What drives us
## Key Figures (IFRS)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group revenues</td>
<td>17,673</td>
<td>17,190</td>
<td>16,950</td>
<td>17,141</td>
<td>16,675</td>
</tr>
<tr>
<td>Operating EBITDA</td>
<td>2,586</td>
<td>2,636</td>
<td>2,568</td>
<td>2,485</td>
<td>2,374</td>
</tr>
<tr>
<td>EBITDA margin in percent(^1)</td>
<td>14.6</td>
<td>15.3</td>
<td>15.2</td>
<td>14.5</td>
<td>14.2</td>
</tr>
<tr>
<td>Bertelsmann Value Added (BVA)(^2)</td>
<td>121</td>
<td>163</td>
<td>180</td>
<td>180</td>
<td>211</td>
</tr>
<tr>
<td>Group profit</td>
<td>1,104</td>
<td>1,198</td>
<td>1,137</td>
<td>1,108</td>
<td>572</td>
</tr>
<tr>
<td>Investments(^3)</td>
<td>1,434</td>
<td>1,103</td>
<td>1,240</td>
<td>1,259</td>
<td>1,578</td>
</tr>
</tbody>
</table>

| **Consolidated Balance Sheet** |       |       |       |       |       |
| Equity                   | 9,838 | 9,127 | 9,895 | 9,434 | 8,380 |
| Equity ratio in percent   | 38.8  | 38.5  | 41.6  | 41.2  | 38.9  |
| Total assets             | 25,343| 23,713| 23,794| 22,908| 21,560|
| Net financial debt       | 3,932 | 3,479 | 2,625 | 2,765 | 1,689 |
| Economic debt\(^4\)      | 6,619 | 6,213 | 5,913 | 5,609 | 6,039 |
| Leverage factor          | 2.7   | 2.5   | 2.5   | 2.4   | 2.7   |
| Dividends to Bertelsmann shareholders | 180   | 180   | 180   | 180   | 180   |
| Distribution on profit participation certificates | 44    | 44    | 44    | 44    | 44    |
| Employee profit sharing  | 116   | 105   | 105   | 95    | 85    |

As of January 1, 2018, the new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers were applied for the first time. In accordance with the transitional provisions of IFRS 9 and IFRS 15, prior year comparatives have not been adjusted. Further details are presented in the section “Impact of New Financial Reporting Standards.” The figures shown in the table are, in some cases, so-called Alternative Performance Measures (APM), which are neither defined nor described in IFRS. Details are presented in the section “Alternative Performance Measures” in the Combined Management Report. 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. From financial year 2018 onward, Bertelsmann Value Added is determined without taking into account the Bertelsmann Investments division.
3) Taking into account the financial debt assumed, investments amounted to €1,461 million (2017: €1,117 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 117,000 employees and generated revenues of €17.7 billion in the 2018 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.
The Bertelsmann Divisions

RTL Group is a leader across broadcast, content and digital, with interests in 60 television channels, eight video-on-demand platforms, 30 radio stations, content production throughout the world and rapidly growing digital video businesses. The television portfolio of RTL Group 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’s flagship radio station is RTL in France, and it also owns or has interests in other stations in France, Germany, Belgium, Spain and Luxembourg. RTL Group’s content production arm, Fremantle, is one of the largest international creators, producers and distributors of scripted and unscripted content in the world. Combining the on-demand services of its broadcasters, the multiplatform networks BroadbandTV, StyleHaul, Divimove, United Screens and Fremantle’s more than 300 YouTube channels, RTL Group has become the leading European media company in online video. RTL Group also owns the advanced video ad serving platform SpotX. Bertelsmann is the majority shareholder of RTL Group, holding 75 percent of its shares.

Penguin Random House, the world’s largest trade book publisher, is dedicated to its mission of nourishing a universal passion for reading by connecting authors and their writing with readers everywhere. The company employs more than 10,000 people globally. With nearly 275 independent imprints and brands on six continents, Penguin Random House comprises adult and children’s fiction and nonfiction print with primarily English- and Spanish-language trade book publishing businesses in more than 20 countries worldwide. With 15,000 new titles, and around 600 million print, audio and eBooks sold annually, Penguin Random House’s publishing lists include more than 80 Nobel Prize laureates and hundreds of the world’s most widely read authors. Bertelsmann owns 75 percent of shares in Penguin Random House; Pearson owns 25 percent.

Arvato is an internationally active services company that develops and implements innovative solutions for business customers from around the world. These include SCM solutions, financial services and IT services, which are continuously developed with a focus on innovations in automation and data/analytics. Globally renowned companies from a wide variety of industries – from telecommunications providers and energy providers to banks and insurance companies, e-commerce, IT and Internet providers – rely on Arvato’s portfolio of solutions. Arvato is wholly owned by Bertelsmann. The services business also includes the Majorel group of companies, in which Bertelsmann owns 50 percent of shares.

The Bertelsmann Printing Group unites Bertelsmann’s printing activities. This includes the German offset printing companies Mohn Media, GGP Media and Vogel Druck, the Prinovis gravure printing operations in Germany and the United Kingdom, and the offset and digital printing plants Berryville Graphics, Coral Graphics and OPM in the United States. The Group combines a wide range of print and service offers. Campaign, DeutschlandCard and the Dialogue business are also part of Bertelsmann Printing Group. The Bertelsmann division also includes the advertising agency MBS, RTV Media Group and Sonopress. Bertelsmann Printing Group is wholly owned by Bertelsmann.
**Gruner + Jahr** is one of Europe’s leading premium magazine publishers. Its products include established brands such as “Stern,” “Geo,” “Brigitte,” “Essen & Trinken” and “Schöner Wohnen” – as well as younger brands like “Chefkoch,” “Barbara,” “Beef” and “11 Freunde.” In total, Gruner + Jahr publishes around 500 print and digital media products across more than 20 countries. It also markets products and licenses such as the “Schöner Wohnen” Collection. Gruner + Jahr’s activities focus primarily on Germany and France. In the latter, its French subsidiary Prisma Media boasts one of the widest audiences of any publishing company. Digital business makes up a quarter of sales, and is exhibiting continued strong growth. Indeed, the company’s digital products lead the rankings in all publishing segments, from news to people to living. G+J also operates international digital marketing platforms (e.g., AppLike). Territory, Germany’s largest communications agency for brand content, is a member of the G+J family. Other members include Europe’s leading special-interest publisher, Motor Presse Stuttgart (“Auto Motor und Sport”), and DDV Mediengruppe in Dresden (“Sächsische Zeitung”). G+J also holds a stake in Spiegel-Gruppe (“Spiegel,” “Manager Magazin”). Gruner + Jahr is wholly owned by Bertelsmann.

www.guj.com

**BMG** is the first new international music company of the streaming age, designed to help artists and songwriters best manage and market their music-related rights, from songs and recordings to videos and books. Creating competitive advantage with its core values of Fairness, Transparency and Service, BMG offers the traditionally separate music publishing and recording rights off the same state-of-the-art platform internationally. BMG’s 15 offices across 12 core music markets now represent over three million songs and recordings, including many of the most renowned and successful catalogs and artists in popular music history. BMG is wholly owned by Bertelsmann.

www.bmg.com

**Bertelsmann Education Group** encompasses Bertelsmann’s education businesses. The group is shaping professional learning in the 21st century with digital education and service offerings focused on the healthcare and technology sectors. It draws on Bertelsmann’s resources and global network. The Bertelsmann Education Group is wholly owned by Bertelsmann.

www.bertelsmann-education-group.com

**Bertelsmann Investments** unites Bertelsmann’s start-up investments around the world. Its activities focus on the strategic growth regions Brazil, China, India and the United States. 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 185 innovative companies via these funds.

www.bertelsmann-investments.com
Interactive Online Report

The Bertelsmann Annual Report can also be accessed online at: ar2018.bertelsmann.com

In the online report you will find, among other things, a video with innovative 3D sound technology. Unlike stereo, 3D sound enables an exceptional 360-degree listening experience and puts the listener right in the middle of the action. Any headphones can be used to play 3D sound. For best results, make sure you have the earpieces in the correct ear (left/right).
Contents

6  Letter from the CEO
8  Executive Board and Group Management Committee
10 What drives us
12 Interview with Thomas Rabe
15 The Four Strategic Priorities
16 The Four Strategic Goals
18 Creativity/Highlights 2018
28 Entrepreneurship/Highlights 2018
40 Culture@Bertelsmann
44 Corporate Responsibility
48 Financial Calendar/Contact/Production Credits
Thomas Rabe
Chairman and CEO of Bertelsmann
Dear Readers,
Dear Friends of Bertelsmann,

Bertelsmann performed well in the 2018 financial year. Driven by creativity and entrepreneurship, we have made further progress in implementing our strategy, and again improved our growth profile. This report documents these achievements.

Group revenue rose to €17.7 billion. At 2.7 percent, organic growth was higher than it has been for many years. This positive development was driven by our growth businesses, which accounted for more than one-third of Group revenues. Around half of our revenues now come from digital activities, and about 30 percent of them from outside Europe, primarily the United States. As a result, we have become a faster-growing, more digital and more international Group.

At €2.6 billion, operating EBITDA almost reached the previous year’s record level, when we benefited from real estate disposals. On a comparable basis, operating profit was significantly higher than in 2017. In addition to Penguin Random House, BMG and the Bertelsmann Education Group, Arvato in particular recorded significant earnings growth.

At €1.1 billion, Group profit exceeded the billion-euro mark for the fourth consecutive year.

This positive business performance is accompanied by progress in our four strategic priorities.

**Strengthening the core:** RTL Group’s families of channels largely maintained their positions in the TV advertising markets in Germany, France and the Netherlands. Penguin Random House placed 481 titles on the “New York Times” bestseller lists, led by Michelle Obama’s memoir “Becoming.” A strategic milestone was achieved with the combination of Arvato’s global CRM businesses with those of Morocco’s Saham Group at the beginning of 2019. The new group, Majorel, will invest heavily in the digitalization of its service portfolio in the years ahead.

**Digital transformation:** RTL Group accelerated the expansion of its VOD activities and increased its digital revenues by 19 percent to nearly €1 billion. Gruner + Jahr grew its digital revenues in Germany, due in part to the growth of the app discovery platform AppLike. Arvato grew with customers from the IT and high-tech sectors.

**Expansion of growth platforms:** Fremantle benefited from the return of the successful “American Idol” format and internationally popular series such as “My Brilliant Friend.” BMG strengthened its position with new artist signings and catalog acquisitions. Arvato’s e-commerce and financial services activities grew significantly. Our Education division expanded through the acquisition of the US online education provider OnCourse Learning. Overall, our growth platforms grew organically by 10 percent in 2018.

**Expansion in growth regions:** Our funds made 44 investments in innovative companies in Brazil, China and India; our global network comprised 189 investments at year-end. Bertelsmann Asia Investments once again made a major contribution to the Group profit. In Brazil, we strengthened our presence by acquiring a majority stake in the corporate training provider Afferolab, and by increasing our stake in the renowned trade book publishing group Companhia das Letras.

These strategic successes are fueled by our 117,000 employees worldwide. My sincere thanks go out to them.

We will continue to invest in the creative and entrepreneurial power of our businesses with confidence that we will continue on our successful path. I welcome your ongoing interest in our progress.
The Bertelsmann Executive Board and Group Management Committee

The Bertelsmann Executive Board, together with selected executives from the Group, constitutes the Group Management Committee (GMC). Led by Thomas Rabe, the GMC reflects Bertelsmann’s diversity and internationality, as well as its most important markets. The GMC advises and supports the Executive Board on important matters of corporate strategy and development, and other Group-wide topics.

Executive Board

Thomas Rabe  
Chairman and Chief Executive Officer of Bertelsmann and Chief Executive Officer of RTL Group

Markus Dohle  
Chief Executive Officer of Penguin Random House

Immanuel Hermreck  
Chief Human Resources Officer of Bertelsmann

Bernd Hirsch  
Chief Financial Officer of Bertelsmann

Group Management Committee

Rolf Hellermann  
Chief Executive Officer of Arvato Financial Solutions

Kay Krafft  
Chief Executive Officer of Bertelsmann Education Group

Julia Jäkel  
Chief Executive Officer of Gruner + Jahr

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

Bertelsmann pursues four strategic priorities. The goal: to become an even faster-growing, more digital, more international and more diversified Group. To achieve this, Bertelsmann is increasingly opening up new lines of business that will benefit from megatrends such as digitalization, the rising demand for education, and growing consumption in countries such as Brazil, China and India. Creativity and entrepreneurship are the drivers of our strategy implementation. They form the core of the Group’s value creation, create transparency and orientation, and are essential to Bertelsmann’s identity and corporate culture.
What drives us
Mr. Rabe, let’s talk about Bertelsmann’s transformation. How far has the Group progressed in this respect?

Very far. In recent years, Bertelsmann has made great progress in all areas and at all levels. This is demonstrated not least by the fact that we are now in a position to shift from growth driven by acquisitions to ever-stronger organic growth. We are once again growing significantly on our own steam.

Can you explain this in a bit more detail?

Our growth businesses now account for more than one-third of our total revenues, compared with just one-fifth in 2011. By contrast, we reduced the proportion of revenues attributable to structurally declining business from 16 percent to 4 percent in the same period. This has played a key role in ensuring that our organic growth has kept increasing every year since 2015. Last year we achieved 2.7 percent; our medium-term target is 3.0 percent. Our growth platforms – in particular, Fremantle, the digital activities of RTL Group and G+J, and the logistics and financial services businesses of Arvato, BMG and the Bertelsmann Education Group – will continue to play a decisive role. In 2018, they generated organic growth of 10 percent.

Beyond this, Bertelsmann also wants to become more digital, more international and more diversified. How are you doing with these targets?

Here, too, we have made great progress, especially with regard to the revenue contribution of our digital activities. Our goal is to eventually generate more than 50 percent of revenues digitally. In 2018, we were at 49 percent. So the goal has been as good as achieved – and earlier than originally expected.
The share of revenues from outside Europe was 28 percent last year – a significant improvement on the 20 percent of 2011. One reason is that we are investing heavily, particularly in the United States. In the medium term, we aim to generate 30 percent of our revenues there, and a further 10 percent in other regions of the world.

As far as diversification is concerned, in recent years we have opened up entirely new lines of business, such as education. But a lot has also happened within the individual divisions. Take Arvato: In 2011, we offered the outsourcing of entire business processes and print services there. Today, these are activities in the clearly defined areas of CRM, SCM, Financial Solutions and IT.

What role does technology play in the transformation you’ve just described?

An increasingly important one. Although Bertelsmann is not a tech company, the use of tech solutions is essential for the future of our businesses, especially in the areas of cloud, data and AI. In many cases, exciting approaches already exist within the Group, which we will be spreading even further. The expansion of our capabilities in these fields is a priority in the near future. This also includes equipping our employees with the necessary tech expertise. This is done, for example, through courses at Udacity, an online learning platform for the tech sector in which we own a stake.

Is the development of tech competence also necessary because the major tech platforms are often your competitors?

Indeed, we are seeing a new dimension of competition with major US tech platforms such as Amazon, Facebook, Google and Netflix. But we have every reason to trust in our strengths and have formulated clear strategic answers to this challenge.

What are these answers?

First, investments in premium content – this amounts to around €6 billion per year. Second, the guarantee of secure advertising environments and large reach; both are essential for brands. Third, the expansion of our own digital businesses and digital competencies. Fourth, the establishment of strategic alliances internally and with external partners, such as the Ad Alliance, the Bertelsmann Content Alliance and the netID initiative. Fifth, and especially importantly, customer relationships and cooperation with the platforms mentioned: Fremantle produces formats for Netflix; Arvato is a service provider for almost all major tech groups. Sixth, a commitment to greater equality of competition – a modern, fair regulatory framework is needed that does not put the creative industry at a disadvantage vis-à-vis the tech platforms. And last but never least, the strengthening of our corporate culture, in particular creativity and entrepreneurship.

What significance do creativity and entrepreneurship have for Bertelsmann?

They are of central significance – they are the core of our company and its culture.
“The diversity and reach of our creative offerings are unique in the world.”

Can you elaborate on that?

Creativity is at the heart of our value creation. Video, books, magazines, music: The diversity and reach of our creative offerings are unique in the world. This great strength of ours needs to be cultivated. In Germany, for example, this is done through the aforementioned Bertelsmann Content Alliance, which pools the expertise of our content businesses and enables us to offer creative people new marketing opportunities across all media genres. Creativity is also a driving factor in our services and education businesses.

And entrepreneurship?

It’s the second key to our success. The local management of our businesses, which has a long tradition with us, is more important than ever in the digital, fast-moving world. Together, creativity and entrepreneurship are what drives us.

How can creativity and entrepreneurship be encouraged?

A supportive working environment is essential for both. This includes a willingness to take risks, a willingness to experiment, perseverance and a culture where mistakes are allowed.

You mentioned taking risks. What do you see as bold decisions in recent years?

In the media sector, RTL Group’s early entry into the online video and ad-tech sectors, and the combination of Penguin and Random House to form the world’s largest trade book publishing group. And after having sold off nearly all of our activities in the music area in 2008, BMG, with its business model completely tailored to the digital world, is once again number four in the market today.

And in the other divisions?

Arvato’s realignment: The latest financials show how profitably all four Solution Groups are now growing. Arvato had an excellent year in 2018; the group has potential for further growth. Also, our partnership with the Saham Group in the field of CRM commenced at the beginning of 2019. The cooperation has created a market leader that is well placed to successfully develop this business further.

Another milestone for me is the expansion of our education business, which has become a third mainstay of business alongside media and services. And lastly, our fund businesses fall into this category: Bertelsmann Asia Investments is one of the most successful funds of its kind. We have built up this business over the years and are now reaping the rewards.

What all these steps have in common is that we didn’t just fine-tune established business models, but ventured into entirely new lines of businesses and geographical regions. This is entrepreneurship in the best sense of the word.

The motto of this Annual Report is “What drives us.” So in closing: What drives you personally?

The privilege of managing this creative and entrepreneurial company and being able to continue developing it a bit more every day. As a marathon runner, I know that the last few kilometers just before the finish line are the most challenging, but also the most satisfying!
The Four Strategic Priorities

Bertelsmann has since 2012 pursued four strategic priorities in transforming itself into a faster-growing, more digital, more international and more diversified company. In recent years, the company invested more than €5 billion in digital and high-growth businesses, and is pursuing their expansion with an increasing focus on organic growth. Along with this, Bertelsmann is increasingly opening new lines of business that benefit from digitalization, the growing demand for education, and growing consumption in countries such as Brazil, China and India. At the core of the value creation of all its businesses, Bertelsmann relies especially on the innovative power of creativity, and spends more than €5 billion a year on video content, book rights and magazines, as well as catalog acquisitions and artist signings in the music sector. This figure is expected to rise to around €6 billion in the years ahead.

Strengthening the Core

Digital Transformation

Building and Developing Growth Platforms

Growth Regions
The Four Strategic Goals

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

**Higher Growth**

Share of Group revenues contributed by growth businesses, in percent

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2018</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td></td>
<td></td>
<td>~40</td>
</tr>
</tbody>
</table>

**More Digital**

Digital revenue share in Group revenues, in percent

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2018</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49</td>
<td></td>
<td></td>
<td>&gt;50</td>
</tr>
</tbody>
</table>
More International
Share of Group revenues generated outside Europe, in percent

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2018</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share</td>
<td>20</td>
<td>28</td>
<td>~40</td>
</tr>
</tbody>
</table>

More Diversified
Number of business divisions

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>4</td>
<td>8</td>
</tr>
</tbody>
</table>
> 7,000,000
copies of Michelle Obama’s “Becoming”
are sold across all formats in 2018

497,000,000,000
online videos are viewed on RTL Group’s digital
platforms in 2018

500
magazines and digital offerings are
published by Gruner + Jahr in more
than 20 countries

> 3,000,000
song rights are administered by BMG
What drives us
Billions in Spending on Creative Content

Bertelsmann’s creative offering is comprehensive and extensive: Enormous diversity meets global reach. Every day, Bertelsmann reaches more than one billion people worldwide with its content, brands and formats. In 2018, the Group spent €5.4 billion on creative content including films and TV programs, books, quality journalism, and music. “Bertelsmann places creativity at the center of its value creation and corporate culture. As Europe’s largest media company, high-quality content forms the heart of our business,” says Bertelsmann Chairman & CEO Thomas Rabe. In the coming years, spending on creative content is expected to rise to around €6 billion, so as to captivate and inspire even more people.
Bertelsmann bundles its creative content businesses in Germany in the Bertelsmann Content Alliance. Led by Gruner+Jahr CEO Julia Jäkel, experts from RTL Group, Verlagsgruppe Random House, G+J and BMG join forces to develop and market joint formats across all media genres. For instance, a musician signed to BMG can be inspired to collaborate on a biography, a fan magazine or a television show, all produced within the Group. Such cross-media collaborations already exist – like the award-winning Vox series “Der Club der roten Bänder” (“The Red Band Society”), based on a book by Albert Espinosa that was published by Goldmann. The Bertelsmann Content Alliance will take this to a new level in the future – an exciting prospect for creative minds.

Thomas Rabe (Chairman and CEO) and Immanuel Hermreck (Chief Human Resources Officer) with members of the Bertelsmann Content Alliance.
"My Brilliant Friend" was one of Fremantle’s most important drama productions of 2018. The RTL Group company transformed Elena Ferrante’s global bestseller into a series that stood out among a broad range of quality productions. The emotional story of two friends growing up in 1950s Naples – where they experience many girlhood dreams come true, but also the everyday hardships of living in poverty – was sold to 147 territories. The US cable network HBO and the Italian public broadcaster RAI have already announced that there will be a second season. In Germany, the UFA series production “Ku’damm 59” is a huge success with regard to audience share and distribution; the episodes of the series were streamed six million times on ZDF Mediathek, the public broadcaster’s on-demand platform, alone. RTL Nederland’s streaming service Videoland also had a major success with the crime series “Mocro Maffia.”
Michelle Obama’s memoir “Becoming” was probably the most anticipated title of 2018 – and it lived up to expectations: Upon its simultaneous international publications in mid-November, the book soared to the top of the bestseller lists in the world’s leading book markets, and was ranked as the bestselling book of the year in the United States, Germany and other countries. In “Becoming,” the former First Lady of the United States tells her personal story for the first time, with her reflections on the experiences and events that have shaped her, from her childhood to her years in the White House.

Mrs. Obama’s book tour of major venues in America and London quickly sold out. She was voted America’s “Most Admired Woman” in a December Gallup survey. Her memoir’s international success is also impressive evidence of Penguin Random House’s global publishing reach: Under the lead management of its Crown Publishing US division, the book was simultaneously launched in 31 languages, and sold more than seven million copies in print, electronic and audiobook formats by the end of the year. Obama fever continues in 2019, as she has extended her book tour to major arenas in cities across North America and Europe.
Creativity | Highlights 2018

Personality Magazines on the Up and Up

Magazines by and with famous people offer identification and a very special approach to the reader. Following up on the success of “Barbara,” Gruner+Jahr launched several new personality magazines in 2018. “Guido,” a magazine featuring the popular star designer Guido Maria Kretschmer, sold more than 200,000 copies of its premiere issue. Women in particular love it. For “Dr. v. Hirschhausen’s Stern Gesund Leben,” G+J brought the famous doctor and comedian Dr. Eckart von Hirschhausen on board. “JWD,” by and with presenter Joko Winterscheidt, as well as “Boa” with the trend-setting football star Jérôme Boateng, also attracted numerous fans and enriched the men’s lifestyle segment. G+J also lived up to its reputation as an innovative publishing house with new launches such as the food magazine “B-Eat” and the magazine “Die Höhle der Löwen,” which ties in to the eponymous TV show (Germany’s “Dragons’ Den”).

Ad Alliance Scores with Cross-Media Reach

The demand for marketing campaigns across all media genres is increasing. With this in mind, the Ad Alliance has pooled the advertising sales expertise of IP Deutschland, G+J eMS, Smartclip and Spiegel Media since 2016. Together, Bertelsmann’s ad sale houses can reach up to 99 percent of the population in Germany with their various campaign modules. Successful examples include the 2018 marketing of Vox’s start-up show “Die Höhle der Löwen” (“Dragons’ Den”), which was extended to include print advertising in a new G+J magazine of the same name, and the cross-media presentation of a German perfume brand. The campaign included classical TV advertising on RTL Television, addressable TV, online and print advertising and advertorials in the magazine “Grazia,” as well as social media, a launch event and product placements of the perfume in RTL Television’s series “Gute Zeiten, schlechte Zeiten” (“Good Times, Bad Times”).
BMG

Strong Focus on Established Artists and Songwriters

BMG has long pursued a distinctive repertoire strategy focused on established and legendary songwriters and artists. In April 2018 that resulted in the company signing a deal to represent the song catalog of Ringo Starr, who has written more than 150 songs during his long, extremely successful musical career, including Beatles classics such as “What Goes On” and “Octopus’s Garden,” as well as solo hits such as “It Don’t Come Easy” and “Back Off Boogaloo.” In November 2018, Keith Richards signed a deal with BMG to bring his solo-recordings catalog to the company, bringing together his 1987 debut single and four solo albums. His publishing has been represented by BMG since 2013. In 2018, BMG’s long-term music publishing relationships were also extended with Yusuf a.k.a. Cat Stevens and Lenny Kravitz.

Creative Campaigns Help Create Number Ones

Supported by creative marketing campaigns, numerous BMG artists celebrated number-one successes with their singles and albums during 2018. They included pop queen Kylie Minogue and her 14th studio album, “Golden,” which debuted at number one on the UK albums chart. The record was the first to be released by BMG since the multiplatinum singer signed to the company in 2017. Another chart-topper in 2018 was country superstar Jason Aldean’s album “Rearview Town.” The album debuted atop the US Billboard 200 chart, scoring another number-one album for BMG and BBR Music Group, which was acquired in 2017. With a unique, purely digital campaign, recording artist, songwriter and performer Lil Dicky’s single “Freaky Friday” scored BMG’s first British number-one single and generated more than a billion streams worldwide.
1,100,000,000 shipments per year by Arvato

37,200,000 online courses completed by customers at Relias in 2018

1,600,000,000 kilograms of paper are processed by the Bertelsmann Printing Group per year

>185 shareholdings in innovative companies around the world made up Bertelsmann’s network of investments
What drives us
The Future Belongs to VOD Services

Mediengruppe RTL Deutschland ramped up its efforts in the streaming market and relaunched its video-on-demand service TV Now with a massively expanded offering at the end of 2018. For the first time, all Mediengruppe RTL Deutschland channels can be watched live and in HD quality, as can many German and US series. A special highlight: top series such as “M – Eine Stadt sucht einen Mörder” (“M – A City Hunts a Murderer”). In addition, TV Now offers a wide range of high-quality live events, shows and documentaries. The VOD services in Belgium, Hungary and Croatia, which are based on Groupe M6’s VOD service 6play, will also be further developed. In France, the country’s major channels, including M6, teamed up to create the joint streaming platform Salto.
Spotlight on Local Language Diversity

Penguin Random House already has a presence on six continents with nearly 275 independent publishing imprints, and its expansion continues – especially the building of its publishing business in growth regions and local languages. In 2018, the world’s leading trade book publisher announced that it will increase its stake in the renowned Brazilian publishing house Companhia das Letras to 70 percent. In India, it acquired Hind Pocket Books, a renowned national cultural institution, with its extensive Hindi paperback program and its deep roster of notable authors. Meanwhile, in South East Asia, one of the world’s most promising publishing regions, a new publishing unit, Penguin Random House South East Asia, was established. The acquisition of Rodale Books in the United States and Der Audio Verlag in Berlin further enhanced the creative diversity of Bertelsmann’s book business in 2018.

From Hamburg to the World: AppLike Takes Off

G+J’s AppLike recommendation platform provides impressive proof that start-ups, given the right support and a good portion of creativity, can do well worldwide. By the end of 2018, AppLike had 20 million users, and around 50,000 new users are added every day. The ad-tech company analyzes the usage behavior of smartphone owners and, based on this, recommends other apps to them. “We give smartphone users a practical way to find apps that match their wishes and preferences,” says founder Carlo Szelinsky, explaining the successful model. The app professionals are now global leaders in their market segment. In 2018, the app was available in 27 countries, 10 more than in the previous year. Three quarters of AppLike’s revenues are generated in the United States. The founders’ next destination: Asia.
BMG

Music Taken One Step Further

BMG represents more than three million tracks and recordings by thousands of artists and composers worldwide. The company is building a steadily growing portfolio of music-related offerings around this core business – such as its film and book businesses. BMG’s first major movie production was a hit: “Bad Reputation” explores the eventful life of rock rebel Joan Jett (photo). In spring, the publishing rights were sold to the US distributor Magnolia Pictures. Follow-up projects include a documentary by the Academy Award-winning director Cameron Crowe about the guitarist and singer-songwriter David Crosby. BMG also expanded its book business: 2018 saw a doubling of its publishing program, to include highlights such as “Johnny Cash at Folsom and San Quentin” and “Dreaming of Dylan.”

A German-Moroccan Service Giant

Arvato CRM had an exciting year in 2018. In September, its parent company, Bertelsmann, and Morocco’s Saham Group announced plans to combine their worldwide Customer Relationship Management activities and eventually establish a global market leader in customer experience. The new company, Majorel, has a workforce of about 48,000 employees and generates revenues of approximately €1.2 billion. From the start, it occupied leading market positions in Europe, Africa and the Middle East, and had a strong presence in America and Asia. The new group intends to invest massively in further regional expansion and the transformation to digital. “For Bertelsmann, the partnership with Saham also offers a key to the growth markets of the African continent,” says Bertelsmann Chairman & CEO Thomas Rabe.
New Supply Chain Solutions, Happy Customers

Arvato SCM Solutions successfully supports customers from a wide range of sectors with its broad portfolio of services. In 2018, the company intensified its cooperation with a manufacturer of medical technology products: Arvato SCM now provides a complete order-to-cash solution in 83 countries worldwide. The services offered cover all processes in the supply chain – from customer service and invoicing through transport and inventory management. In 2018, Arvato also took over all e-commerce business processes for the German and Eastern European markets of an internationally successful fashion company. That included developing a new logistics center in Kamen for deliveries to Germany, while Eastern Europe is supplied from another new logistics site in Stryków, Poland.

Fast Claims Settlements Thanks to Artificial Intelligence

Claims handling in the aftermath of motor vehicle accidents usually takes a lot of time and energy. Arvato Financial Solutions, together with 3C, the technology service provider it acquired in 2018, has developed solutions that enable car drivers and insurers to complete the claims processing in just a few minutes. As soon as a policyholder reports an accident involving damage, a fully digitized process is initiated on the part of the insurance company. Arvato’s RiskShield 360° program uses objective, fully automated data analysis to check whether the damage reported is inconspicuous – and then initiates claims settlements directly via a portal developed by 3C. Only suspicious cases are reviewed separately. Everyone benefits from this: motorists as well as insurance companies.
Ten Years of DeutschlandCard

The DeutschlandCard customer rewards program celebrated its 10th anniversary in March 2018. With more than 20 million participants, the company has developed into Germany’s second-largest multipartner rewards program. The purple-and-orange card can be used at more than 10,000 stores and nearly 400 online shops to collect points for purchases. In return, customers are offered attractive rewards and discounts. Members can also choose to donate their points to charitable organizations. The participating companies, such as Edeka and ESSO Deutschland GmbH, also benefit from the addition of loyal customers.

Mohn Media Sets Its Sights on the United States

In October 2018, Mohn Media secured its first major order from the United States: the production of the “Beastie Boys Book” for Penguin Random House. The first edition of the nearly 600-page memoir of the world-famous hip-hop group Beastie Boys, which had its glory days in the 1980s and 1990s, was printed in Gütersloh with a print run in the hundreds of thousands, for subsequent sale in the US. Media outlets, including “Rolling Stone” magazine and the “New York Times,” reported on the project. With this order, Europe’s leading offset printing company became even more international and proved that in-house collaboration between Bertelsmann’s divisions works – even across continents.
Healthy Strengthening of the Education Business

Significant Investment: In November 2018, Bertelsmann acquired the US online education provider OnCourse Learning – one of the largest acquisitions in the company’s history in the United States. Digital learning for professionals in acute care represents the core business of the company based in Brookfield, Wisconsin. It is an ideal complement to Bertelsmann’s e-learning subsidiary Relias, into which the healthcare division of OnCourse Learning was integrated. Together, they form a leading training provider across the continuum of care. “The acquisition strengthens Bertelsmann’s presence in the US, where it already generates more than 20 percent of its revenues,” says Bertelsmann Chairman & CEO Thomas Rabe.
Entrepreneurship Highlights 2018

Bertelsmann Expansion in the Education Business

Bertelsmann expanded its education activities in Brazil in 2018. The Group acquired a majority stake in Afferolab, one of the country’s largest providers of corporate training. The company offers more than 1,000 customers individual solutions, with conventional educational offerings as well as digital training programs. A growing number of people – about one million a year – are impacted by its services. Bertelsmann had acquired about 40 percent of the company’s shares in 2015, and is now the majority shareholder.

Udacity Grows with Enterprise Customers

Every industry is hungry for tech talent – from healthcare to hospitality, e-commerce to education. Udacity’s mission is to democratize education by offering world-class higher education opportunities. In 2018, the online learning company in which Bertelsmann holds a stake achieved 25 percent year-over-year overall revenue growth, highlighted by 100 percent enterprise revenue growth. The company now has 10 million registered students across all of its programs, up from eight million at the end of 2017. The company also launched 10 new Nanodegree programs and funded over 1.1 million new partial and full scholarships to its programs for students across North America, Europe, the Middle East and Asia.
China is one of the fastest-growing economies in the world, and its urban population in particular is considered to be very online- and tech-savvy – the best possible conditions for media and tech start-ups. Bertelsmann Asia Investments (BAI) has been a successful investor in this field for 10 years. Led by Annabelle Yu Long (photo), a member of Bertelsmann’s Group Management Committee, the business has become one of China’s most renowned funds. Today, many of its shareholdings are market leaders in their respective fields, have a global presence and some have grown into “unicorns” – the term used for young companies whose valuation exceeds the magic threshold of one billion US dollars – while others are well on their way to doing so. In 2018, BAI completed four IPOs, including the used-car portal Tuanche and the fashion e-commerce platform Mogu, and invested in about 40 companies.
Culture @ Bertelsmann

Bertelsmann is engaged in a variety of cultural initiatives, both in Germany and internationally. The Group’s Culture@Bertelsmann activities comprise exhibitions, literary formats and concerts, as well as efforts to preserve Europe’s cultural heritage.

Culture@Bertelsmann is closely linked to Bertelsmann’s tradition and creative products – because creativity is an engine for diversity and innovation, both in the company and in society.

Music

The Ricordi Archive Goes Online

Thousands of scores, libretti, set designs, letters and historical photographs from 200 years of Italian opera history are stored at the Archivio Storico Ricordi in Milan. They are gradually and carefully being indexed, restored and digitized by the archive’s owner, Bertelsmann. Two years after the historical stage and costume designs were made available online, an extensive collection of business correspondence has been added that provides deep insights into the cultural scene of the 19th and 20th centuries, including 30,000 business letters that the Italian music publisher Casa Ricordi received from or sent to artists and business partners all over the world. The “Collezione Digitale” (digital collection) is freely accessible to anyone at www.archivioricordi.com.

“Sad! Sad! Sad! Wagner is dead!!” – letter from Giuseppe Verdi to Giulio Ricordi after the death of Richard Wagner in 1883.
In June 2018, 20 authors from 20 European countries met for the “European Authors Summit” in Berlin. On the Blue Sofa – the literature format jointly organized by Bertelsmann, ZDF, Deutschlandfunk Kultur and 3sat – they discussed their books and how they experienced Europe. All differences aside, they agreed that Europe needs more solidarity and dialogue, and literature in particular can bring about understanding.

**Film**

**UFA Film Nights Celebrate World Premiere**

With their UFA Film Nights, Bertelsmann and UFA have established a silent film festival that now attracts thousands of movie buffs in Berlin, Brussels and other cities. The highlight in 2018 was a world premiere: In Berlin, Paul Czinner’s almost 100-year-old silent movie, “The Fiddler of Florence,” was shown for the first time in a digitally restored version funded by Bertelsmann. Movie magic took place under open skies, against a spectacular backdrop, accompanied by live music.

**Literature**

**Europe on the Blue Sofa**

A passionate plea for Europe: the Icelandic writer Sjón with ZDF presenter Matthias Hugle on the Blue Sofa.
From a fall weekend, Bertelsmann and the Berlin subway construction company PRG U5 transformed the future Unter den Linden subway station into an underground art gallery. Some 13,500 Berliners flocked to the construction site to marvel at the progress being made on the three-story-deep station and admired 37 large-format oil paintings by the Berlin plein-air painter Christopher Lehmpfuhl. For decades, Lehmpfuhl has devoted himself to the capital’s architectural transformation. The pictures shown at “Bau X Kunst” (“Construction Meets Art”) documented the spectacular construction activity on Berlin’s Schlossplatz, including the Humboldt Forum. Some of the pictures were painted on the rooftop terrace of Bertelsmann Unter den Linden 1 in Berlin.

Music History in Vinyl

From 1956 to 1992, the former Bertelsmann music clubs offered their members an extensive selection of records – a musical treasure of which large parts can now be viewed online at vinyl.bertelsmann.com.

What did the cover look like? Who were the contributing artists? For answers to questions like these, the public can now turn to the online “Vinyl Collection,” which documents more than 11,500 records in detail: informative, entertaining and varied.

Art

Crowd Pleaser: “Bau X Kunst”
Music

Jazz Virtuosos Old and New

BMG artist Nils Wülker, considered one of Germany’s best jazz trumpeters and composers, performed in a perfect setting at Gütersloh City Hall in January 2018. Jazz legends including Duke Ellington, Count Basie and Miles Davis looked on as he performed his virtuoso jazz interpretations to a sold-out venue. The concert took place in the middle of a photo exhibition devoted to the work of the celebrated music photographer Jim Marshall.

Award-winning jazz trumpeter Nils Wülker said he was thrilled to perform “under the gaze of so many heroes.”

Media

Gütersloh Loves the “Toggo Tour”

Children’s television was brought to life on a sunny weekend in July 2018, when Bertelsmann and the city of Gütersloh presented the nationally popular “Toggo Tour” in the city center. Around 40,000 mainly younger fans came to see their favorites from the Super RTL program. Paw Patrol, Peppa Pig, Bob the Builder and the Trolls – everyone was there. The kids were treated to stage shows, dance training, a Kettcar track, bouncy castles and a reunion with Toothless the dragon, as well as live performances from the boy band Feuerherz and teen star Iggi Kelly.

The “Toggo Tour” brought a colorful spectacle to Gütersloh.
Corporate Responsibility

We strive to act responsibly and entrepreneurially – in our business environment, with our employees, in society and toward the environment. This is an integral part of Bertelsmann’s corporate culture.

Bertelsmann continuously pursues the strategic development of its corporate responsibility (CR). This includes Group-wide objectives, cross-divisional coordination, collaboration and transparency of non-financial information. The Bertelsmann Corporate Responsibility Council, chaired by the Chief Human Resources Officer, regularly brings together senior representatives from various operating divisions. Together, they work to advance the strategic development of CR at Bertelsmann. At the Group level, the Corporate Responsibility & Diversity Management department, a central staff function of the HR executive portfolio, coordinates and supports the work of the CR Council. At Bertelsmann, the divisions and companies implement CR projects and measures decentrally.

Integrity & Compliance

Bertelsmann has established an extensive Integrity & Compliance program. The fundamental document is the Bertelsmann Code of Conduct, which builds on the Bertelsmann Essentials and lays down the obligations of ethical and legal behavior for all employees. Further guidelines were issued on key topics such as anti-corruption, antitrust legislation, external transactions and compliance by business partners. Employees are comprehensively trained and advised. Compliance violations are not tolerated. Suspected infringements are promptly investigated, and any infringements are immediately remedied. The effectiveness of the program is ensured through regular evaluation and risk-oriented adjustments.

Further information on corporate responsibility at Bertelsmann and the annual Corporate Responsibility Report can be found online at:
www.bertelsmann.com/responsibility
Highlights 2018

30 Years of Télévie

Télévie is a charity event in the French-speaking part of Belgium and the Grand Duchy of Luxembourg that has been organized by the Belgian television channel RTL TVI since 1989. In the 30th anniversary year of 2018, Télévie raised a record sum of more than €12 million for cancer research. Since 2002, RTL Télé Lëtzebuerg has also taken part in the campaign and organizes a grand final evening in the Grand Duchy, which takes place at the same time as the TV Gala on RTL TVI.

Groupe M6 Launches Sign Language News Show

Groupe M6 launched “Le 10 Minutes,” the first French news show that is entirely broadcast in sign language, on 6play. Subtitles also enable people who don’t “speak” sign language to follow the magazine show. The aim is to inform people who are deaf or hearing-impaired, while at the same time building awareness among others for deaf culture and sign language.
Penguin Random House Ranked Number One by Forbes

Penguin Random House U.S. placed number one on the “Forbes” independent survey list of “America’s Best Midsize Employers 2018.” The ranking is based on a survey of 30,000 employees of US companies with more than 1,000 employees. In addition, Penguin Random House was the highest-rated media company on the “Forbes” list of “Best Employers for Women” and placed on the “Best Employers for Diversity” list.

Penguin Random House India a “Green” Printer

Penguin Random House India is blazing the trail for environmental protection by becoming the first Indian publisher to have all of its monochrome books printed on Forest Stewardship Council (FSC) paper. This ensures that the paper used for printing comes from sustainably managed forests. The move underlined the importance Penguin Random House places on environmental matters in its supply chain.

Employees of Penguin Random House U.S.
Great Response to Udacity Data Science Scholarship Program

The Udacity Data Science Scholarship Program is part of a comprehensive continuing education initiative by Google, Bertelsmann and Udacity to train IT experts. The innovative offer has met with a great response – more than 32,000 interested talents from around 170 countries applied for one of the 15,000 scholarships. The initiative to promote necessary digital skills for the future was recognized by the European Commission in Brussels with a European Digital Skills Award in December 2017.
Financial Calendar

May 15, 2019
Announcement of figures for the first three months of 2019

May 22, 2019
Payout of dividends on profit participation certificates for the 2018 financial year

August 29, 2019
Announcement of figures for the first half of 2019

November 7, 2019
Announcement of figures for the first nine months of 2019

Contact

For Journalists
Corporate Communications/Media Relations
Phone: +49 (0) 5241-80-2466
press@bertelsmann.com

For Analysts and Investors
Investor Relations
Phone: +49 (0) 5241-80-2342
investor.relations@bertelsmann.com

For Global Jobs and Careers
Recruiting Services
createyourowncareer@bertelsmann.com
www.createyourowncareer.com

Corporate Responsibility & Diversity Management
Phone: +49 (0) 5241-80-75021
responsibility@bertelsmann.com

The Annual Report and current information about Bertelsmann are also posted on:
www.bertelsmann.com

Production Credits

Publisher
Bertelsmann SE & Co. KGaA
Carl-Bertelsmann-Strasse 270
33311 Gütersloh
Germany

Responsible
Karin Schlautmann
Bertelsmann SE & Co. KGaA
Executive Vice President
Corporate Communications

Project Management
Simone Fratczak
Bertelsmann SE & Co. KGaA
Corporate Communications

Design and Production
Territory CTR GmbH, Gütersloh

Photography
Sebastian Pfütze

Print
Mohn Media Mohndruck GmbH, Gütersloh

Photo Credits
Bertelsmann, RTL Group, Penguin Random House, Gruner + Jahr, BMG, Arvato, Bertelsmann Printing Group, Bertelsmann Education Group, Bertelsmann Investments

Mathieu Bitton, Boris Breuer, Paul Brissman, Martin Brockhoff, Eduardo Castaldo, Thomas Ecke, Stefan Erhard, Marie Etchegoyen, Shepard Fairey, Sebastian Geyer, Stefan Gregorowius, Fred Guerdin, Olaf Heine, Marcos Hermes, Jenny Jacoby, Steffen Krikne, Bernd-Michael Maurer, Kai Uwe Oesterhelweg, Scott Robert Ritchie, Stefan Maria Rother, Christine Simon, Universum Film, Inez & Vinoodh, Jan Voth, Marina Weigl

The Annual Report is also available in German.
The FSC® logo identifies products which contain wood from well-managed forests certified in accordance with the rules of the Forest Stewardship Council®.

Innovative use of combined heat and power technology when printing this product reduced CO₂ emissions by up to 32% in comparison to conventional methods in Germany.