Bertelsmann
Interim Results 2019

Investor Conference Call
August 29, 2019
Bernd Hirsch, Member of the Executive Board and CFO of Bertelsmann
### Interim Results H1 2019 – Highlights and key topics

#### Strong operating performance

<table>
<thead>
<tr>
<th>Strong operating performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ <strong>Revenues</strong> of €8.6 billion, up 4.6 percent, organically up 3.2 percent</td>
</tr>
<tr>
<td>✓ <strong>Operating EBITDA</strong> at €1.3 billion, high level of profitability, EBITDA margin of 15.0 percent</td>
</tr>
<tr>
<td>✓ <strong>Group profit</strong> stable at €502 million, high quality of earnings maintained</td>
</tr>
<tr>
<td>✓ Revenue share of <strong>growth businesses</strong> increased to 35 percent</td>
</tr>
</tbody>
</table>

#### Progress on all four strategic priorities

<table>
<thead>
<tr>
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</tr>
</thead>
</table>
| ✓ **Strengthening the core**  
Establishing cooperation and alliances such as Bertelsmann Content Alliance |
| ✓ **Digital transformation**  
Further increase in digital revenues, 1.2 million paying subscribers for VoD services |
| ✓ **Growth platforms**  
Strong growth, in total double digit organic growth rate |
| ✓ **Growth regions**  
42 new and follow-on investments, currently over 200 investments |

#### Sound financial position

<table>
<thead>
<tr>
<th>Sound financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ <strong>Total equity</strong> at €9.9 billion, solid equity ratio of 38 percent</td>
</tr>
<tr>
<td>✓ <strong>Leverage factor</strong> above limit, mechanically higher due to increases in pensions</td>
</tr>
<tr>
<td>✓ <strong>Target rating</strong> Baa1/BBB+ with stable outlook</td>
</tr>
<tr>
<td>✓ <strong>Commitment</strong> to prudent financial policy</td>
</tr>
</tbody>
</table>

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Note: Some slides of this presentation contain Alternative Performance Measures. For detailed information please refer to the respective section in the 2018 Combined Management Report.
Group key figures H1 2019 – **Improved organic revenue growth, Operating EBITDA on record level, high level of Group profit maintained**

<table>
<thead>
<tr>
<th>Revenues, in € billions</th>
<th>Operating EBITDA(^1), in € millions</th>
<th>Group profit, in € millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic</strong></td>
<td><strong>Reported</strong></td>
<td><strong>EBITDA margin</strong></td>
</tr>
<tr>
<td>H1 2018</td>
<td>8.2</td>
<td>+3.2%</td>
</tr>
<tr>
<td>H1 2019</td>
<td>8.6</td>
<td>+4.6%</td>
</tr>
</tbody>
</table>

\(^1\) Includes effects from the initial application of the new financial reporting standard IFRS 16 “Leases”
Divisions H1 2019 – Profitable revenue growth across nearly all divisions

Continuing operations

<table>
<thead>
<tr>
<th>Division</th>
<th>H1 2018</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues in € billions</td>
<td>3.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Operating EBITDA in € millions</td>
<td>643</td>
<td>665</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>20.9%</td>
<td>20.1%</td>
</tr>
<tr>
<td>BMG</td>
<td>21.3%</td>
<td>22.8%</td>
</tr>
<tr>
<td>Bertelsmann Printing Group</td>
<td>31.6%</td>
<td>32.5%</td>
</tr>
<tr>
<td>Bertelsmann Education Group</td>
<td>31.5%</td>
<td>32.0%</td>
</tr>
<tr>
<td>Bertelsmann Investments</td>
<td>26.2%</td>
<td>24.7%</td>
</tr>
</tbody>
</table>

1) IFRS 16 “Leases” affects all division especially RTL Group, Penguin Random House and Arvato
Group profit H1 2019 –
Operating EBITDA increased significantly, stable Group profit

in € millions

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H1 2019</th>
<th>Change</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating EBITDA</td>
<td>1,071</td>
<td>1,292</td>
<td>221</td>
<td>Positive business performance</td>
</tr>
<tr>
<td>Depreciation &amp; amortization</td>
<td>(310)</td>
<td>(449)</td>
<td>(139)</td>
<td></td>
</tr>
<tr>
<td>Special items</td>
<td>8</td>
<td>(19)</td>
<td>(27)</td>
<td>Higher restructuring costs</td>
</tr>
<tr>
<td>EBIT</td>
<td>769</td>
<td>824</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>Financial result</td>
<td>(106)</td>
<td>(168)</td>
<td>(62)</td>
<td>Includes market valuation effects of derivatives</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(162)</td>
<td>(154)</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Earnings after taxes from discontinued operations</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td></td>
</tr>
<tr>
<td>Group profit</td>
<td>501</td>
<td>502</td>
<td>1</td>
<td>High level maintained</td>
</tr>
</tbody>
</table>
Free cash flow and investments/divestments H1 2019 – Increased operating free cash flow, investments and divestments above prior year

**Operating Free Cash Flow, in € millions**

- **Cash Conversion Rate**
  - 62%
  - +9%

- **H1 2018**
  - 471

- **H1 2019**
  - 512

**Investments, in € millions**

- **H1 2018**
  - Purchase prices for consolidated investments (net of acquired cash): 476
  - Investments in financial assets: 120
  - Investments in other non-current assets: 288

- **H1 2019**
  - Purchase prices for consolidated investments (net of acquired cash): 578
  - Investments in financial assets: 189
  - Investments in other non-current assets: 296

**Divestments, in € millions**

- **H1 2018**
  - Disposals of subsidiaries and other business units: 111
  - Disposals of other fixed assets: 122

- **H1 2019**
  - Disposals of subsidiaries and other business units: 217
  - Disposals of other fixed assets: 254
Financial status H1 2019 – **Increase in economic debt due to higher pensions and higher lease liabilities, solid equity ratio maintained**

**Economic Debt, in € millions**

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2017</th>
<th>30 June 2018</th>
<th>31 Dec 2018</th>
<th>30 June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>2,854</td>
<td>3,474</td>
<td>3,307</td>
<td>3,358</td>
</tr>
<tr>
<td>less 50% par value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of hybrid bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit participation capital</td>
<td>413</td>
<td>413</td>
<td>413</td>
<td>413</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>1,261</td>
<td>1,224</td>
<td>1,161</td>
<td>1,299</td>
</tr>
<tr>
<td>Pensions</td>
<td>1,685</td>
<td>1,683</td>
<td>1,738</td>
<td>1,995</td>
</tr>
</tbody>
</table>

**Net debt less 50% par value of hybrid bonds**

**Profit participation capital**

**Lease liabilities**

**Pensions**

**Leverage Factor**

<table>
<thead>
<tr>
<th>Date</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2018</td>
<td>2.8x</td>
</tr>
<tr>
<td>31 Dec 2018</td>
<td>2.7x</td>
</tr>
<tr>
<td>30 June 2019</td>
<td>2.8x</td>
</tr>
</tbody>
</table>

Limit: ≤ 2.5x

**Equity Ratio**

<table>
<thead>
<tr>
<th>Date</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2018</td>
<td>40%</td>
</tr>
<tr>
<td>31 Dec 2018</td>
<td>39%</td>
</tr>
<tr>
<td>30 June 2019</td>
<td>38%</td>
</tr>
</tbody>
</table>

Target: ≥ 25%

**Credit Rating**

- **Moody's Investors Service**: Baa1, outlook: stable
- **S&P Global Ratings**: BBB+, outlook: stable
Financial status H1 2019 – Sound maturity profile, no major refinancing needs until 2021

in € millions

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2032</th>
<th>2075</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>100</td>
<td>500</td>
<td>750</td>
<td>650</td>
<td>550</td>
<td>750</td>
<td>500</td>
<td>600</td>
<td>100</td>
<td>1,250</td>
</tr>
</tbody>
</table>

Financing activities YTD

- Redemption of €150m promissory note in February
- Redemption of €60m promissory note in May
- Early renewal of €1.2 bn syndicated loan in July

*For illustrative purposes only.
Group strategy – Strategic framework since 2012

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 – Highlights H1 2019

#### Strategic priorities

1. **Strengthening the core**
   - **Acquisitions**
     - gulli
     - Sourcebooks
     - salamandra
     - Little Tiger Productions
   - **Data and tech agenda**
     - Advisory Board
     - 50,000 Udacity scholarships
   - **Expansion of cooperation and alliances**
     - Content
     - Advertising
     - Data & Tech

2. **Digital transformation**
   - Data and tech agenda

3. **Growth platforms**
   - Further organic expansion
   - Advisory Board
   - 50,000 Udacity scholarships

4. **Growth regions**
   - Invested\(^1\) >€1bn in start-ups in recent years
   - Generated proceeds of more than €600m
   - Currently over 200 investments
   - Expanded footprint in Middle East and Africa

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\(^1\) Including investments of Bertelsmann Digital Media Investments
Group strategy – Growth profile further improved

Share of Group revenues in %

Growth businesses
- 20% (2011)
- 32% (H1 2018\(^1\))
- 35% (H1 2019\(^1\))
- ~40% (Target)

Stable businesses
- 64% (2011)
- 64% (H1 2018\(^1\))
- 61% (H1 2019\(^1\))
- ~60% (Target)

Structurally declining businesses
- 16% (2011)
- 4% (H1 2018\(^1\))
- 4% (H1 2019\(^1\))

1) Rolling twelve months

Growth businesses further expanded in H1 2019

Revenues > €3bn
Outlook full year 2019 –
Further increase in revenues and earnings

Market development

• Global economic growth
• Increased uncertainty
• Mixed market conditions

Outlook Group development

• Further improved growth profile, especially through organic expansion of existing growth platforms
• Moderate revenue increase
• Continued high operating profitability, strong increase due to IFRS 16 effect
• Group profit to remain in excess of €1bn
Q&A-Session

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