

BERTELSMANN

media worldwide

Bertelsmann Investor Update

May 2003

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Chief Financial Officer

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Highlights since June 2002

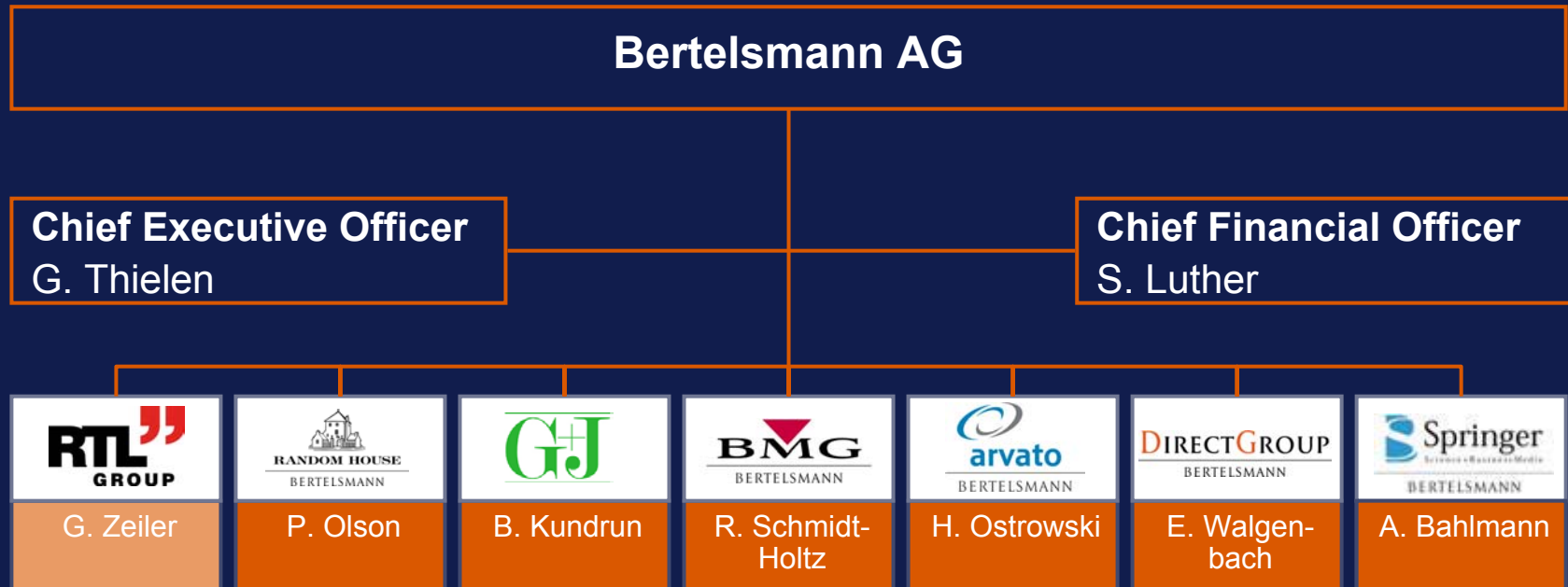
- **Changes in management**
- **Improved reporting and disclosure procedures**
- **Successful focus on operative business**
 - Improved results for all divisions
 - Turnaround of BMG / acquisition and integration of Zomba
 - Continued exploitation of synergies
- **Strengthened financial profile**
 - Net financial debt significantly lower than expected
 - Structural subordination practically eliminated
 - Duration of debt maturity profile extended

Agenda

- Management and organisational changes
- Strategy: Implementation and targets
- Financial developments
- Bertelsmann – a global integrated media company

Management and organisational changes

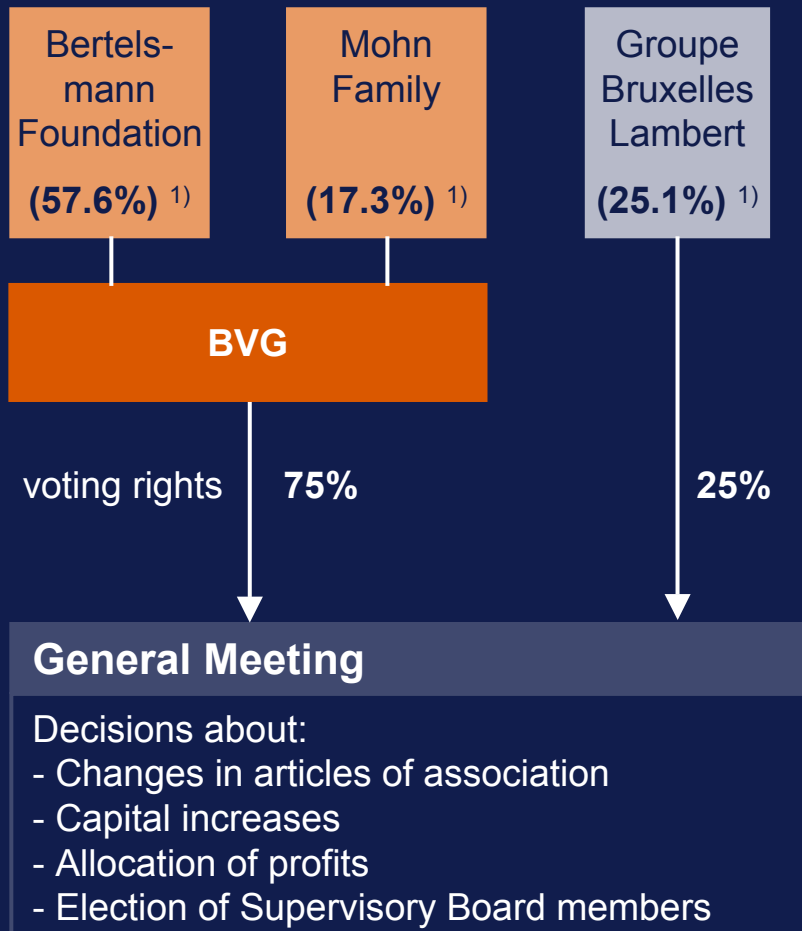
Organisation of Bertelsmann



Focus on

- improvement of operational profitability
- strengthening entrepreneurship and leadership
- small to mid size acquisitions

Corporate Governance – Role of the “Bertelsmann Verwaltungsgesellschaft” (BVG)



BVG

- **Purpose:**
BVG exercises voting rights of “Bertelsmann shareholders“ in General Meeting
- **Structure:**
8 shareholders with identical stakes, hereof 3 of Mohn Family (speaker: Liz Mohn)
- **Election of Supervisory Board members:**
BVG proposes 9 out of 15 members
- **Role of Mohn Family within BVG:**
 - In principle, members of Supervisory Board are nominated unanimously. If unanimity cannot be obtained, Mohn Family suggests the members alternately with the other 5 BVG shareholders.
 - Certain decisions of BVG (e.g. change of articles, capital increases) require three-quarter majority, i.e. Mohn Family has to agree.
 - Mohn Family sees its role in caring for Bertelsmann’s sustainability & corporate culture.

¹⁾ Target structure of capital shares in 2005 (after buyback of ZEIT Foundation shares)

Disclosure – Extensive, frequent, transparent

Initial adoption of IAS accounting

First disclosure of IAS half-year results

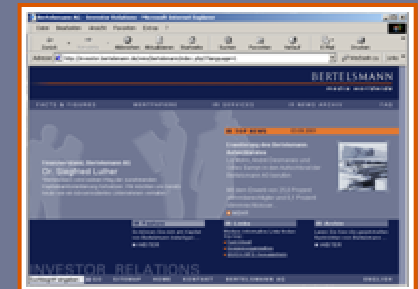
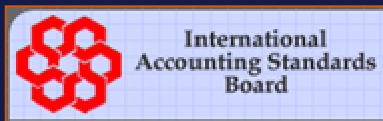
First release of quarterly key figures

Ongoing IAS 34 half-year reports

Ongoing quarterly key figures

Investor updates & conference calls

Press conference web casts



Investor & Bondholder Relations

Short FY 2001

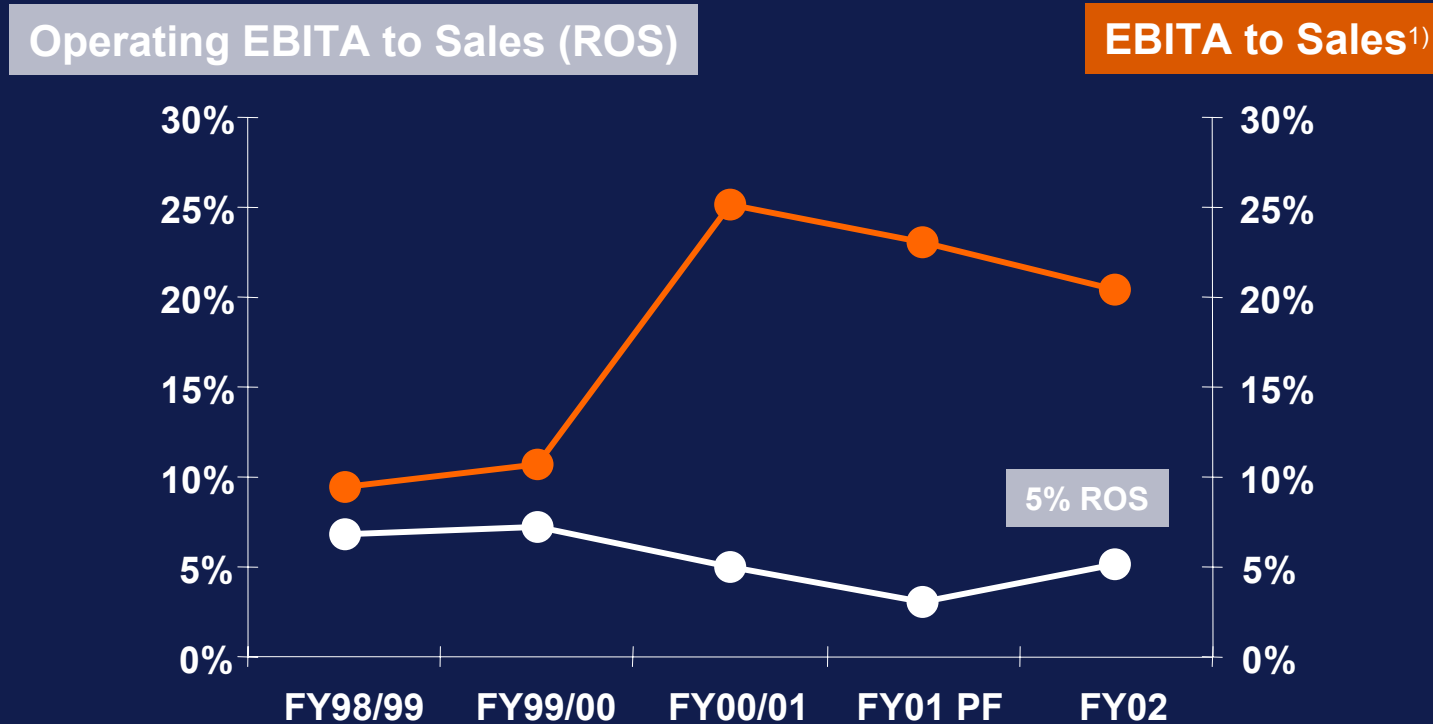
1 H 2002

3 Q 2002

To come

Strategy: Implementation and targets

Strengthened focus on operating business: 5% ROS



1) EBITA equals operating EBITA plus exceptionals (i.e. capital gains less Internet losses / special items)

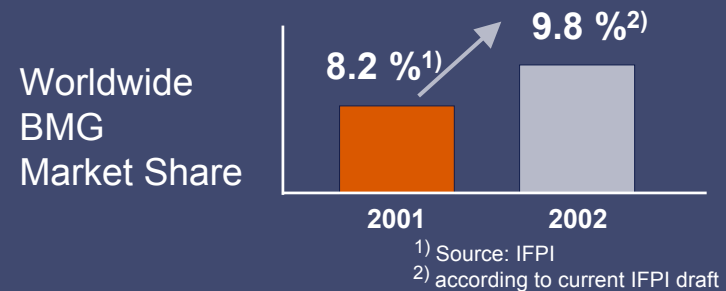
- Focus on operating business in the past partly blurred due to high positive contributions from exceptional items
- Enforced concentration on operating performance led to 5% ROS in 2002 despite weak markets

BMG 2002: Goals achieved, turnaround on target

BMG today: Creative success ...

- Top creative leadership in place
 - Creative base strengthened by three-label structure
- Ambitious release schedule executed
 - Successful delivery of top-selling albums
- Sustainable A & R concept
 - New international artist breakthrough
- Effective cost control & more efficient organization
 - Significant restructuring
 - Cost reduction targets exceeded

... translated into financial performance



- ▶ EBITA EUR 125 million
- ▶ ROS 4.6 %
- ▶ JV situation resolved (J Records, Bad Boy)

Integration of Zomba



Time schedule:

- A detailed integration plan was put in place by 1Q03
- Actual integration initiated in April 2003
- Integration expected to be completed by December 2003

Key figures:

- Expected integration costs of EUR 60-70m (provision 1Q03)
- Expected yearly cost savings of EUR 30m (EUR 10m in 2003)
- Headcount reduction expected



Zomba adds valuable labels, composers and artists to BMG's existing portfolio

The acquisition allows BMG to leverage Zomba's know-how and experience as selected key employees remained with the integrated company (e.g. Barry Weiss, head of Zomba labels)

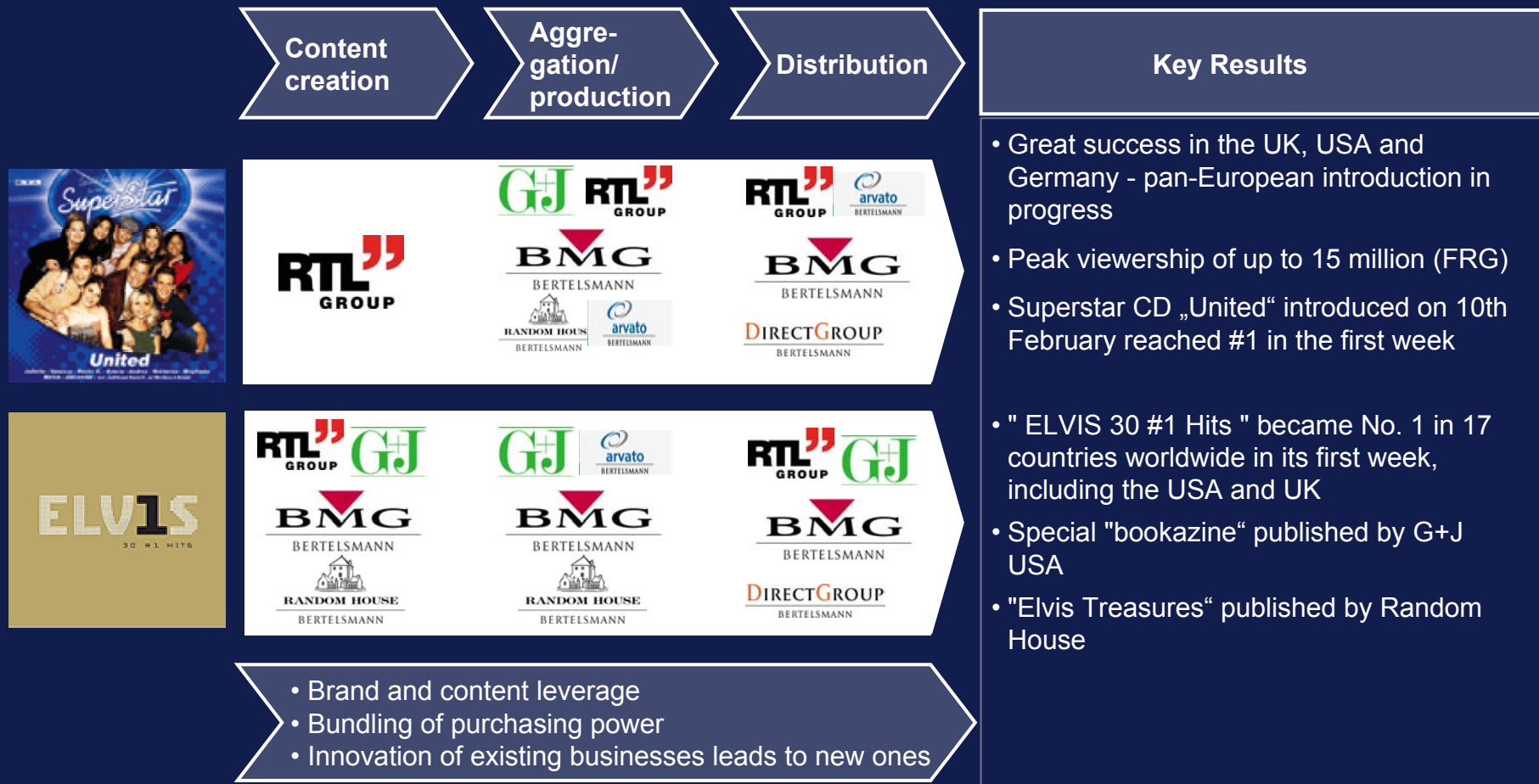
BertelsmannSpringer - Disposal imminent

Rationale: smallest division with least amount of cross-divisional synergies

- Bertelsmann board decided to dispose of BertelsmannSpringer and announced this in June 2002
- Auction process started in autumn 2002
- Deal signed May 12, 2003 – agreed purchase price EUR 1.05 billion
- Closing expected in 2HY 2003 after antitrust clearing

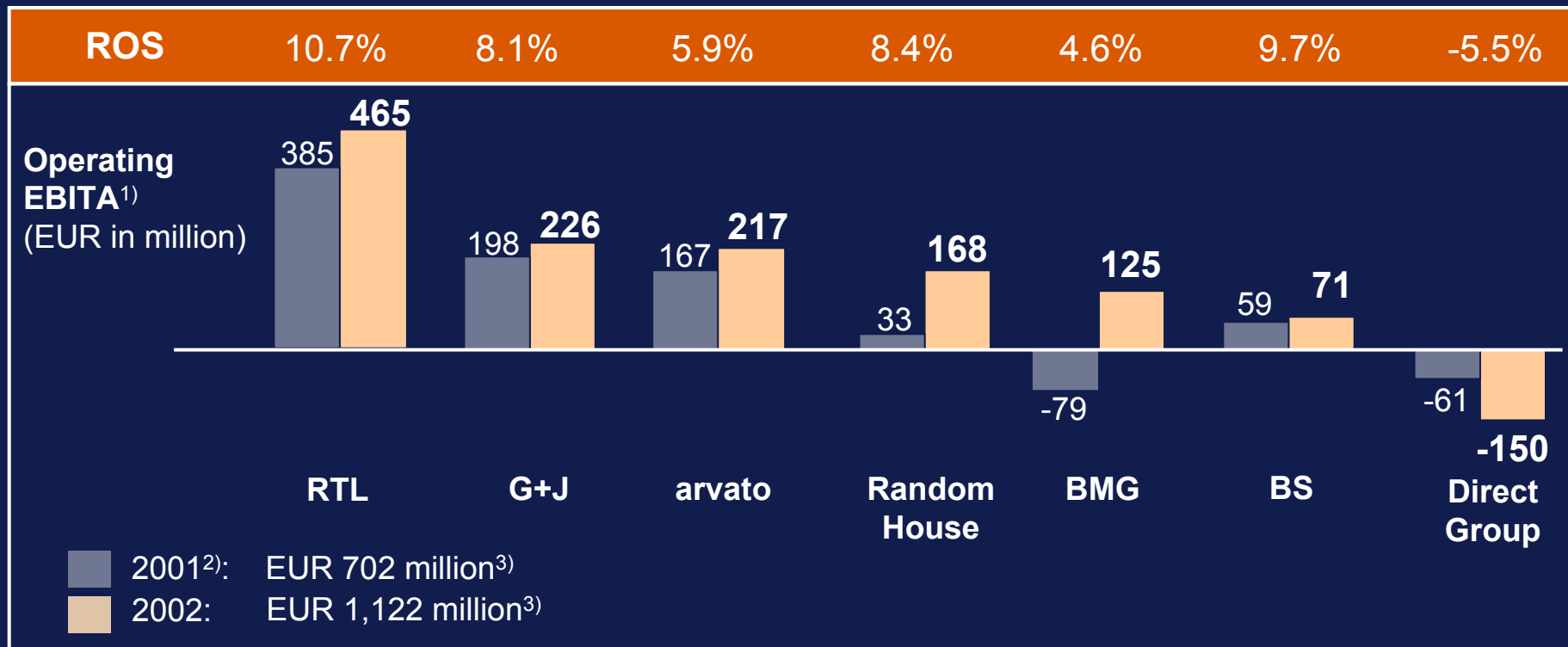
Proceeds of the disposal will be primarily used for debt reduction

Exploiting the synergies of Bertelsmann . . .



. . . to drive earnings growth

Operating result by division – Significant improvements at BMG and Random House



1) Earnings before financial result, taxes and amortization of goodwill and similar rights as well as capital gains/losses and special items, i.e. restructuring costs. Internet losses are included as of 2002

2) Pro forma figures

3) Excluding corporate/consolidation

Strategic goals

Portfolio concentration on core media businesses

- Expand presence in Europe and North America
- Maintain current position in the emerging markets (Asia, South America)
- Develop portfolio through organic growth & selective acquisitions

Value creation from leading positions in attractive markets

- Careful key market selection (size, growth, margins)
- Maintain or achieve strong competitive position (# 1 or # 2 in relevant markets)

Synergy realization from co-operation within the group

- Exploit cross marketing and promotion opportunities
- Make use of groups combined purchasing power
- Cross-divisional sharing of best practices

Focus on conservative financial strategy

- Cost controls to achieve 10% ROS in the medium term
- Increase conversion rate of EBITA into free cash flow
- Commitment to maintaining or improving current ratings

Core business is the creation and worldwide distribution of prime media content

Strategic priorities by division

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- Improve operational strength
- Expand content business & develop group synergies

RTL
GROUP

- Strengthen position in key European markets
- Continue developing non-advertising revenues (merchandising, shop etc.)

RANDOM HOUSE
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- Expand market leadership in USA, UK and Germany
- Further growth by making accretive acquisitions

G+J

- Strengthen presence in Germany, France and USA
- Build-out market leadership in core segments (women, business and other)

BMG
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- Integrate Zomba & J-Records
- Concentrate on domestic repertoire, international artists & global marketing

arvato
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- Achieve organic growth
- Focus on core competencies & economies of scale in printing business

DIRECTGROUP
BERTELSMANN

- Achieve turnaround
Focus on Germany (Der Club) and UK (BCA)

Financial developments

Quality of operating result improved

EUR in million	2002	2001 pro-forma	Change
Operating EBITA ¹⁾ Divisions	1,122	702	
Corporate/consolidation	-186	-129	
Operating EBITA¹⁾ Group	936	573	+63%
Internet losses	(-)	-808	
Special items	-111	-927	
Capital gains	2,918	5,533	
Total result	3,743	4,371	-14%
Amortization of goodwill / impairments	-2,452	-1,374	
Profit before financial result and taxes	1,291	2,997	-57%

¹⁾ Earnings before financial result, taxes and amortization of goodwill and similar rights as well as capital gains/losses and special items, i.e. restructuring costs. Internet losses are included as of 2002

Revenues and Operating EBITA FY2002 compared to FY2001

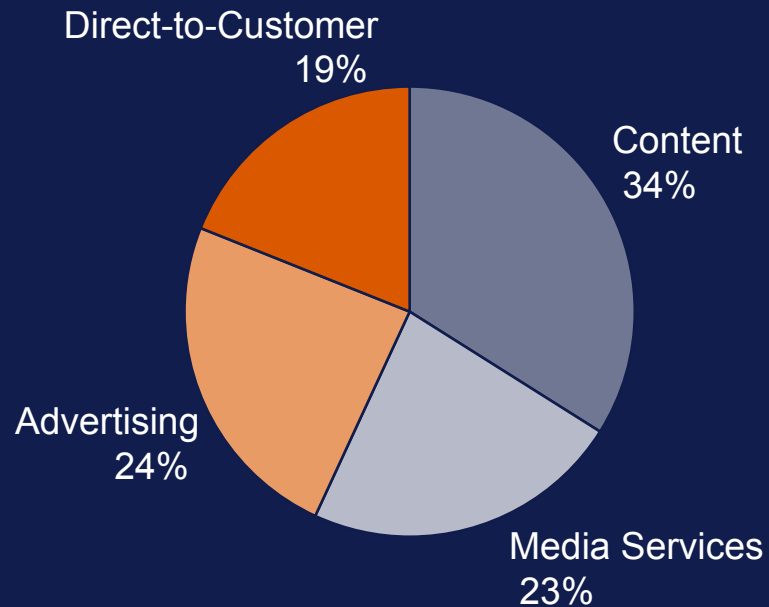
EUR in million	Revenues		Operating EBITA	
	2002	2001 ¹⁾	2002 ²⁾	2001 ¹⁾
January 1 to December 31				
RTL Group	4,362	4,054	465	385
Random House	1,995	2,039	168	33
Gruener & Jahr	2,800	2,973	226	198
BMG	2,714	2,982	125	(79)
Arvato	3,668	3,520	217	167
Direct Group	2,707	3,089	(150)	(61)
BertelsmannSpringer	731	748	71	59
Divisions total	18,977	19,405	1,122	702
Other	50	192	(186)	(129)
Intercompany	(715)	(618)	-	-
Consolidated	18,312	18,979	936	573

¹⁾ Pro-forma

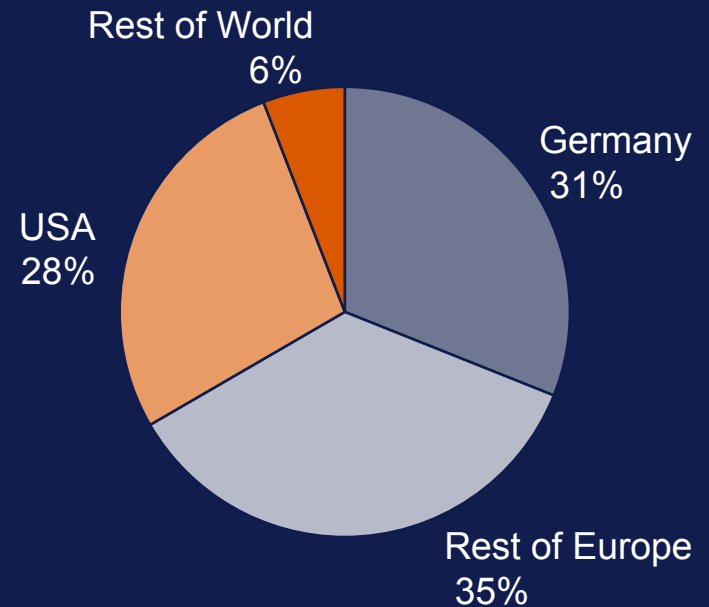
²⁾ EBITA post internet losses

Well balanced composition of revenues in 2002

Business contribution to revenues, in %¹⁾

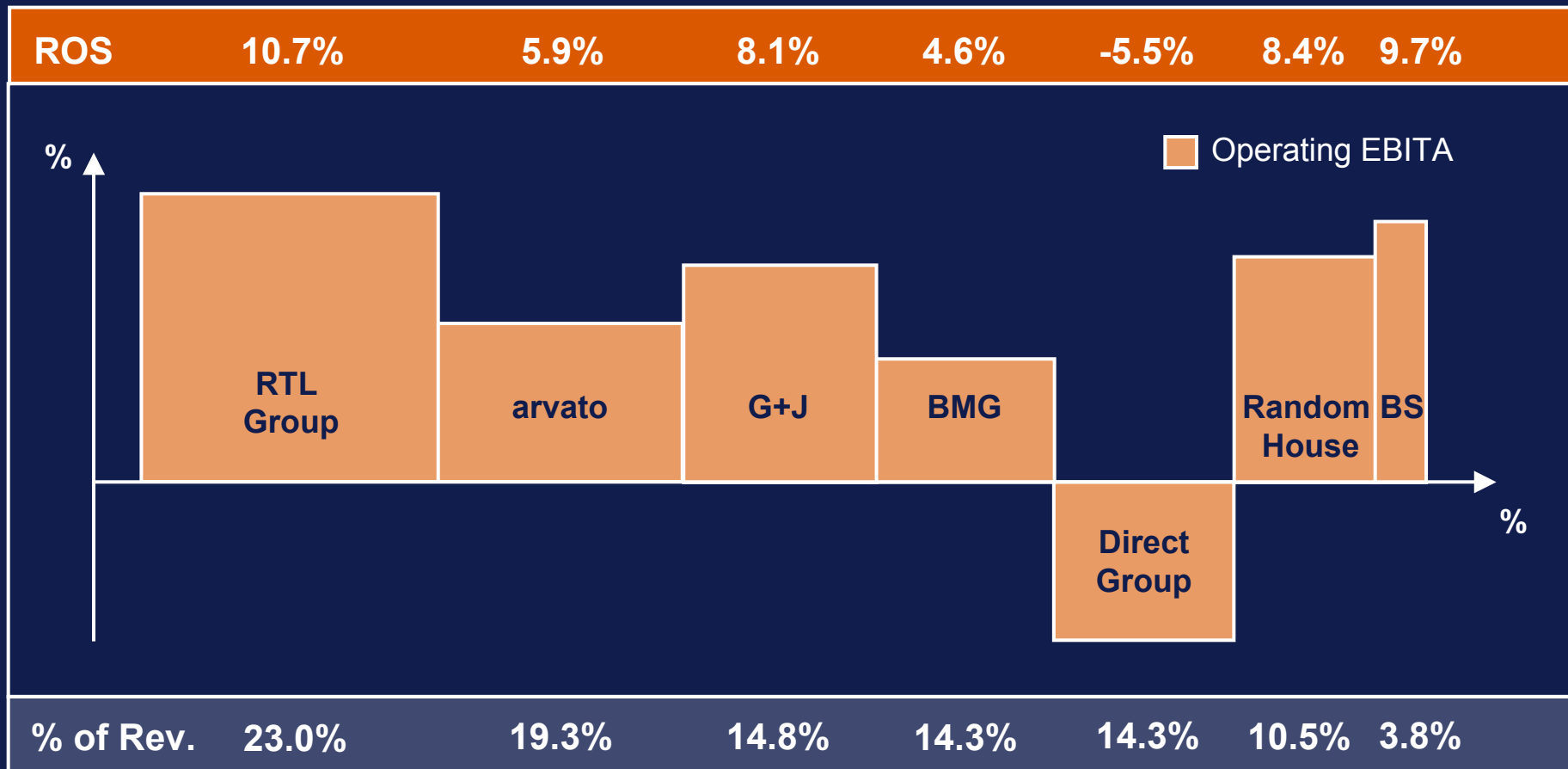


Geographical contribution to revenues, in %¹⁾



¹⁾ including inter-company sales

Structure of revenues and ROS – RTL Group with the highest EBITA



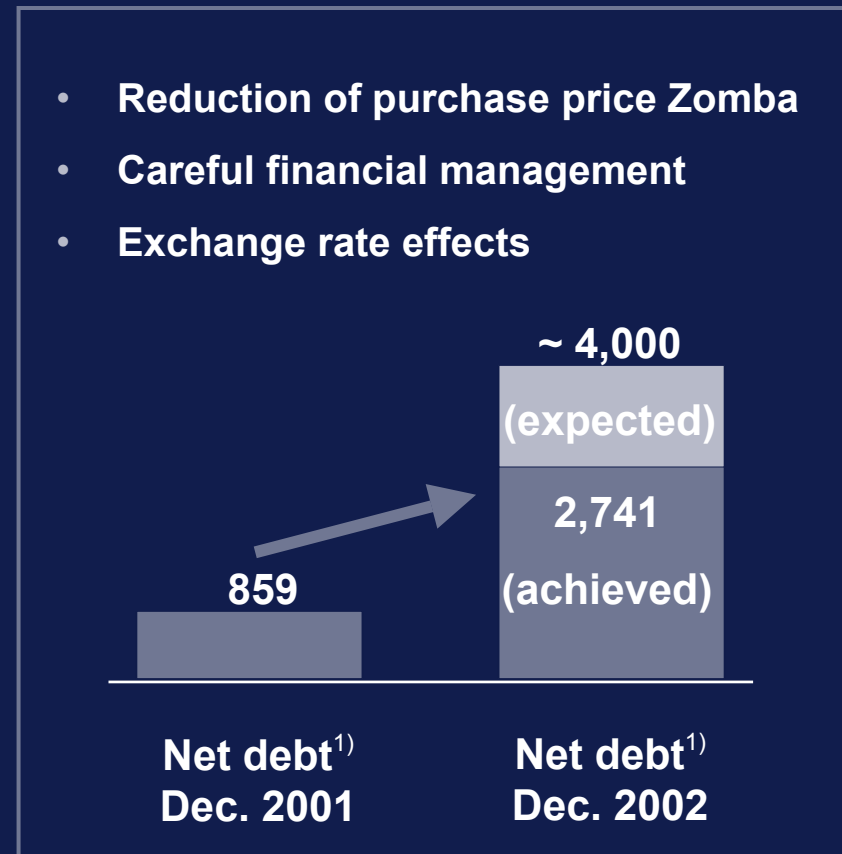
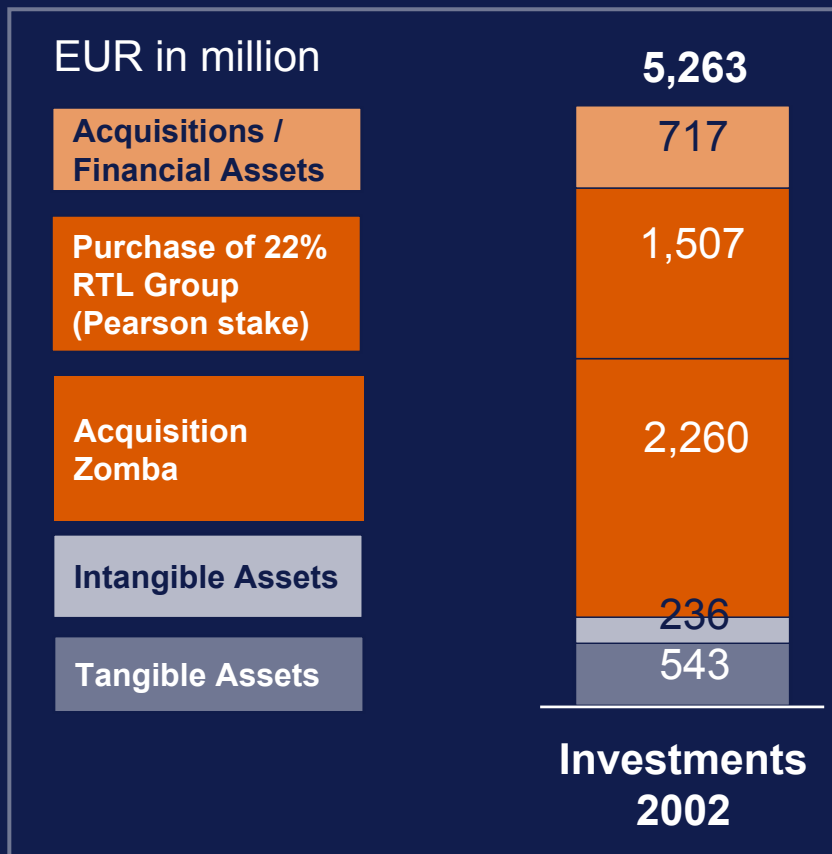
1st Quarter group key financials – Figures influenced by US market and weak dollar

EUR in million	1Q 2003	1Q 2002
Revenues	3,934	4,301
Operating EBITA¹⁾	(58)	20
Special Items	(60)	0
Net Income before Minority Interests	(399)	2,531
Net Financial Debt ²⁾	2,719	2,741 ³⁾
Employees	79,719	80,632 ³⁾

Revenues declined by EUR 180 million due to FX effects.

- 1) Earnings before financial result, taxes and amortization of goodwill and similar rights as well as capital gains/losses and special items, i.e. restructuring costs
- 2) Including finance leases
- 3) Figures as of December 31st, 2002

High investments in 2002 - net financial debt effect lower than expected



¹⁾ Including finance leases

Financing activities 2002 & 2003 – New financial instruments provide financial flexibility

Preparations

- Initial ratings by S&P and Moody's: BBB+ stable / Baa1 stable (June 2002)
- New EUR 3 billion Debt Issuance Programme (June 2002)

Financing activities

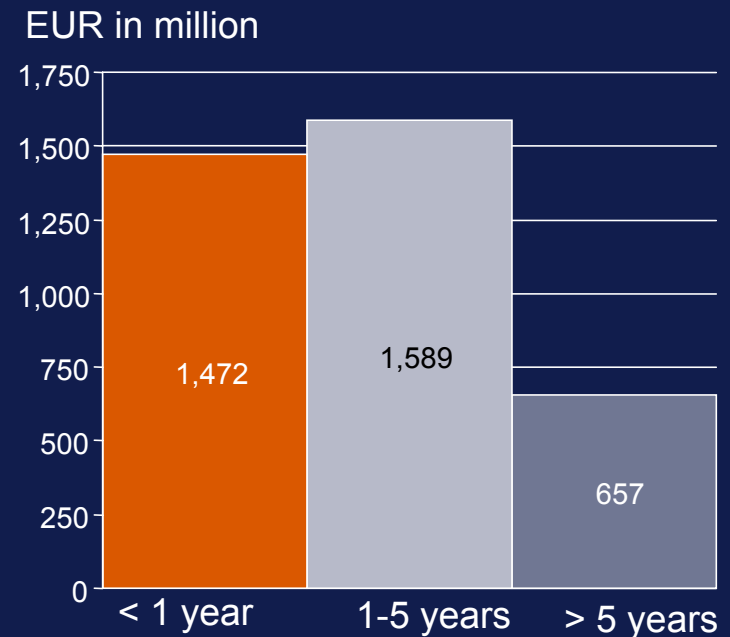
- EUR 2.5 billion Bridge Loan – 18 months (June 2002)
- EUR 0.4 billion Private Placements
- EUR 1.5 billion Syndicated Loan Facility – 5 years (November 2002)
- USD 0.5 billion US Private Placement – 7, 10 and 12 years (April 2003)
- External debt of key subsidiary largely replaced by inter-company loans

Comfortable liquidity position

Key liquidity considerations

- As of December 31, 2002, Bertelsmann reported EUR 1,472 million short-term debt
- Cash and cash equivalents amounted to EUR 977 million
- Bertelsmann had access to EUR 2.5 billion unused committed credit facilities, of which 50% mature in 2007 or later
- A USD 500 million US Private Placement was issued in 2Q 2003
- Bridge loan repaid
- Bertelsmann expects significant proceeds from the sale of BertelsmannSpringer

Debt maturity profile¹⁾



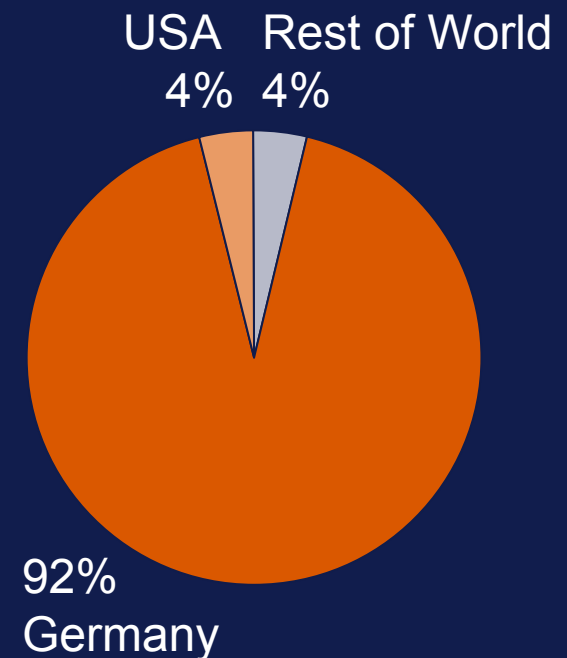
¹⁾ As of December 31, 2002

Pension obligations – Moderate annual payments

Characteristics

- Various forms of country-specific plans
- Primarily Defined Benefit Obligations
- Defined Benefit Obligations
as of Dec. 2002: EUR 2,127m
- Net Pension Liability: EUR 1,639m
- Over 90% of the group's pension
provisions are based on German direct
promise plans
- Pension payments (2002): EUR 82m

Net pension liability¹⁾ by region (in %)



¹⁾ as of December 31, 2002

Target financial ratios

	Target	2002	2001 pro-forma
Pay-back Factor Net Financial Debt / Cash Flow	< 1.5x	2.5x	2.9x
Interest Coverage Ratio EBITDA / Interest Expense	> 9.0x	33.3x	~ 6x
Equity Ratio	> 25.0%	34.9%	35.3%

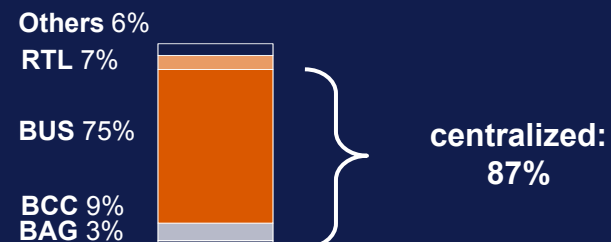
Key financial targets expected to be met in 2003

Conservative financial philosophy

Bertelsmann follows a conservative financial philosophy to ensure a strong financial profile can be maintained in the long run:

- Strict investment policy after major investments to regain financial strength quickly
- Philosophy to fund expansion by mainly using internally generated cash flows and proceeds from divestments of non-strategic assets
- Funding policy to raise debt in principle on the holding company level (incl. financing subsidiaries) rather than on a divisional level

Split of gross debt (excl. finance lease):



Bertelsmann commits itself to a target rating in the single A category!

Bertelsmann – a global
integrated media company

Leadership in market segments



Television (Free-TV):
TV production:
Radio:

#1 Europe
#2 Europe
#1 Europe



Book publishing:

#1 world-wide



Magazines:

#1 Europe, #6 USA



Music publishing:
Music recording:

#3 world-wide
#5 world-wide



Print:
CD Production:
Distribution media products:

#1 Europe
#2 world-wide (independents)
#1 Germany



Book Clubs:
Media e-Commerce:

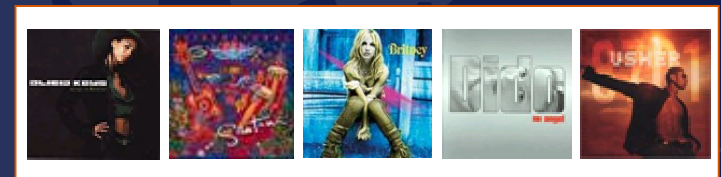
#1 world-wide (in all regional markets)
#2 USA (incl. 37% bn.com)

Europe's leading media and entertainment company

Flagship portfolio of consumer content brands

Key Brands

Key Content



Appendix

Bertelsmann consolidated figures

EUR in million	2002	2001 pro-forma	2000 – 2001	1999 – 2000	1998 – 1999
Accounting format	IAS	IAS	HGB	HGB	HGB
Revenues	18,312	18,979	20,036	16,524	13,289
Operating EBITA ¹⁾	936	573	1,092	1,195	899
Net Income	968	1,378	970	672	465
Cash Flow ²⁾	1,115	294	663	1,317	924
Investments	5,263	2,639	3,268	2,049	2,398
Total Assets	22,188	23,734	17,551	14,692	10,070
Total Equity ³⁾	7,744	8,384	4,501	3,638	2,734
Net Financial Debt ⁴⁾	2,741	859	1,188	2,148	1,692
EBITDA ¹⁾	1,666	1,500 ⁵⁾	1,969	1,805	1,187

1) EBITA and EBITDA include corporate, exclude capital gains and special items (also interest losses until 2001)

2) Cash flow = net income - capital gains + depreciation and amortization of non-current assets + increase in long-term provisions and profit participation certificates + other cash & non cash items

3) Equity includes shareholders' equity, minority interests and (under HGB only) profit participation certificates

4) Gross financial debt ./. Cash equivalents; in 2000/01 marketable securities of EUR 693 mm were included in cash equivalents; includes finance leases under IAS

5) estimated

Bertelsmann key financial ratios

	2002	2001 pro-forma	2000 - 2001	1999 - 2000	1998 - 1999	Target
Profitability						
EBITA margin	5.1%	3.0%	5.5%	7.2%	6.8%	10%
Coverage						
EBITDA / net interest	33.3x	~ 6x	8.6x	13.9x	16.3x	> 9.0x
Leverage						
Equity ratio	34.9%	35.3%	25.6%	24.8%	27.1%	> 25%
Net debt / cash flow (DVFA)	2.5x	2.9x	1.8x	1.6x	1.8x	< 1.5x
Net debt / EBITDA	1.6x	~ 0.6x	0.6x	1.2x	1.4x	

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