Bertelsmann Interim Results 2016

Investor Conference Call
August 31, 2016

Bernd Hirsch
Member of the Executive Board and CFO of Bertelsmann
## Summary and highlights – Interim Results 2016

### Group key figures

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Operating EBITDA</th>
<th>Group profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>down 0.9 percent, organic growth of 1.3 percent</td>
<td>up to €1,111 million 13.9% EBITDA margin</td>
<td>increased to €482 million</td>
</tr>
</tbody>
</table>

### Financial status

<table>
<thead>
<tr>
<th>Leverage Factor</th>
<th>Target rating</th>
<th>Financial profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>above target range due to higher pensions</td>
<td>Baa1/BBB+ with stable outlook</td>
<td>strengthened through bond issuance, comfortable liquidity position</td>
</tr>
</tbody>
</table>

### Strategy

<table>
<thead>
<tr>
<th>Significant progress on all strategic priorities</th>
<th>Education business</th>
<th>New Group structure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>established as third pillar</td>
<td>from 2016 with eight divisions</td>
</tr>
</tbody>
</table>
Group key figures H1 2016 –
Organic revenue growth, operating EBITDA on record level

<table>
<thead>
<tr>
<th>Revenues, in € billions</th>
<th>Operating EBITDA, in € millions</th>
<th>Group profit, in € millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reported</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1 2015: 8.0</td>
<td>H1 2016: 8.0</td>
<td>H1 2015: 398</td>
</tr>
<tr>
<td><strong>Organic</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1 2015: 8.0</td>
<td>H1 2016: 8.0</td>
<td>H1 2016: 482</td>
</tr>
</tbody>
</table>

- Organic revenue growth: +1.3%
- Operating EBITDA margin: 13.2% → 13.9% (+4.5%)
- Group profit: +21%
Divisions H1 2016 –
Revenue growth at RTL Group, Arvato, Bertelsmann Education Group und BMG

<table>
<thead>
<tr>
<th>Divisions</th>
<th>Revenue growth H1 2016</th>
<th>Revenue growth H1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTL Group</td>
<td>2.9%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Penguin Random House</td>
<td>1.7%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Gruner + Jahr</td>
<td>0.8%</td>
<td>0.8%</td>
</tr>
<tr>
<td>BMG</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Arvato</td>
<td>1.8%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Bertelsmann Printing Group</td>
<td>0.8%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Bertelsmann Education Group</td>
<td>0.0%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

**Note:** H1 2015 restated
Group profit –
**Increased due to improved operating performance and lower special items**

<table>
<thead>
<tr>
<th></th>
<th>H1 2015</th>
<th>H1 2016</th>
<th>Change</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating EBITDA</td>
<td>1,063</td>
<td>1,111</td>
<td>+48</td>
<td>Strong operating performance</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>(292)</td>
<td>(306)</td>
<td>-14</td>
<td></td>
</tr>
<tr>
<td>Special items</td>
<td>(101)</td>
<td>–</td>
<td>+101</td>
<td>Lower restructuring expenses and gains on disposals in the Bertelsmann Investments division</td>
</tr>
<tr>
<td>EBIT</td>
<td>670</td>
<td>805</td>
<td>+135</td>
<td></td>
</tr>
<tr>
<td>Financial result</td>
<td>(119)</td>
<td>(117)</td>
<td>+2</td>
<td></td>
</tr>
<tr>
<td>Income taxes</td>
<td>(156)</td>
<td>(206)</td>
<td>-50</td>
<td>Higher due to improved earnings, positive special effects in prior year</td>
</tr>
<tr>
<td>Earnings after taxes from discontinued operations</td>
<td>3</td>
<td>–</td>
<td>-3</td>
<td></td>
</tr>
<tr>
<td>Group profit</td>
<td>398</td>
<td>482</td>
<td>+84</td>
<td>Improved operating performance and lower special items</td>
</tr>
</tbody>
</table>
Group key figures H1 2016 – Diverse revenue base across regions and category

Revenue by region

- 6.0% Other countries
- 20.4% United States
- 18.5% Other European Countries
- 14.2% France
- 5.7% UK
- 35.2% Germany

Revenues by category

- 26.3% Advertising
- 26.5% Own Products and merchandise
- 35.3% Services
- 11.9% Rights and licenses

Revenue share H1 2016, continuing operations
Financial status H1 2016 –
Leverage Factor above target due to increased pensions obligations

### Economic Debt (in € millions)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Net financial debt</td>
<td>-1,689</td>
<td>-2,058*</td>
<td>-2,140*</td>
<td>-2,329*</td>
</tr>
<tr>
<td><em>less 50% par value of hybrid bonds</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension provisions</td>
<td>-2,699</td>
<td>-2,069</td>
<td>-1,709</td>
<td>-2,254</td>
</tr>
<tr>
<td>Operating leases</td>
<td>-1,238</td>
<td>-1,327</td>
<td>-1,347</td>
<td>-1,278</td>
</tr>
<tr>
<td>Profit participation capital</td>
<td>-413</td>
<td>-413</td>
<td>-413</td>
<td>-413</td>
</tr>
</tbody>
</table>

### Leverage Factor

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Target: &lt; 2.5</td>
<td>2.6</td>
<td>2.4</td>
<td>2.7</td>
</tr>
</tbody>
</table>

### Equity Ratio (in %)

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<tr>
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</thead>
<tbody>
<tr>
<td>Target: &gt; 25%</td>
<td>39%</td>
<td>41%</td>
<td>38%</td>
</tr>
</tbody>
</table>

### Credit Rating

- **Moody’s**: Baa1, outlook: stable
- **Standard & Poor’s Ratings Services**: BBB+, outlook: stable
Financial status H1 2016 –
Issuance of bond and promissory note extended maturity profile

in € millions

30 June 2016

Liquidity
1,811

Syndicated loan (until 2020)
1,200

2016
2018
2019
2020
2022
2023
2024
2025
2026
2027
2032
2075

786
200
160
100
750
500
150
500
650*
600*

Financing Activities in H1 2016

• Apr 2016: €500m benchmark bond, 10-yrs term
• Jun 2016: €200m promissory note, 2-yrs term

*For illustrative purposes only.
## Group strategy – Faster-growing, more digital and more international Group portfolio

<table>
<thead>
<tr>
<th>1</th>
<th>Strengthening the core</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2013</strong></td>
<td><strong>2014</strong></td>
</tr>
<tr>
<td><strong>RTL NITRO</strong></td>
<td>G&amp;J</td>
</tr>
<tr>
<td>Reorganisation</td>
<td></td>
</tr>
<tr>
<td>Penguin Random House</td>
<td>BERTELSMANN</td>
</tr>
<tr>
<td><strong>CHEFKOCH</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Key developments first half of 2016

- Expanded families of channels
- Newly-formed Bertelsmann Printing Group
- Foundation of Territory, Germany’s largest provider of content communication
- RTL Group: Extended digital advertising marketing
- PRH global market leader in e-books
- Gruner + Jahr with organic and acquisitive growth of digital business
- Fremantle Media: Acquisitions in UK and Israel
- BMG: further catalog acquisitions/signings
- Relias Learning with strong growth and international expansion
- China: Further investments, value creation
- India: More investment
- Brazil: Market entry BMG, expansion of education business

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### 2016

#### Digital transformation

- broadbandtv
-IVEB
- spotchange
- veezo
- econa
- MUNCHIES
- STYLEHAUL
- OXYGEN
- EmployYour
- Group Cercie
- smartclip
- GRUPPO INTEGRATED

#### Growth platforms

- BMG
- Gothia
- RETRAS LEARNING
- NETRADA
- ARIST
- UDAITY
- ALLIANT
- WILDSIDE
- naked
- katrina and the waves
- SYRACOS
- Syncrude
- AMERICAN INTELLIGENCE SYSTEMS
- SABOT \& PARTENS
- RAM
- KRAFTY
- ROPOSO
- TONGUE

#### Growth regions

- BAI
- Panda
- India property
- iNURTURE
- BitAuto易车
- BOZANO
- Intervalor
- keep
- LENDINGKART
- delicious.com
- Alibaba.com
- Affero Lab
- pepperfry
- ROPOSO
- NTV

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Outlook full year 2016 –
Further increase in revenues and stable operating EBITDA

Market development

- Global economic growth, increased uncertainty
- Mixed market conditions

Group development

- Slight revenue growth
- Stable operating EBITDA
Q&A-Session

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