to six times as much profit in the long term compared to companies driven exclusively by financial ends.

So, how did Bertelsmann go about (re)discovering its purpose? It was the result of a “soul-searching process” throughout the entire Group, emerging after hundreds of conversations with employees, executives and shareholders. “A company’s sense of purpose is something very subjective and we believe, therefore, could only come from within the company,” says Hermreck.

Bertelsmann Sense of Purpose

To Empower. To Create. To Inspire.

To Empower means that Bertelsmann will – acting as a decentralized company – continue to provide its employees, management staff and entrepreneurs with the freedom that empowers them to achieve. Also, through its products and services, Bertelsmann contributes to society by empowering and educating its customers.

To Create translates into the countless opportunities Bertelsmann provides in terms of creative development and new business. In doing so, it opens up new domains for creative people – who in turn develop original products and services for customers, readers, viewers and listeners.

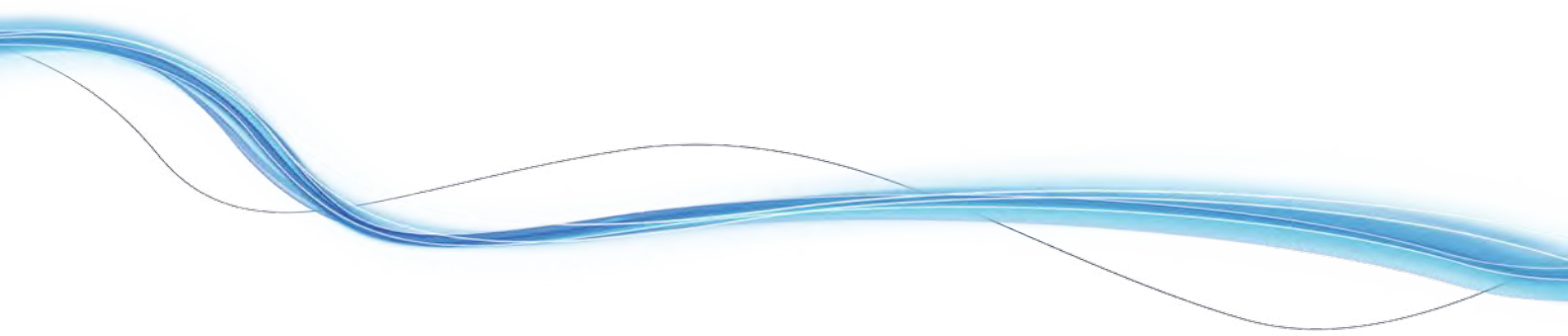
Finally, **To Inspire** stands for Bertelsmann's motivating working conditions and its inspiring products and services.

And by the way, searching internally for answers related to purpose has a long tradition at Bertelsmann. Reinhard Mohn sketched out the basic principles of today's Bertelsmann Purpose through his understanding of entrepreneurship based on freedom, partnership and delegation of responsibility.

The result of this purpose process – namely, Bertelsmann's new purpose statement – deliberately gives individual divisions and business units room for interpretation, providing the "space" to impart their own sense of purpose to their businesses, employees and customers. In a decentralized company like Bertelsmann, this is believed to be the ultimate test for a new purpose: does the purpose connect everyone, and is it meaningful to everyone? Bertelsmann is convinced that "To Empower. To Create. To Inspire." does just that.

Corporate Responsibility

We strive to act as responsible entrepreneurs – in our business settings, toward our employees, in society and in our treatment of the environment. This is an integral part of Bertelsmann’s corporate culture. Our aim is to reconcile the Group’s economic interests with social and environmental concerns, in dialogue with all relevant stakeholders.



Strategic Development

Bertelsmann is continually reviewing the strategic development of its corporate responsibility (CR) management. This comprises setting targets across the Group, matters of cross-divisional coordination and collaboration, and transparency regarding the prioritized CR topics. With forthcoming statutory reporting requirements in mind, the focus is on the further development of management approaches and performance indicators for relevant thematic areas: education, press freedom, fair working conditions, the protection of media users and customers, diversity and eco-efficiency.

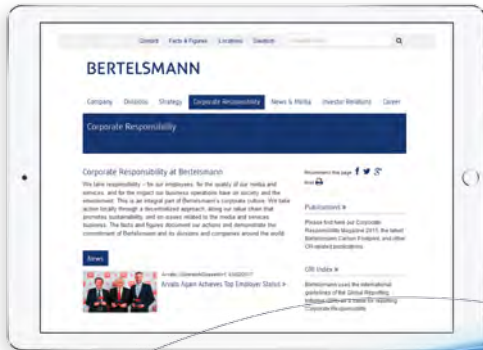
Organization

In the Bertelsmann Corporate Responsibility Council, high-ranking representatives of the divisions regularly meet under the chairmanship of the Chief Human Resources Officer. Together, they advance the strategic development of CR at Bertelsmann and contribute an operational perspective from the businesses. At the Group level, the Corporate Responsibility and Diversity Management department coordinates and supports the work of the CR Council, reporting to the Group Chief Human Resources Officer in close collaboration with other corporate functions. Specific CR projects and measures are implemented in a decentralized manner at Bertelsmann. The divisions and companies have set up their own structures and processes for this, according to local requirements.

Information on how Bertelsmann meets its responsibilities can also be found online at:

www.bertelsmann.com/responsibility

In addition to facts and daily news on CR initiatives, you will find documents such as the Bertelsmann Code of Conduct and the Carbon Footprint. Beyond this, an interactive online index provides information about key processes and performance indicators in accordance with the guidelines of the "Global Reporting Initiative." In 2016, Bertelsmann also reported on its CR activities in the "24/7 Responsibility" magazine.



Ethics & Compliance

Bertelsmann has established an extensive Ethics & Compliance program. The program's foundational document is the Bertelsmann Code of Conduct, which is built on the Bertelsmann Essentials and which codifies the obligation for ethical and legally compliant conduct for all employees. Additional guidelines were issued to cover key topics, such as anticorruption, antitrust, foreign trade and business partner compliance. Employees undergo thorough training and consultation. Compliance violations will not be tolerated. Suspected violations are immediately investigated and verified violations are dealt with promptly. The program's effectiveness is ensured through regular evaluation and risk-driven adjustments.

Corporate Responsibility


Group Dialogue Conference

Involving employee representatives in operational processes of change, broadening the structures for obtaining feedback on the leadership conduct of supervisors and handling the challenges of demographic change – these topics were the focus of the fifth Bertelsmann Group Dialogue Conference, where CEO Thomas Rabe and CHRO Immanuel Hermreck once again met with German Corporate Works Council members. At Bertelsmann Unter den Linden 1, Berlin, the participants took this top-level constructive dialogue as an opportunity to discuss current concerns from the companies and individual divisions.



Thomas Rabe and Immanuel Hermreck at the Bertelsmann Group Dialogue Conference

Taking Part Means Taking Action: The Employee Survey 2016

 **Employee Survey 2016**
Take part! Take action!

As a key instrument of partnership in action, the Employee Survey has been among the most important elements of Bertelsmann's corporate culture for close to 40 years. In 2016, 89 percent of employees around the world seized the opportunity to take part, anonymously evaluating topics such as work environment, cooperation with supervisors and coworkers, opportunities for training and development, and management change in the Group. In the next phase, executives and employees will jointly analyze the company and team results, derive potential for improvement and agree on specific actions.

Climate Protection and Environmental Management

In order to produce books, magazines and catalogs; movies and TV content; and digital formats and to provide services and technology-driven business solutions, Bertelsmann businesses all over the world rely on natural resources. Climate protection and energy and resource efficiency are therefore important aspects of CR. In 2016, Bertelsmann published its fifth Carbon Footprint at: www.bertelsmann.com/responsibility





Diversity Conference

The 2016 Bertelsmann Diversity Conference demonstrated that diversity doesn't just have social benefits – it also leads to economic advantages. It was held under the heading "Open Minds for a New Bertelsmann." CHRO Immanuel Hermreck invited around 110 participants to Berlin for two days, including members of the Executive Board and the Group Management Committee (GMC), executives, Corporate Works Council representatives and HR representatives from 13 countries. The event focused on business cases from the divisions and the topics of unconscious bias and creativity. New activities were proposed and discussed in various breakout sessions.



Ashaki Rucker from Arvato speaks at the Diversity Conference in Berlin

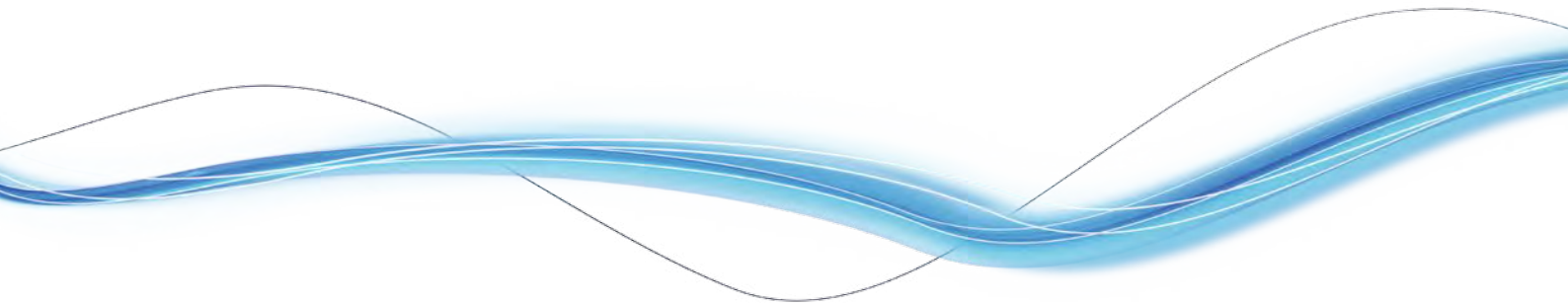
Digitization in Elementary Schools

More than 3,500 elementary schoolchildren in Gütersloh will soon have better computer equipment – Bertelsmann has donated a total of €600,000 to the city to expand and modernize the IT equipment at its 17 elementary schools. The money – Bertelsmann's largest donation in recent years at its corporate headquarters – will be used to buy mobile IT devices for teaching, a basic requirement for learning and related educational work in the digital world.



Bertelsmann Essentials

The Bertelsmann Essentials convey the goals and basic values of our company's employees, executives and shareholders and build on the Corporate Constitution. It is the responsibility of our executives to spread and epitomize these values and to serve as role models. The Bertelsmann Essentials reflect the common understanding of our corporate culture and are subject to constant review, revision and improvement.



Our Mission

Bertelsmann is a media, services and education company. We provide information, entertainment and media services to inspire people's daily lives. We aspire to make a valuable contribution to society. We strive to be leaders in our markets and achieve returns on capital employed that guarantee growth and continuity of our corporation. Our joint efforts focus on creative content and customer relations. We seek to provide working conditions that are equitable and motivating for our employees. We commit ourselves to ensuring the continuity and ongoing progress of our corporation.

Our Commitment

We expect everyone at Bertelsmann to adhere to this mission and these core values.

Our Core Values

Creativity

We provide a home for artists, authors and creative talent in all of our fields of business, promoting their creative development and commercial success. We strive for the protection of intellectual property on a worldwide basis. We promote artistic freedom and freedom of thought, the protection of democracy and human rights, and the respect of traditions and cultural values. Consequently, the content we provide reflects a wide range of viewpoints and opinions. Continuous innovation and improvement, guided by customer needs and interests, are the cornerstones of our success.

Entrepreneurship

The principle of decentralization is at the heart of Bertelsmann's management philosophy. It enables our employees to act with flexibility, responsibility, efficiency and entrepreneurial freedom. Our operating businesses are run by managers who act as entrepreneurs: they enjoy considerable independence and bear full responsibility for the performance of their companies. Our executives act not only in the best interests of their individual businesses, but are also committed to the interests of the Group as a whole.

Partnership

Our corporate culture is based on a mutually beneficial partnership between our employees and the company. Motivated individuals who identify with the company and its values are the driving force behind quality, efficiency, innovation and growth within our corporation. The hallmarks of our participatory leadership approach are mutual trust and respect as well as the principle of delegation of responsibilities. Our employees enjoy autonomy to the greatest extent possible. They receive comprehensive information and participate in decision making and our financial success. We are committed to the professional development of our employees and seek to provide long-term employment.

Citizenship

The continuity and development of Bertelsmann as an independent entity is ensured by the Bertelsmann Verwaltungsgesellschaft's (Bertelsmann Management Company) control of the majority of voting rights. In the view of our shareholders, the possession of property creates an obligation to the community. They believe that, in a market economy, a corporation derives its legitimacy from making a valuable contribution to society. The work of the Bertelsmann Stiftung – to which the majority of Bertelsmann shares has been contributed – is also guided by this principle. Our businesses are managed in accordance with the spirit and the letter of the law. They maintain high standards of ethical conduct and act responsibly toward society and the environment.

Financial Calendar

May 11, 2017

Announcement of figures for the first three months of 2017

May 15, 2017

Payout of dividends on profit participation certificates for the 2016 financial year

August 31, 2017

Announcement of figures for the first half of 2017

November 9, 2017

Announcement of figures for the first nine months of 2017

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Project Management

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Photography

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Print

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