

Investor Call Bertelsmann AG

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Bertelsmann overview



Leading European media company
with revenues of €17 bn and net income of €1.2 bn in 2004

Founded in 1835

Privately held

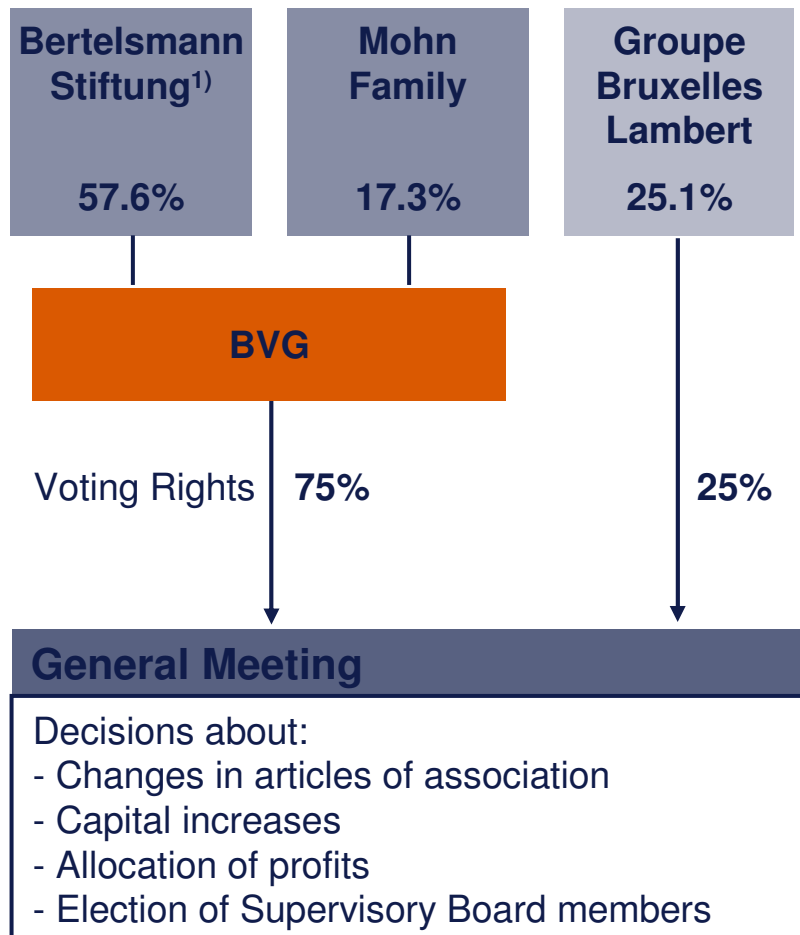
78,122 employees (June 30, 2005)

Bertelsmann divisions

Bertelsmann

	<ul style="list-style-type: none">• Europe's leading broadcasting and TV production company• 31 TV channels and 33 radio stations in 10 countries
	<ul style="list-style-type: none">• World's biggest trade book publisher• More than 100 publishing imprints in 16 countries
	<ul style="list-style-type: none">• Europe's leading magazine publisher• More than 260 magazines in 20 countries
	<ul style="list-style-type: none">• Sony BMG Music Entertainment: #2 worldwide• BMG Music Publishing: #3 worldwide
	<ul style="list-style-type: none">• One of the leading international media service providers• Printing plants, services, storage media production
	<ul style="list-style-type: none">• Book and music clubs• More than 35 millionen club members worldwide

Shareholder structure and corporate governance



Bertelsmann Verwaltungsgesellschaft (BVG)

- **Purpose:**
BVG exercises voting rights of “Bertelsmann shareholders“ in General Meeting
- **Structure:**
8 shareholders with identical stakes, hereof 3 from Mohn Family (Speaker: Liz Mohn)
- **Election of Supervisory Board members:**
BVG proposes 9 out of 15 members
- **Role of Mohn Family within BVG:**
 - To ensure Bertelsmann’s sustainability and corporate culture.
 - Agreement of Mohn Family needed for certain decisions of BVG (e.g. change of articles, capital increases) that require three-quarter majority.
 - If unanimity cannot be achieved, Mohn Family suggests Supervisory Board members alternately with the other 5 BVG shareholders.

¹⁾ Founded by Reinhard Mohn in 1977 as an independently managed think-tank in the fields of education, culture and social politics

Group Key Financials – Further improvement in 1H 2005 Operating EBIT

EUR in Million	1H 2005	Change	1H 2004	FY 2004
Revenues	7,988	-148	8,136	17,016
Operating EBIT	644	+48	596	1,429
Net income (before minority interest)	349	-201	550	1,217
Operating EBITDA	949	+29	920	2,112
Investments	765	+319	446	930

	06/30/05	Change	06/30/04	12/31/04
Economic debt (EUR in Million)	3,327	+263	3,064	2,632
Employees	78,122	+3,520	74,602	76,266

Revenues by Division – Arvato achieved significant growth in 1H 2005

EUR in Million	1H 2005	Change	1H 2004	FY 2004
RTL Group	2,397	-60	2,457	4,878
Random House	799	-19	818	1,791
Gruner + Jahr	1,188	-35	1,223	2,439
BMG	952	-242	1,194	2,547
Arvato	1,874	+179	1,695	3,756
Direct Group	1,016	-36	1,052	2,175
Total Div. Revenues	8,226	- 213	8,439	17,586
Corporate/Consolidation	-238	+65	-303	-570
Group Revenues	7,988	- 148	8,136	17,016

Operating EBIT by Division in 1H 2005 – Random House, G+J and Arvato improved considerably

EUR in Million	1H 2005	Change	1H 2004	FY 2004
RTL Group	371	-2	373	668
Random House	48	+17	31	140
Gruner + Jahr	126	+30	96	210
BMG	48	-26	74	162
Arvato	100	+20	80	310
Direct Group	-11	+5	-16	32
Total Div. Op. EBIT	682	+44	638	1,522
Corporate/Consolidation	-38	+4	-42	-93
Group Operating EBIT	644	+48	596	1,429

**Net Income –
Lower in 1H 2005 mainly due to absence of capital gains**

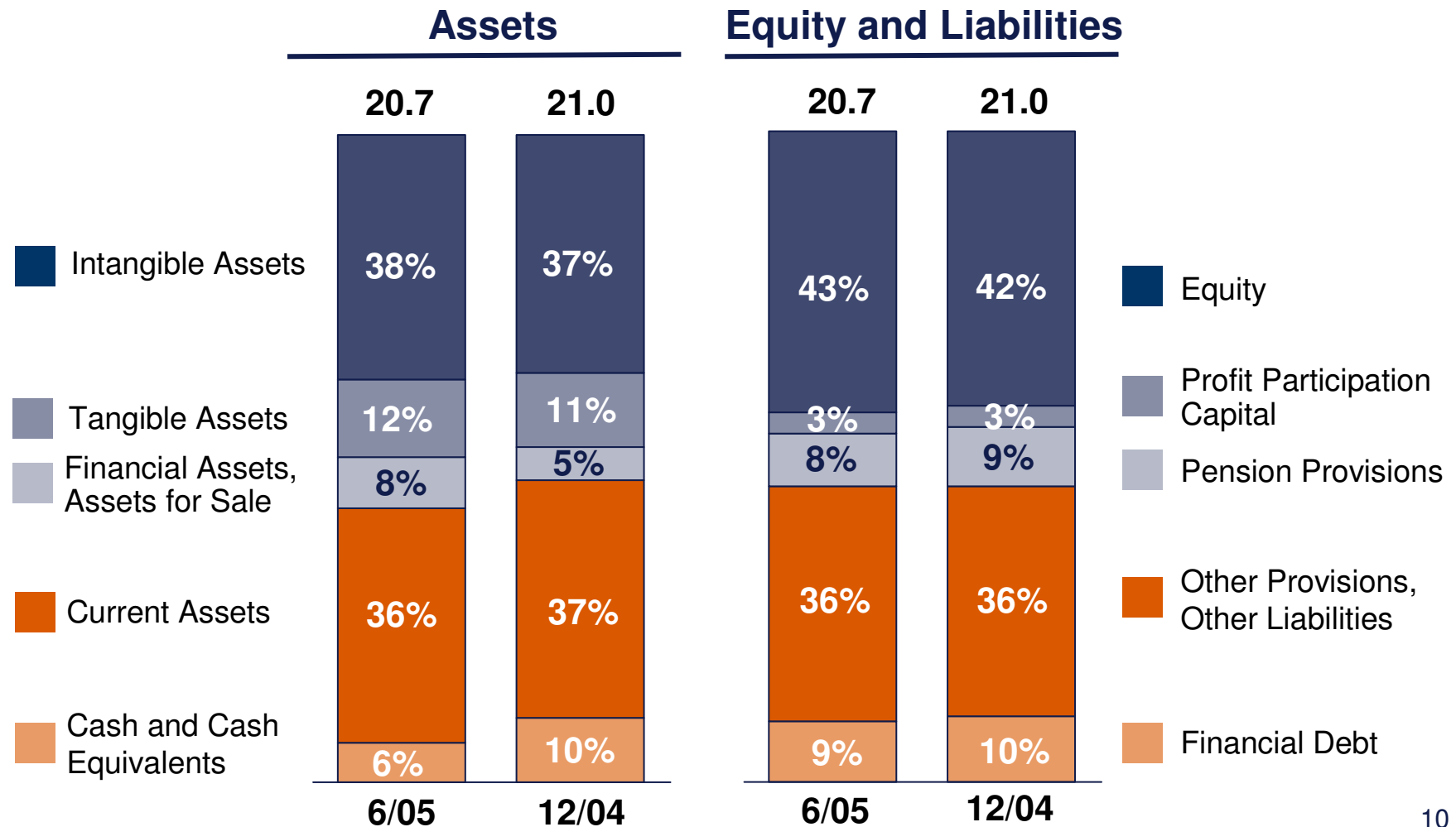
EUR in Million	1H 2005	1H 2004	FY 2004
Group Operating EBIT	644	596	1,429
Special Items	- 80	247	318
EBIT	564	843	1,747
Financial Result	-128	-104	-267
Income Taxes	-87	-189	-263
Net income before minority interest	349	550	1,217
Minority interest	-125	-104	-185
Net income after minority interest	224	446	1,032

Cash flow – Lower cash position due to increase in investments, CTA

EUR in Million	1H 2005	1H 2004	FY 2004
Cash flow from operating activities	451	590	1,654
Cash flow from investing activities	-672	-244	-497
Cash flow from financing activities	-428	-403	-670
Change in cash and cash equivalents	-649	-57	-487
Contribution to CTA	-200	-	-
FX effects and other changes of the period	12	103	-37
Cash and cash equivalents at January 1	2,092	1,642	1,642
Cash and cash equivalents at June 30	1,255	1,688	2,092*

* At year end 2004

Consolidated Balance Sheet

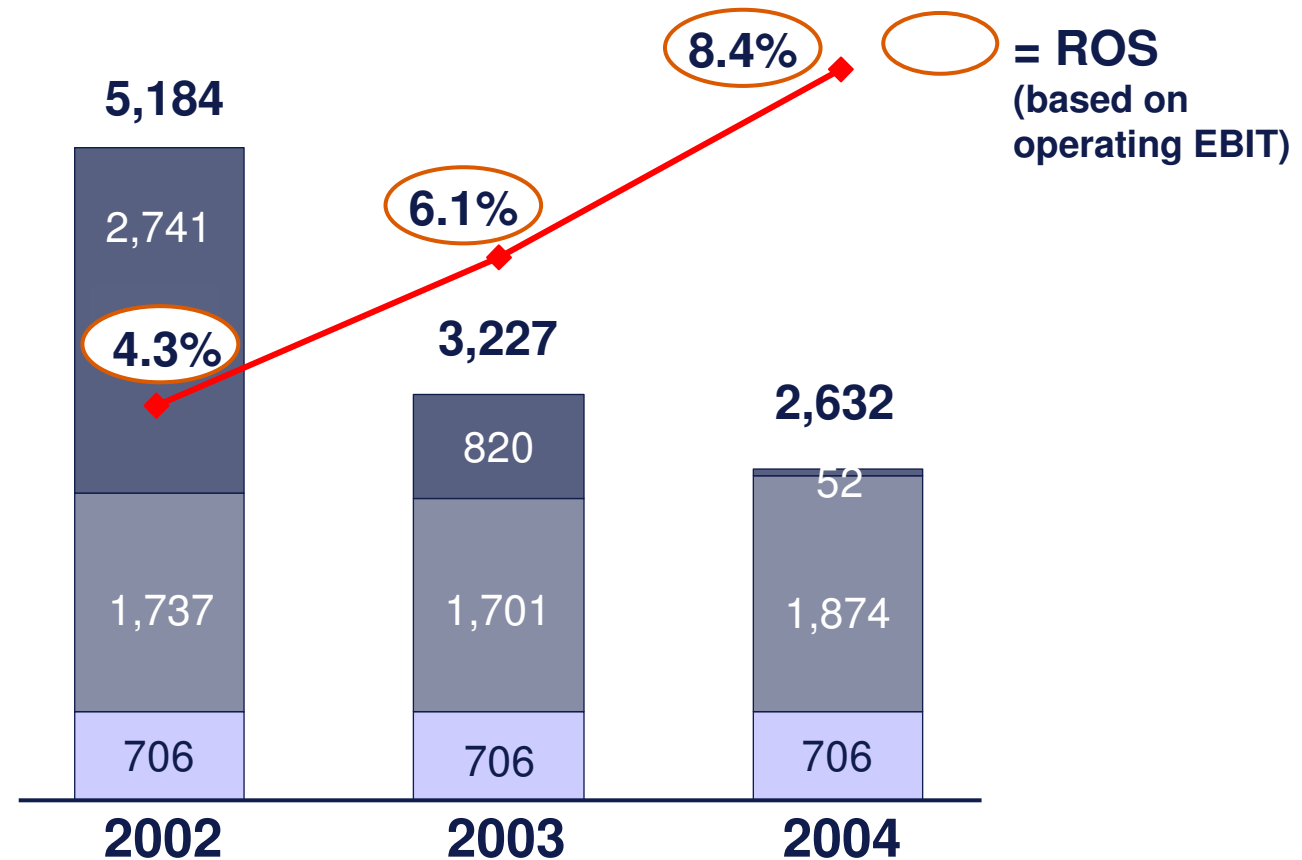


Profitability doubled and debt cut in half in 2002-2004 Financial leeway improved significantly

Economic Debt

EUR in m

- Net financial debt
- Pension provisions
- Profit participation capital



Key Issue in 2005– Approx. €2 billion allocated for strategic investments

Key strategic investments lay foundation for future growth while improving the respective market position

- **RTL Group:** Bertelsmann increased its holding to 90.4% by taking over the 37% previously held jointly with the WAZ group via BW-TV Verwaltungs GmbH
- **Five**¹: RTL acquired 35.4% from UBM to now own 100% of Five in U.K.
- **Ren TV**²: RTL acquired 30% of the Russian TV network
- **Motor-Presse Stuttgart (MPS)**³: G+J increased its shareholding in MPS to 54.9%
- **Prinovis**³: Gravure JV between Arvato (37.45%), Gruner+Jahr (37.45%) and Axel Springer (25.1%)
- **Arvato Infoscience**³: Arvato owns 63% of the newly formed JV between AZ Direct, BFS Finance and Infoscience Group
- **Columbia House**³: Acquisition of largest specialized retailer of DVDs in the U.S.
- **Privat**³: Acquisition of largest independent bookselling chain in France

¹ Consolidation from October 1, 2005

² Clearance from regulatory authorities still pending

³ Consolidation from July 1, 2005

Financial Targets – Underscore Bertelsmann’s conservative financial policy

	Target	2004	2003
Leverage Factor Economic Debt / Operating EBITDA*	< 2.3	1.6	1.9
Coverage Ratio Operating EBITDA / Financial Result *	> 4	7.0	5.5
Equity Ratio Equity / Total Assets	> 25%	42%	38%

* After modifications

Outlook for Fiscal Year 2005

Supported through strategic investments, optimal cost structures and partially recovering media markets, for the full year 2005, Bertelsmann expects:

- Further significant improvement in Operating EBIT
- Growth in revenues, especially supported by the acquisitions to be consolidated starting July 1, 2005
- Significant increase in investment volume while maintaining strong financial profile

Highlights

- Bertelsmann is the leading European media company
- Market-leading positions in broadcasting, book publishing, consumer magazines, music, media services and book clubs
- Diversified revenue streams by products and regions
- 75 % shareholding of “Bertelsmann shareholders” guarantees continuity
- Disciplined approach to financial and operational management
- Firm intention to preserve a conservative financial profile underpinned by commitment to rating and financial targets
- Financial targets oriented towards rating in A-/A3 category
- Bertelsmann name well established in financial markets
- High degree of disclosure and transparency

Offering Summary

Issuer	Bertelsmann AG
Ratings	Baa1/BBB+ (both stable outlook)
Format	Eurobond under the Debt Issuance Programme
Size	Benchmark size
Maturity	10 years
Use of proceeds	Refinancing of existing bank loans
Listing	Luxembourg
Bookrunners	Commerzbank, HSBC and Société Générale