

Bertelsmann Interim Results 2018

Investor Conference Call
August 30, 2018

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BERTELSMANN

Summary and highlights – Interim Results H1 2018

Positive operating performance

- ✓ **Revenues** of €8.2 billion, up 1.3 percent, organically up 2.4 percent
- ✓ **Operating EBITDA** at €1.1 billion, high level of profitability maintained, EBITDA margin of 13.0 percent
- ✓ **Group profit** stable at €501 million, high quality of earnings maintained
- ✓ Revenue share of **growth businesses** increased to 32 percent

Further progress in strategy implementation

- ✓ **Strengthening the core**
Strong market positions
- ✓ **Digital transformation**
Increase in digital revenues
- ✓ **Growth platforms**
Strong organic growth
- ✓ **Growth regions**
Exposure in Brazil, India and China further increased

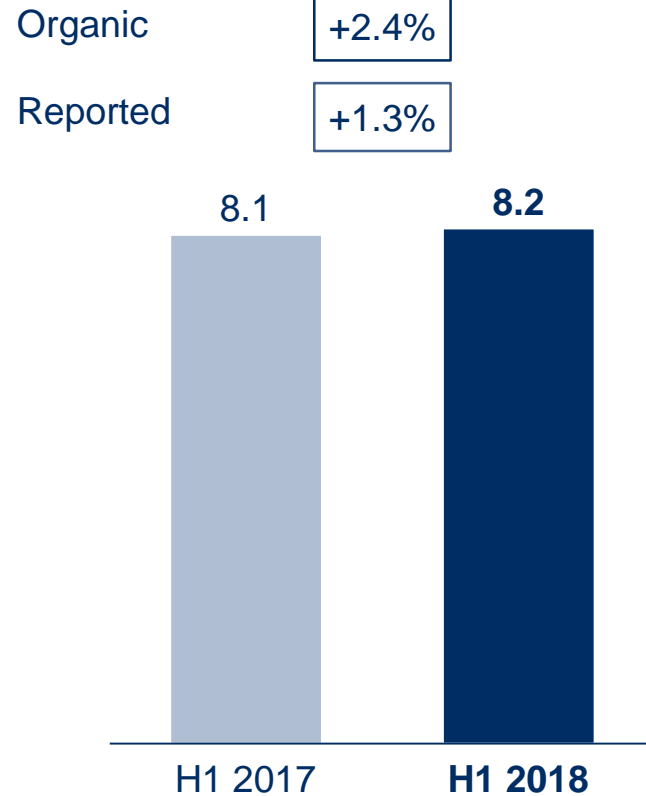
Solid financial position

- ✓ **Total equity** at €9.3 billion, solid equity ratio of 40 percent
- ✓ Sound **maturity profile**
- ✓ **Leverage factor** above target, partly due to seasonality in net debt
- ✓ **Commitment** to prudent financial policies

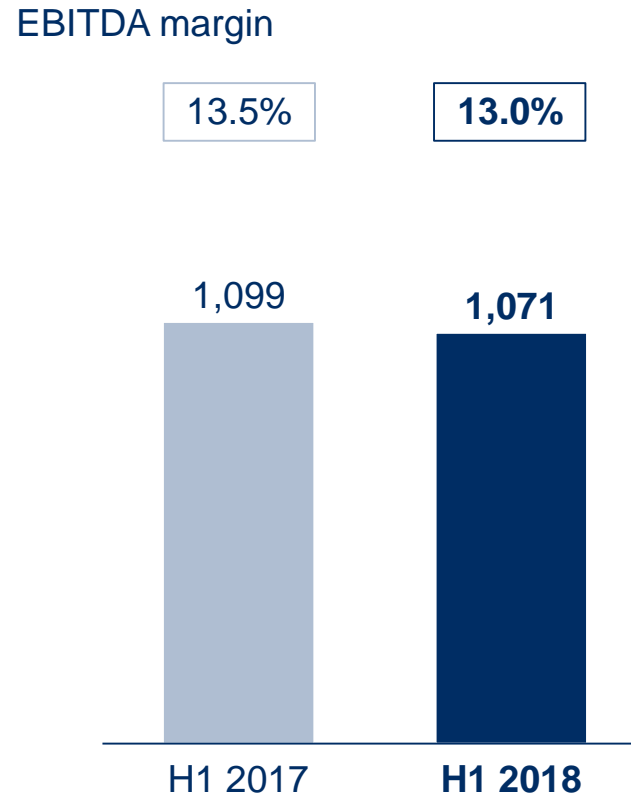
Note: This slide contains Alternative Performance Measures. For detailed information please refer to the respective section in the 2017 Combined Management Report.

Group key figures H1 2018 – Improved organic revenue growth, high level of operating EBITDA maintained, stable Group profit

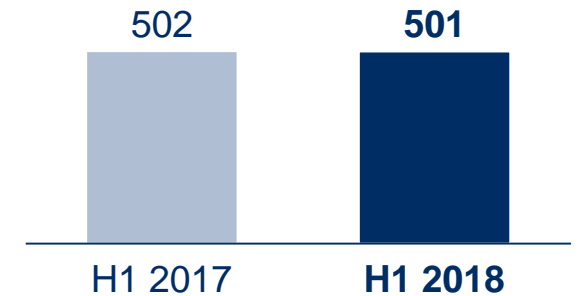
Revenues, in € billions



Operating EBITDA, in € millions



Group profit, in € millions

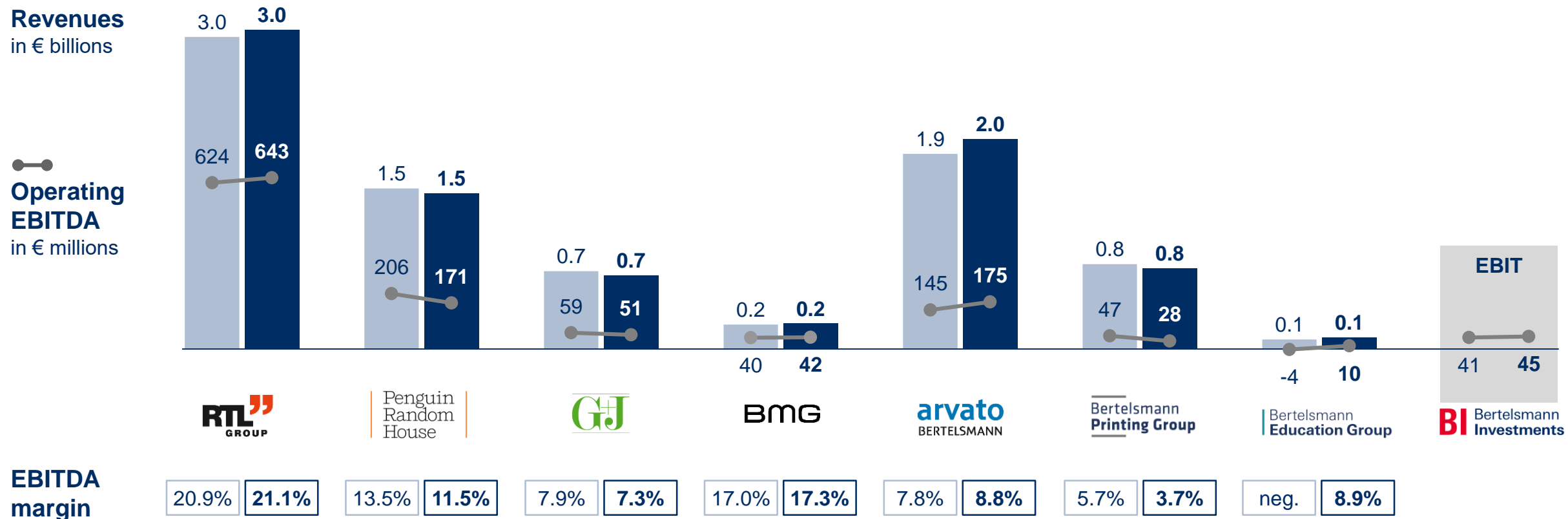


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Divisions H1 2018 – Organic revenue growth at RTL Group, BMG, Arvato and Education Group

Continuing operations

■ H1 2017 ■ H1 2018



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Group profit H1 2018 – High level of Group profit maintained, lower income tax expense

in € millions

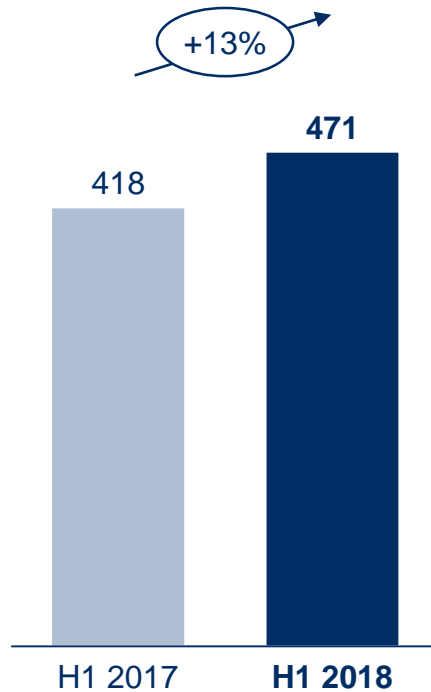
	H1 2017	H1 2018	Change	Commentary
Operating EBITDA	1,099	1,071	(28)	Primarily due to negative exchange rate effects
Depreciation & amortization	(309)	(310)	(1)	
Special items	15	8	(7)	
EBIT	805	769	(36)	
Financial result	(105)	(106)	(1)	
Income tax expense	(197)	(162)	35	Due to lower earnings before taxes and higher positive nonrecurring items in the tax result
Earnings after taxes from discontinued operations	(1)	–	1	
Group profit	502	501	(1)	

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Free cash flow and investments H1 2018 – Increased level of cash conversion rate, investments below prior year

Operating Free Cash Flow, in € millions

Cash Conversion Rate

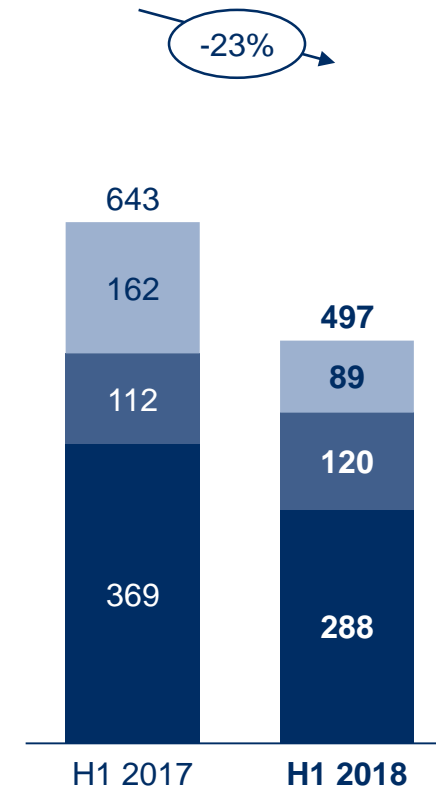


Investments¹⁾, in € millions

Purchase prices for consolidated shareholdings¹⁾

Investments in financial assets

Investments in other non-current assets

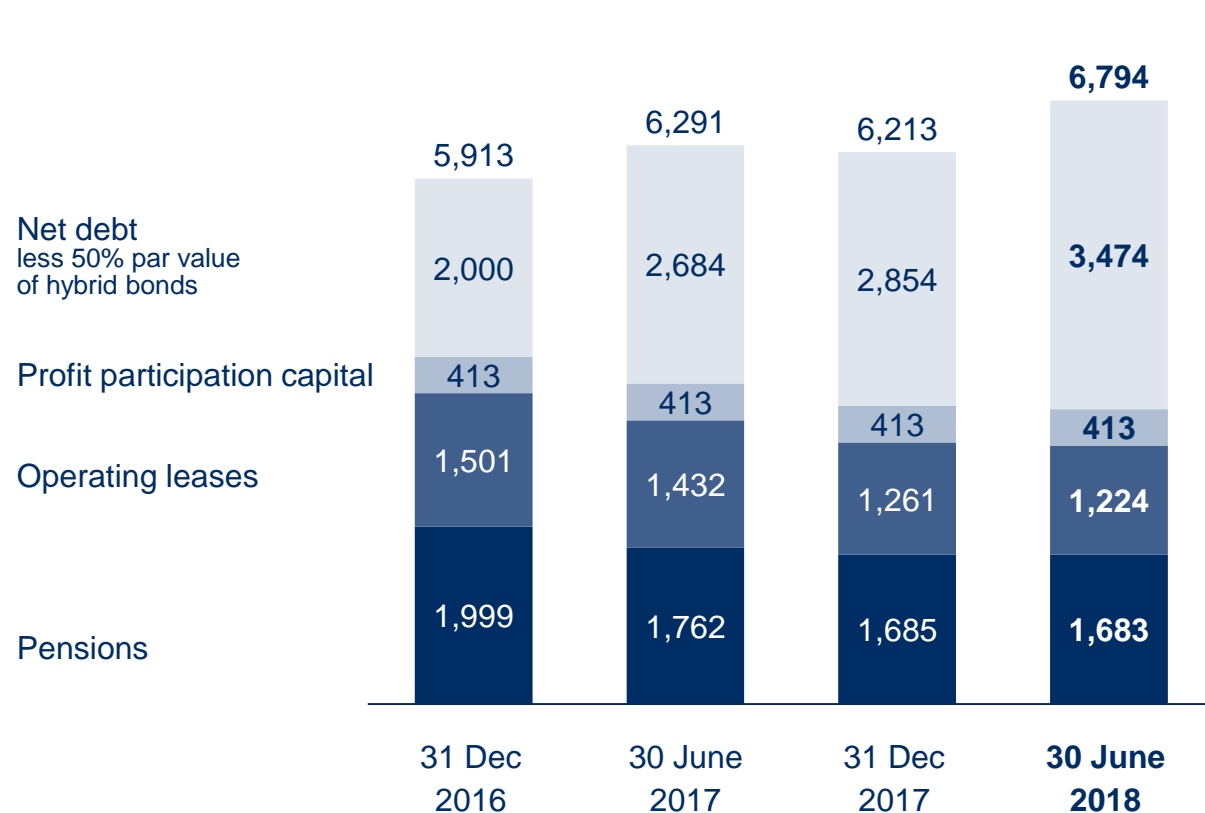


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1) Including financial debt assumed

Financial status H1 2018 – Increase in net financial debt partly due to seasonality, solid equity ratio maintained

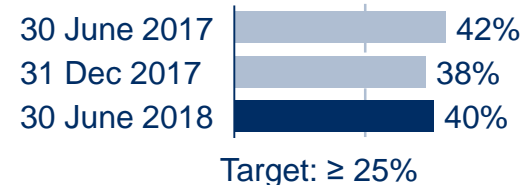
Economic Debt (in € millions)



Leverage Factor



Equity Ratio



Credit Rating

	Baa1 , outlook: stable
	BBB+ , outlook: stable

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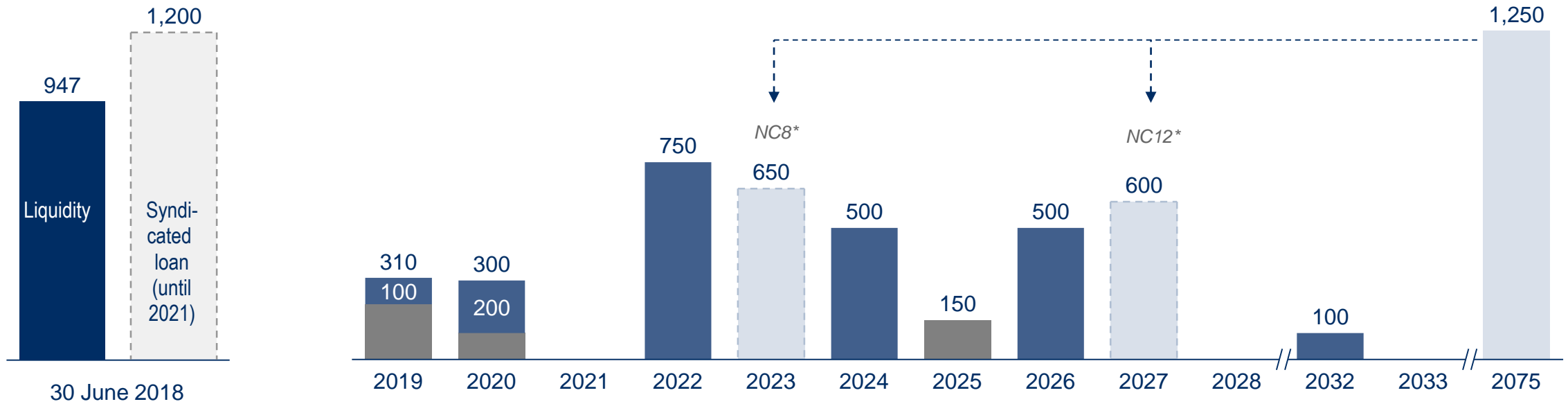
Financial status H1 2018 – Sound maturity profile

in € millions

Financing activities YTD

- June 2018: €200m promissory note repaid
- July 2018: €200m private placement of 2yrs floater

Hybrid bonds Bonds Promissory notes





*For illustrative purposes only.

Group strategy – Strategic framework remains valid

Megatrends

 Digitization

 Automation/
artificial intelligence

 Global growth
disparities

 Demographic
change

 Health

 Education

Strategic priorities

1 Strengthening the core

2 Digital transformation

3 Growth platforms

4 Growth regions

Target portfolio

- Higher growth
- More digital
- More international
- More diversified

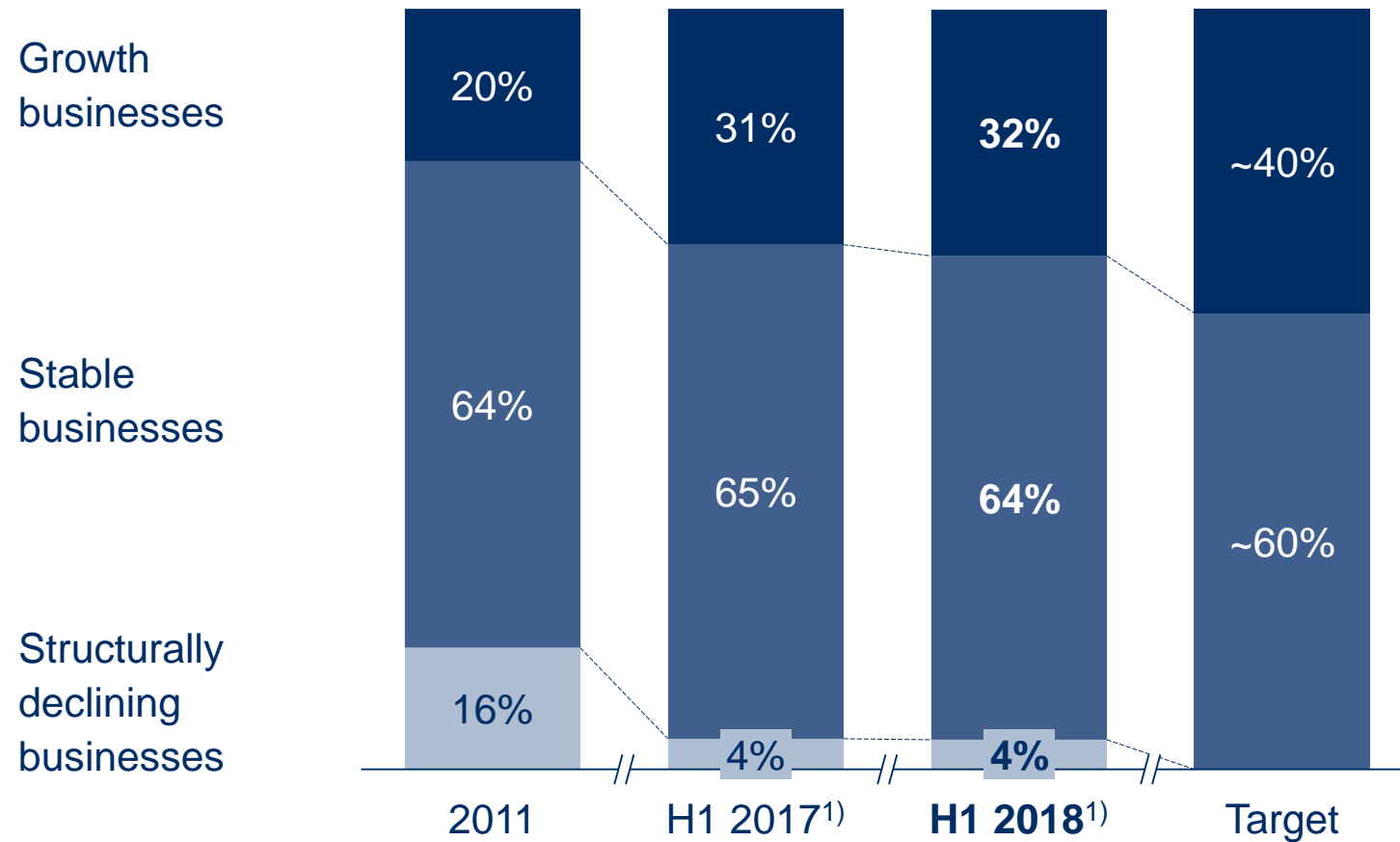
**Financial
performance**

Group strategy – Progress on all strategic priorities

	2013	2014	2015	2016	2017	Major developments in H1 2018	
1 Strengthening the core	 	 100% acquisition	 	 	 Share increase	 Integration	<ul style="list-style-type: none"> • RTL Group: Stable TV ad revenues in core markets Germany, France and Netherlands despite Fifa World Cup • G+J: Further magazine innovations (e.g. JWD) • BPG: Extended several printing contracts
2 Digital transformation	 BroadbandTV	 	 talents and culture	 Expansion	 Follow-on investment	<ul style="list-style-type: none"> • RTL Group: Digital revenues up to €424m (+9% vs. prior year) • PRH: Significantly increased revenues from audio downloads • G+J: More than doubled revenues of AppLike 	
3 Growth platforms	 100% acquisition	 	 	 	 	<ul style="list-style-type: none"> • BMG: New signings (e.g. Ringo Starr) and acquisitions (e.g. Big Bang & Fuzz) • Arvato: Organic expansion and acquisitions (e.g. 3C Deutschland) • Education Group: Organic growth 	
4 Growth regions	 	 	 	 Think Cash, Think Lendingkart!	 Part of Arvato	<ul style="list-style-type: none"> • CHN: Further investments and successful exits at Bertelsmann Asia Investments • IND: Acquired Hind Pocket Books (PRH) • BRA: Acquired majority stake in the corporate training company Affero Lab 	

Group strategy – Growth businesses organically 9.2 percent above prior year, growth profile further improved

Share of Group revenues in %



1) Rolling twelve months

Growth businesses further expanded in H1 2018

- RTL GROUP Digital
- FREMANTLEMEDIA
- G+J Digital
- Arvato SCM Solutions
- Arvato Financial Solutions
- Bertelsmann Education Group
- BMG

Revenues €2.9bn

Organic growth **+9.2%**

Outlook full year 2018 – Further increase in revenues, stable operating EBITDA

Market development

- Global economic growth, increased uncertainty
- Mixed market conditions

Group development

- Moderate revenue growth
- Stable operating EBITDA

Q&A-Session

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