

Bertelsmann Interim Results 2017

Investor Conference Call
August 31, 2017

Bernd Hirsch
Member of the Executive Board and CFO of Bertelsmann

BERTELSMANN

Summary and highlights – Interim Results H1 2017

Strong operating performance

- ✓ **Revenues** of €8.1 billion, up 2.1 percent, organically up 1.4 percent
- ✓ **Operating EBITDA** stable at €1.1 billion, high level of profitability maintained: EBITDA margin of 13.5 percent
- ✓ **Group profit** increased to €502 million, highest level in 10 years
- ✓ Revenue share of **growth businesses** increased to 31 percent

Further progress in strategy implementation

- ✓ **Strengthening the core**
Increase of stake in PRH to 75 percent (announced), expansion of Spanish language book businesses
- ✓ **Digital transformation**
Increase in digital revenues at RTL Group and G+J
- ✓ **Growth platforms**
Investment focus in H1 2017, with both organic investments and acquisitions at **BMG, Arvato** and in the education sector
- ✓ **Growth regions**
Exposure in Brazil, India and China increased further

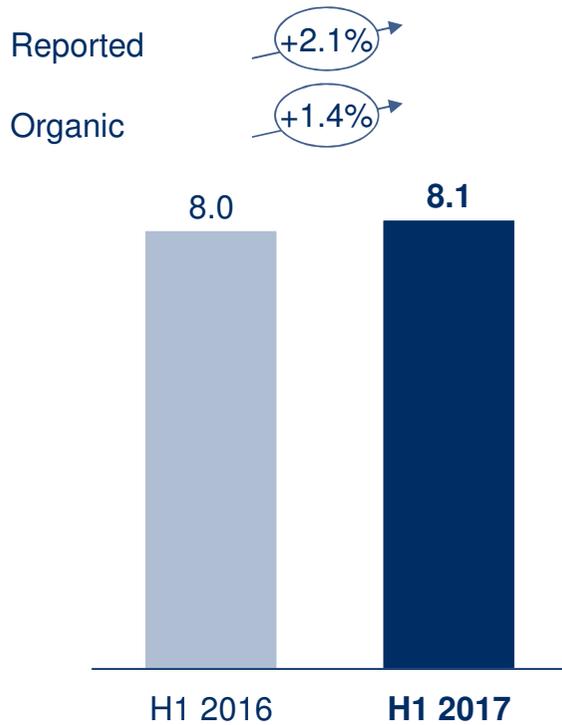
Solid financial position

- ✓ **Total equity** at €9.7 billion, equity ratio at 42 percent
- ✓ **High investment level**, financial and tax results improved
- ✓ **Leverage factor** slightly above target, partly due to seasonality in net debt
- ✓ **Commitment** to prudent financial policies, acquisition of PRH stake will increase leverage temporarily

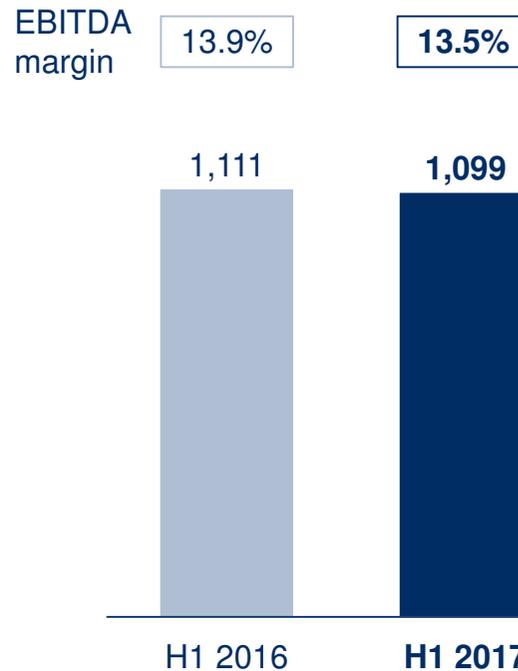
Group key figures H1 2017 – Revenues above prior year, high level of operating EBITDA maintained, increase in group profit

Continuing operations

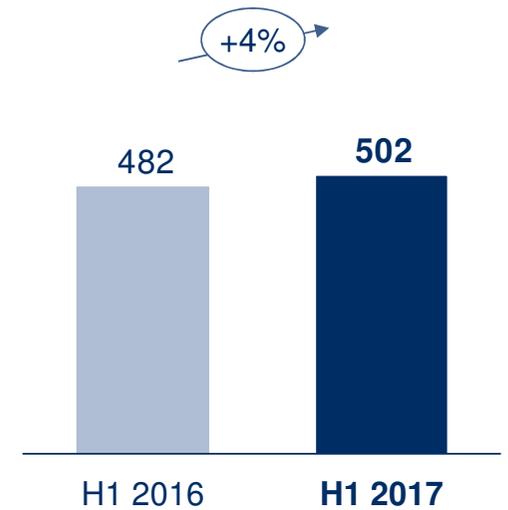
Revenues, in € billion



Operating EBITDA, in € millions



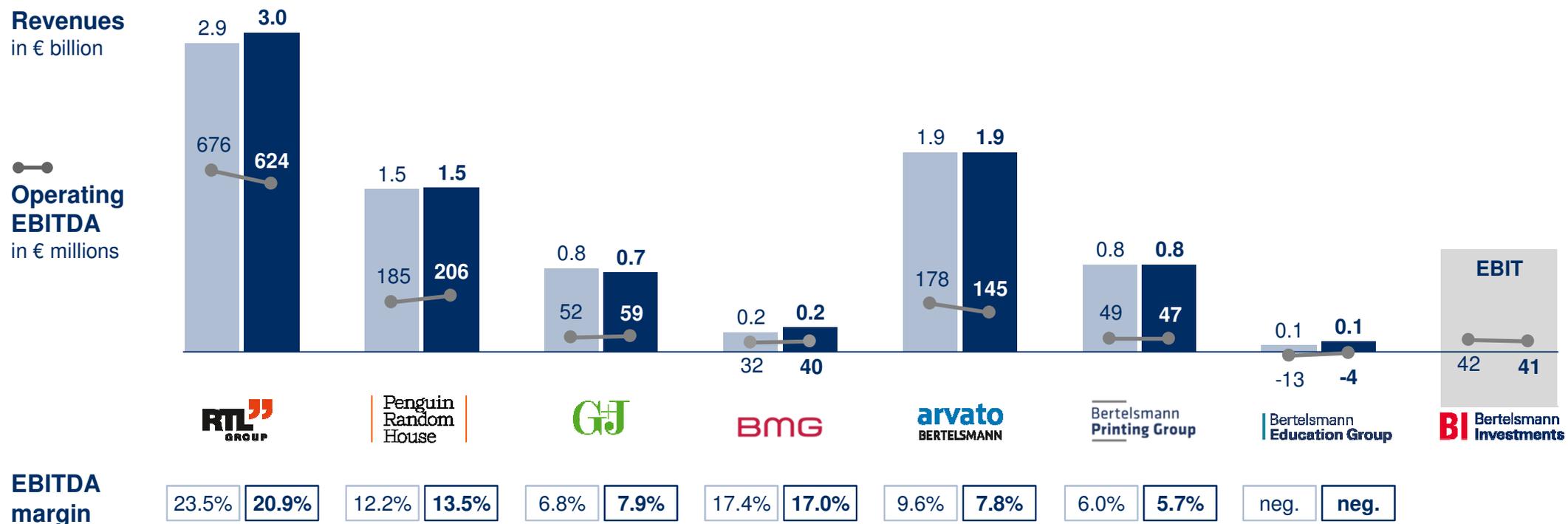
Group profit, in € millions



Divisions H1 2017 – Overall successful revenue performance, PRH with strong US book publishing business, RTL Group’s EBITDA with higher PY comparison basis

Continuing operations

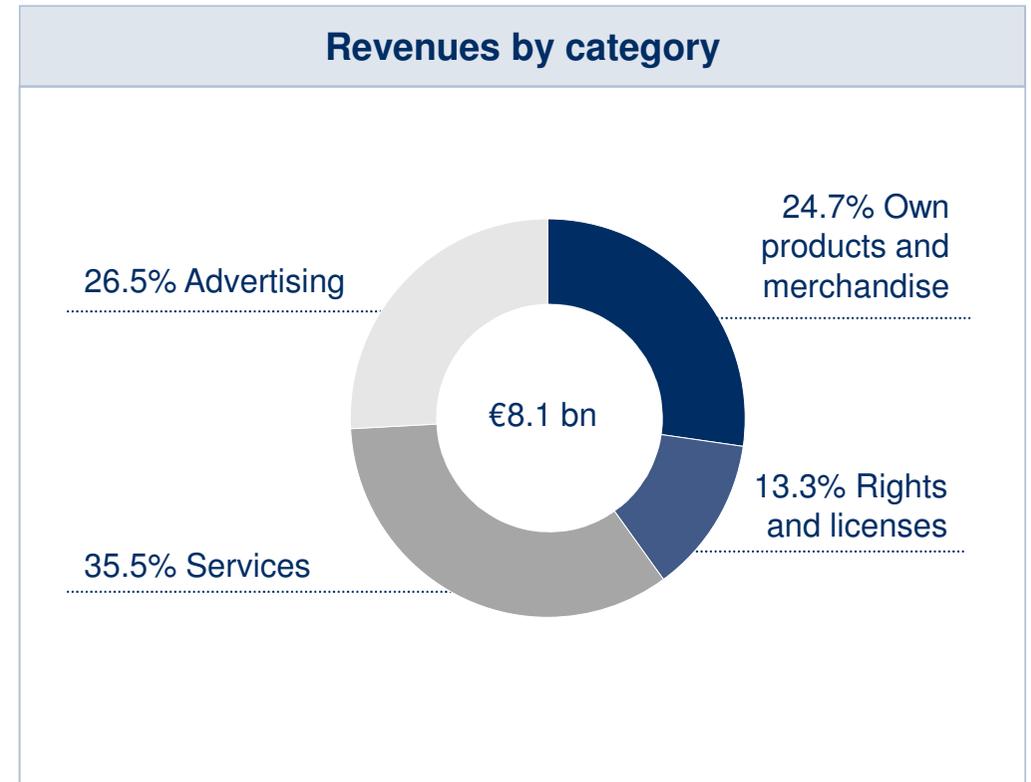
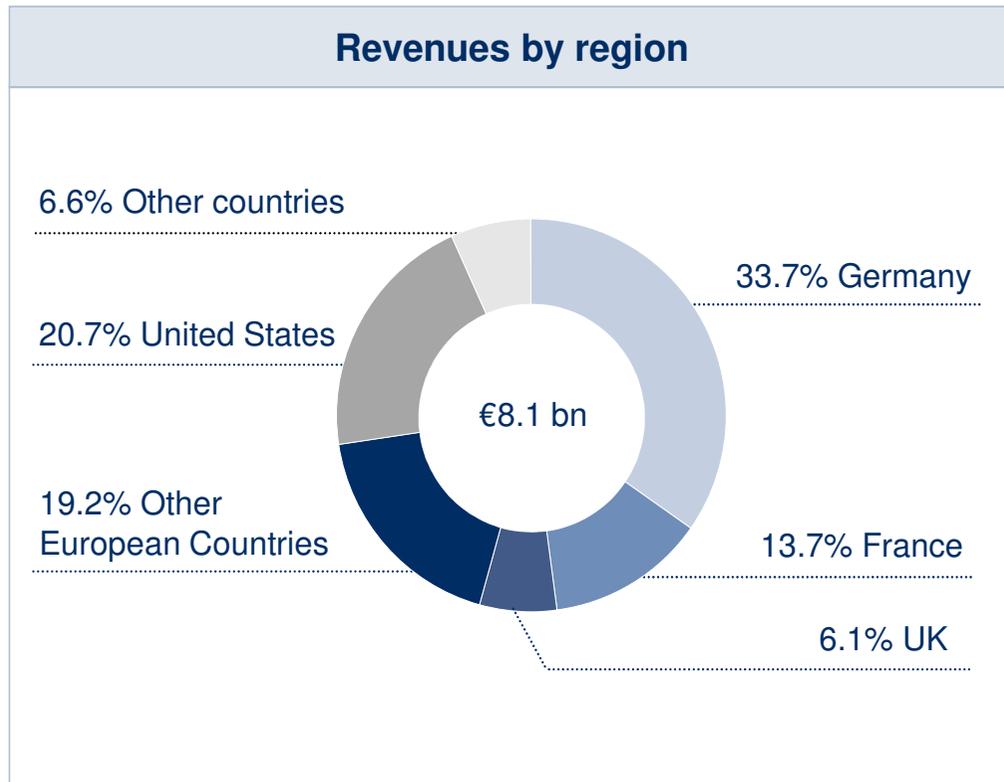
■ H1 2016 ■ H1 2017



Note: H1 2016 restated

Group key figures H1 2017 – Diverse revenue base across regions and categories

Revenue share H1 2017, continuing operations



Group profit H1 2017 – Above previous year, financial result improved, lower income tax expense

in € millions

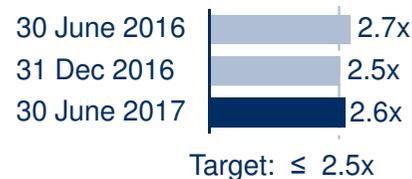
| | H1 2016 | H1 2017 | Change | Commentary |
|---|--------------|--------------|-------------|--|
| Operating EBITDA | 1,111 | 1,099 | (12) | |
| Depreciation & amortization | (306) | (309) | (3) | |
| Special items | – | 15 | 15 | |
| EBIT | 805 | 805 | – | |
| Financial result | (117) | (105) | 12 | Lower interest expense, repayment of 4.75 percent bond in September 2016 |
| Income tax expense | (206) | (197) | 9 | Lower tax expense due to measurements of deferred tax assets |
| Earnings after taxes from discontinued operations | – | (1) | (1) | |
| Group profit | 482 | 502 | 20 | |

Financial status H1 2017 – Increase in net financial debt partly due to seasonality, lower pensions, solid equity ratio maintained

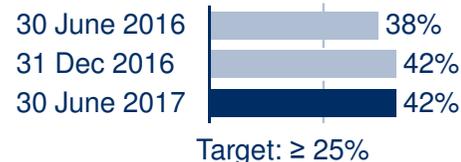
Economic Debt (in € millions)



Leverage Factor



Equity Ratio



Credit Rating

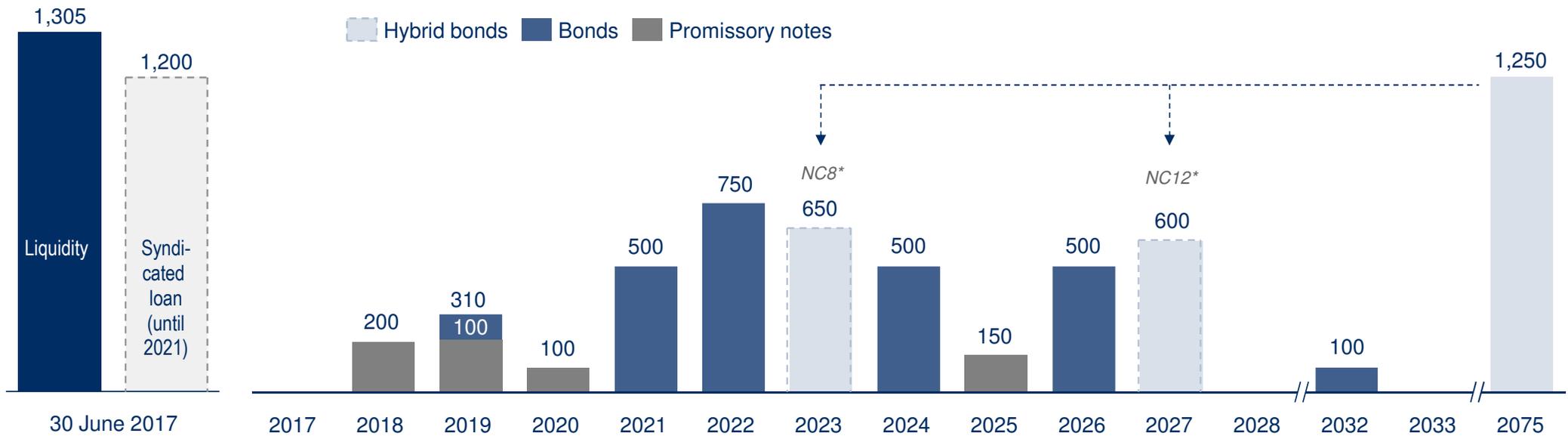
| | |
|------------------------------|-----------------------|
| MOODY'S INVESTORS SERVICE | Baa1, outlook: stable |
| S&P Global Ratings | BBB+, outlook: stable |

Financial status H1 2017 – Sound maturity profile, no significant near term maturities

in € millions

Financing activities YTD

- €500 millions bond, 2021, coupon 0.25 percent
- €150 millions promissory notes, 2019, coupon 0.11 percent



*For illustrative purposes only.

Group strategy – Strategic framework since 2011

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

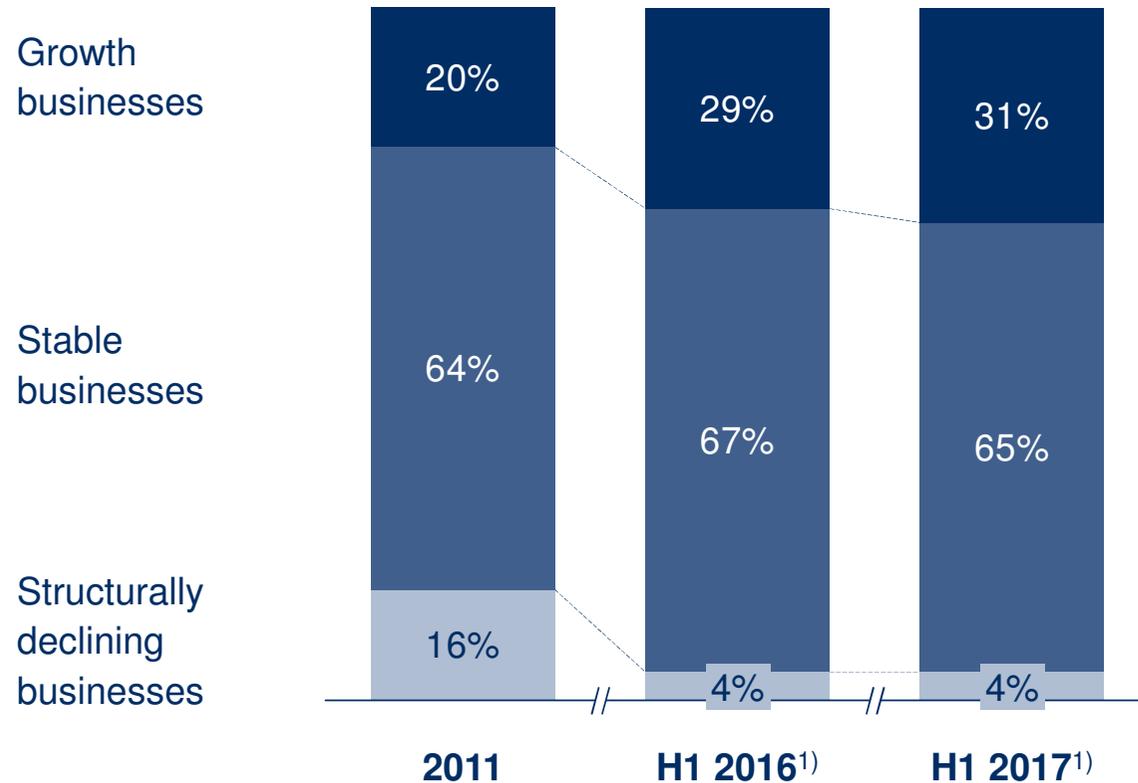
**Financial
performance**

Group strategy – Progress on all strategic priorities

| | 2013 | 2014 | 2015 | 2016 | 2017 | Major developments in H1 2017 |
|------------------------------------|---|--|--|---|---|---|
| 1 Strengthening the core | RTI NITRO Penguin Random House | SANTILLANA G+J 100% acquisition | BARBARA | DEUTSCHE MEDIEN MANUFAKTUR TERRITORY Bertelsmann Printing Group | B NEXT LEVEL Integration Penguin Random House Agreement with Pearson on share increase | <ul style="list-style-type: none"> • RTL Group: Audience/advertising market share expansion in Germany and France • PRH: Agreement on share increase, acquisition of Obama book rights and of Ediciones B • Arvato: Acquisition of Next Level Integration |
| 2 Digital transformation | ADVIDEUM BroadbandTV | SPOTX SH STYLEHAUL | OXYGEM media Employour talents and culture | smartclip Groupe Cerise | AppLike Expansion VIDEOAMP Follow-on investment | <ul style="list-style-type: none"> • RTL Group: Increase in digital revenues to €389m (+47% vs. prior year) • G+J: Increase in digital revenues in core markets to €128m (+23% vs. prior year) • Group: 2bn followers on social media |
| 3 Growth platforms | BMG 100% acquisition Gothia | RELIAS LEARNING UDACITY NETRADA | WILDSIDE HotChalk | Swank HealthCare A Relias Learning Company aps | AMERICAN GODS BBR MUSIC GROUP WhiteCloud ANALYTICS | <ul style="list-style-type: none"> • Fremantle Media: Successful productions (e.g., drama series “American Gods”) • BMG: Further investments (e.g., BBR) and signings (e.g., Kylie Minogue, Fergie) • Relias: Organic growth and acquisitions |
| 4 Growth regions | indiaPROPERTY Penguin Random House Grupo Editorial | saavn U-CLOUD Penguin Random House India | pepperfry Affero • Lab BMG+ Alibaba.com Cooperation | BI Bertelsmann Investments ONRE EDUCACIONAL LENDINGKART Think Cash, Think Lendingkart! | ramyam Part of Arvato Intervalor Share increase ERUDITUS EDUCATIVE EDUCATION | <ul style="list-style-type: none"> • CHN: Investments and high exit proceeds at Bertelsmann Asia Investments • IND: Further participations; acquisition of Ramyam (Arvato) • BRA: Share increase in Intervalor (Arvato) |

Group strategy – Significant improvement of growth profile, revenue share of growth businesses reaches more than 30 percent for the first time

Share of Group revenues in %



1) Rolling 12-month period approach

Further expansion of **growth businesses** in H1 2017:

- RTL GROUP Digital
- FREMANTLEMEDIA
- G+J Digital
- BMG
- arvato | SCM E-Commerce
- arvato | Financial Solutions
- Bertelsmann Education Group

Revenue €2.7 bn

+9% growth

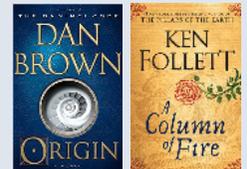
Penguin Random House – Share increase to 75 percent

Transaction key facts

- Bertelsmann increases share from 53% to 75%
- Pearson remains co-shareholder with 25%
- Verlagsgruppe Random House in Germany still fully controlled by Bertelsmann
- Independence of more than 250 individual publishers remains unaffected

Strategic rationale

- Book publishing business part of Bertelsmann's identity for over 180 years
- Strategic majorities in all divisions achieved
- Penguin Random House as creative power house with strong presence in core markets and high potential in growth markets



Economic rationale

- Appropriate valuation
- Reduced dividend leakage going forward
- Increase in earnings attributable to Bertelsmann shareholders by more than €60 million
- Stronger governance rights

Outlook full year 2017 – Further increase in revenues, stable operating EBITDA

Market development

- Global economic growth, increased uncertainty
- Mixed market conditions

Group development

- Slightly increasing revenue growth
- Stable operating EBITDA

Q&A-Session

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