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Bertelsmann Annual Results 2007
Investor Conference Call

March 18, 2008

Dr. Thomas Rabe,
Member of the Executive Board
and Chief Financial Officer,
Bertelsmann AG

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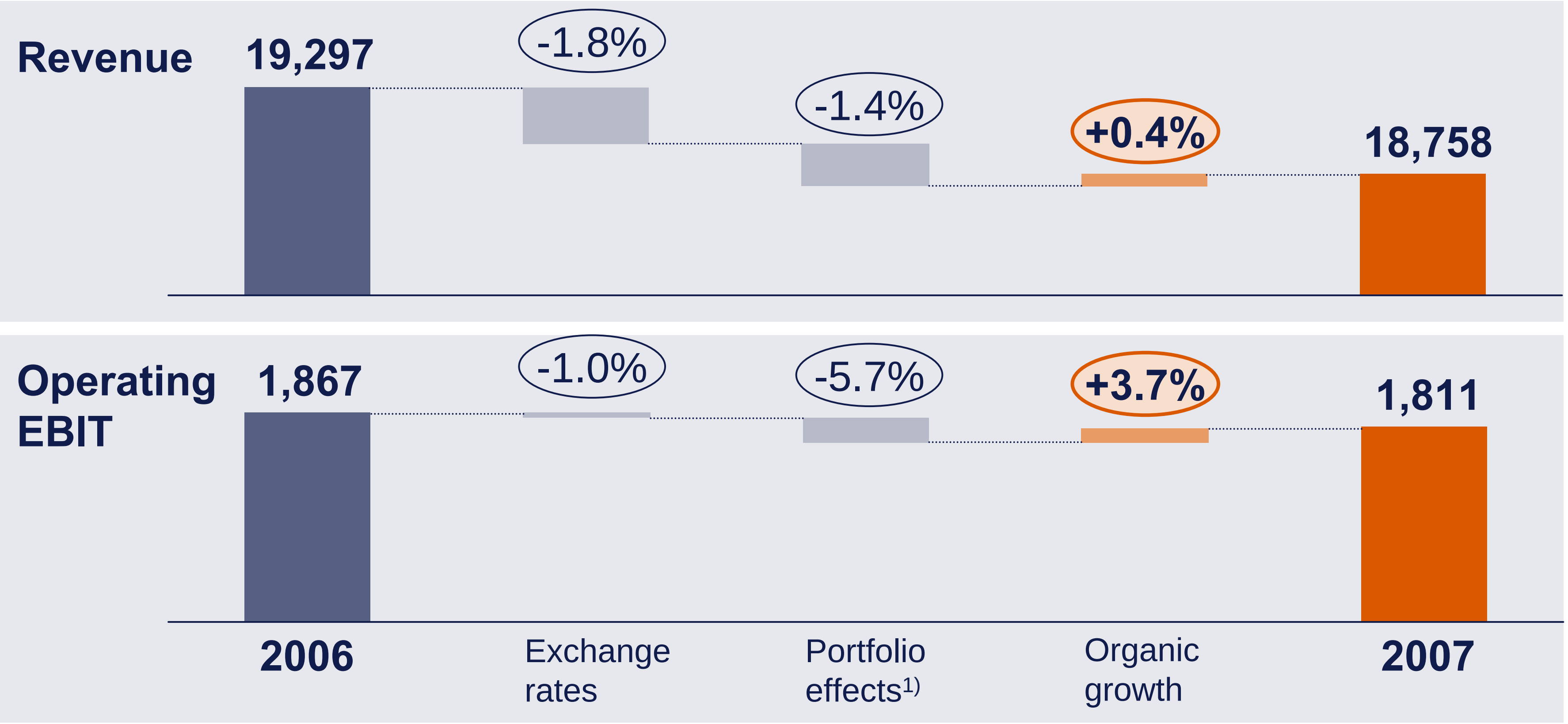
Highlights 2007 –
Solid performance

- **High levels of revenue and Operating EBIT maintained**
- **Net income impacted by special items**
- **Record Operating free cash flow**
- **Increase in Bertelsmann Value Added**
- **Sound financing profile**
- **Outlook**

Revenue and Operating EBIT at high levels –
Adjusted revenue and Operating EBIT above 2007

EUR in m

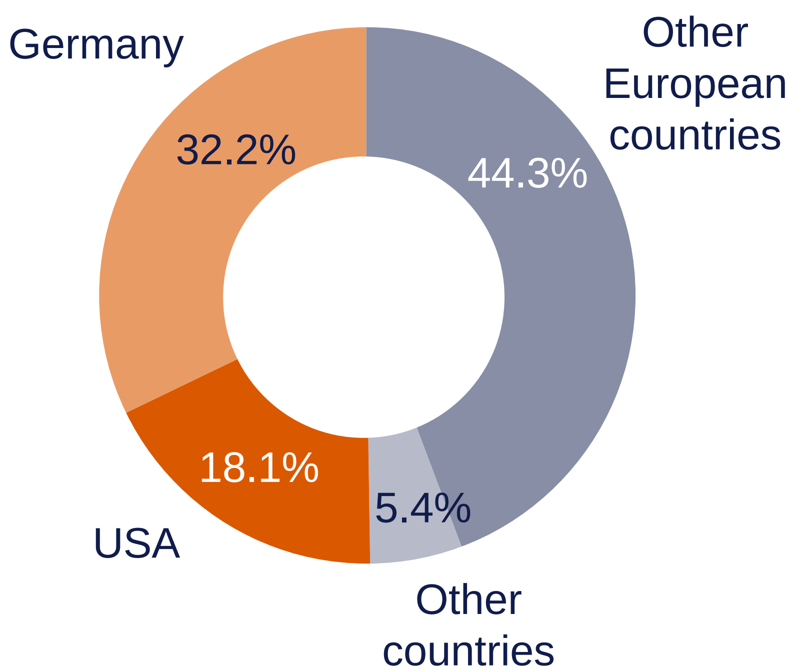


ROS	***9.7%***	***9,7%***

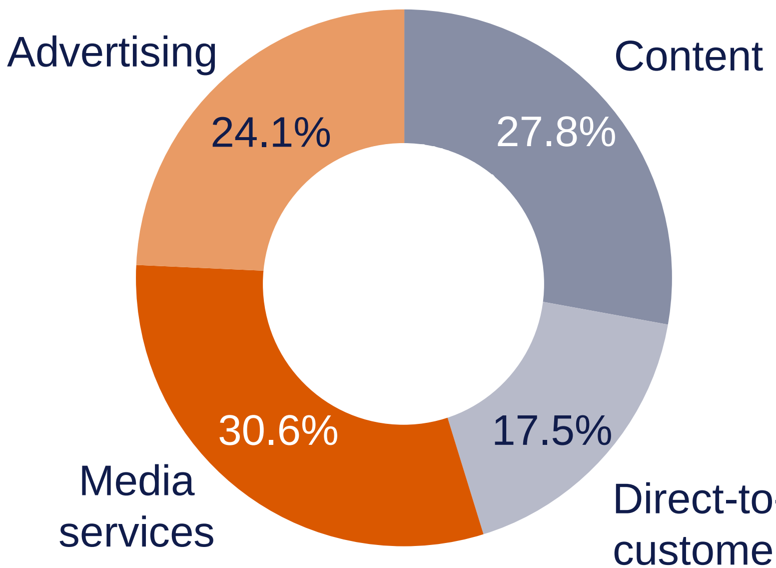
1) e.g. Sale of BMG Music Publishing, Purchase of 50% Bookspan

Revenue and Operating EBIT–
Balanced revenue structure by region and revenue source

Group revenues in 2007 by region



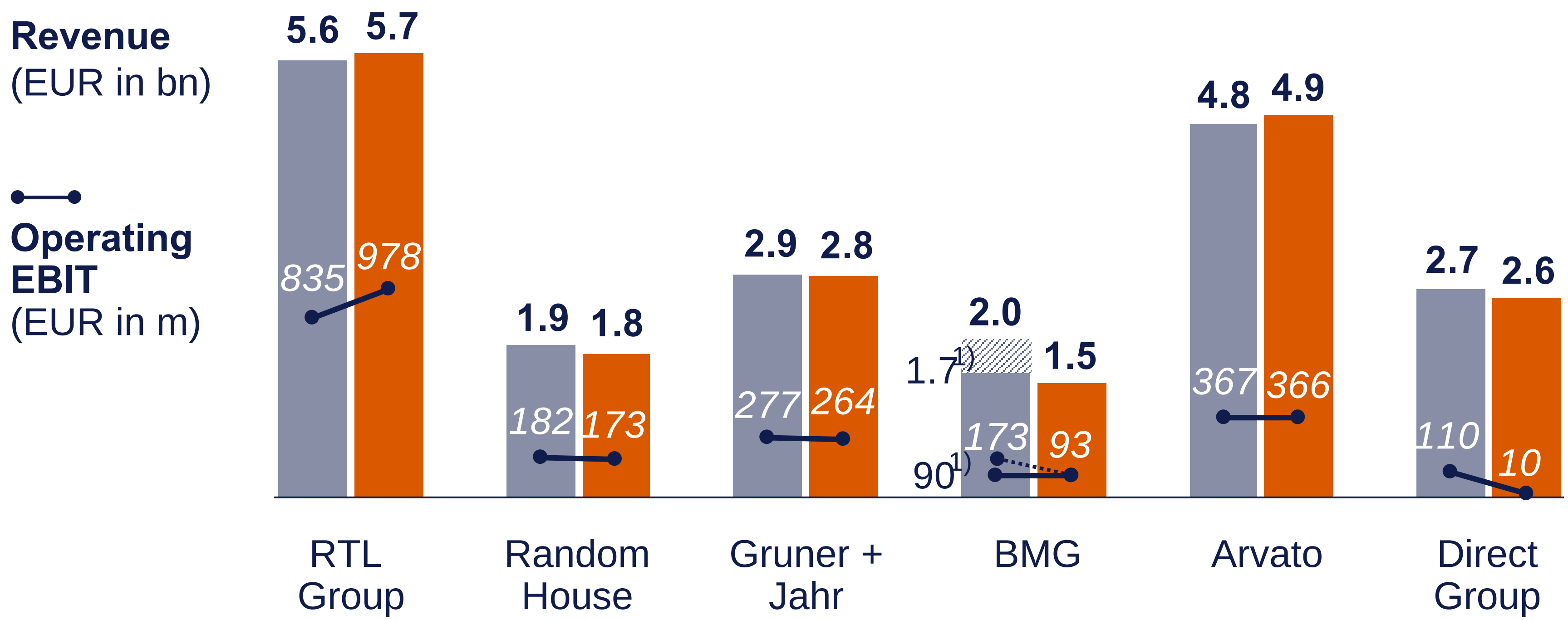
Group revenues in 2007 by revenue source



Performance of Divisions –
Profit level of core businesses maintained

2006 2007

ROS	*15%*	*17%*	*9%*	*9%*	*10%*	*9%*	*5%[1]*	*6%*	*8%*	*7%*	*4%*	*0%*



1) Without music publishing

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Net income impacted by special items – **Special items reduce EBIT**

EUR in m	2007	2006	Change
Operating EBIT	**1,811**	1,867	-56
Special items	-854	1,161	-2,015
EBIT	**957**	3,028	-2,071
Financial result[1)]	-479	-389	-90
Income taxes[1)]	-73	-180	+107
Net income[1)]	**405**	2,459	-2,054
Thereof minority interest	189	323	-134

	31.12.2007	31.12.2006	Change
Economic debt[2)] (EUR in m)	6,330	6,760	-430
Employees	102,397	97,132	5,265

1) Previous year adjusted due to a change of reporting the actuarial gains and losses in line with IAS 19.93A
2) Net financial debt plus provisions for pensions and profit participation capital, without changes due to IAS 19.93A

Net income impacted by special items – **Significant impairments at Direct Group**

EUR in m	2007	2006
Impairments	**-549**	**-32**
• Bertelsmann Direct North America	-291	--
• Five	-123	--
• Prinovis	-70	--
• Others	-65	-32
Capital gains/losses	**+250**	**+1,410**
• RTL Niederlande	+134	--
• BMG Music Publishing	--	+1,174
• TPS (M6)	--	+201
• Others	+116	+35
Restructuring/Integration/Litigation costs	**-555**	**-217**
• Napster	-245	-149
• DirectGroup	-123	-14
• IP Deutschland	-96	--
• Prinovis	-61	--
• BMG	-30	-54
Total Special items	**-854**	**+1,161**

Operating free cash flow at record level – **Cash conversion rate of 95%**

EUR in m		2007	2006
Cash flow from operating activities		**1,463**	**1,712**
Cash flow from investing activities		**-626**	**459**
Thereof:	- ongoing investments (net)	-1,032	-1,092
	- proceeds from disposals	472	1,790
	- contribution to pension plans	-66	-239
Cash flow from financing activities		**-654**	**-2,198**
Thereof:	- dividend payments	-323	-426
	- change in shareholders' equity	-24	-4,506
	- change in financial debt (including interest paid)	-462	2734
	- proceeds from release of currency and interest swaps	155	-
Change in cash and cash equivalents		**183**	**-27**
Operating free cash flow[1)]		**1,714**	**1,587**
Cash conversion rate[1)]		**95%**	**85%**

1) w/o non-recurring items

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Increase in Bertelsmann Value Added (BVA) – **BVA up due to lower invested capital**

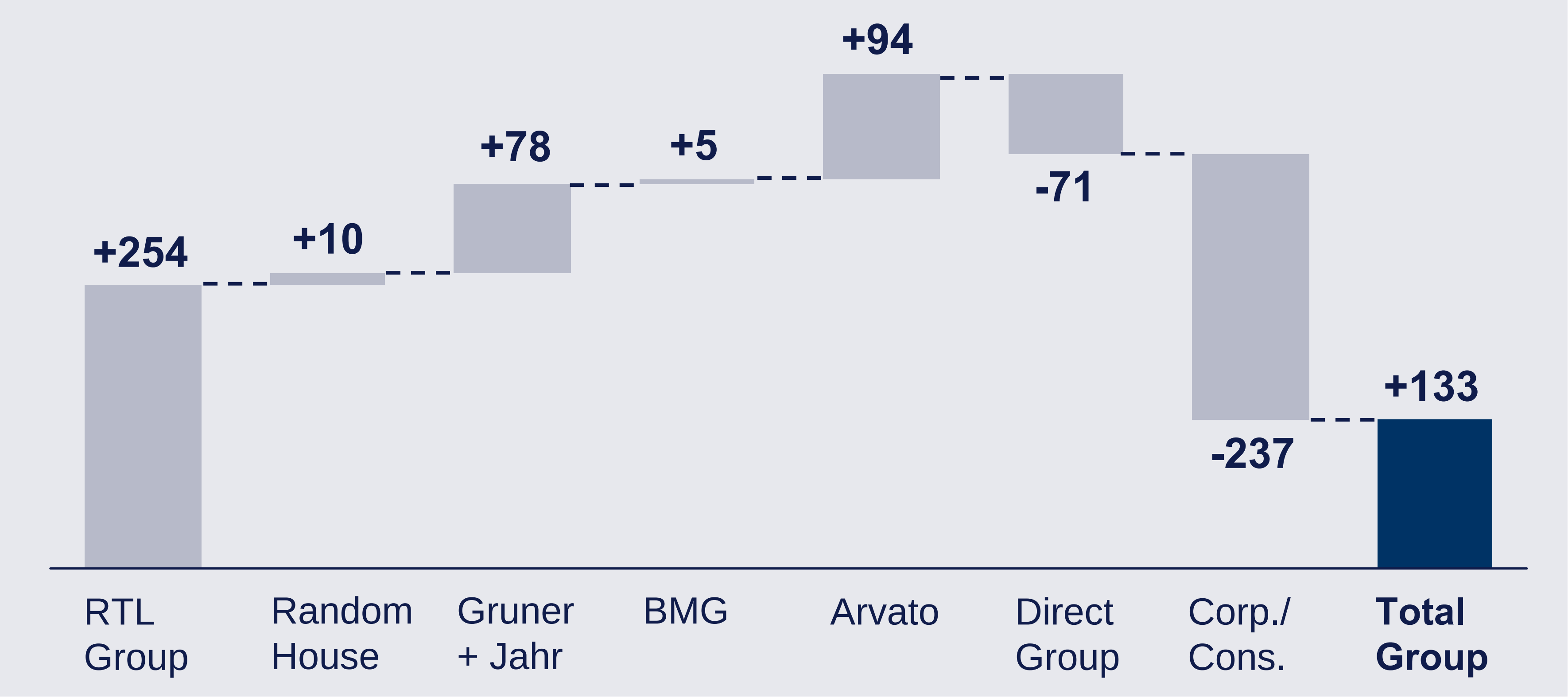
EUR in m

	2007	2006	change
Operating EBIT	**1,811**	1,867	-56
./. taxes (33%)	-598	-616	+18
NOPAT	**1,213**	1,251	-38
Ø Invested capital[1)]	**13,508**	14,377	-869
X WACC	8.0%	8.0%	
Cost of capital	**-1,080**	-1,150	+70
Bertelsmann Value Added (BVA)	**133**	101	+32

1) including NPV of operating leases

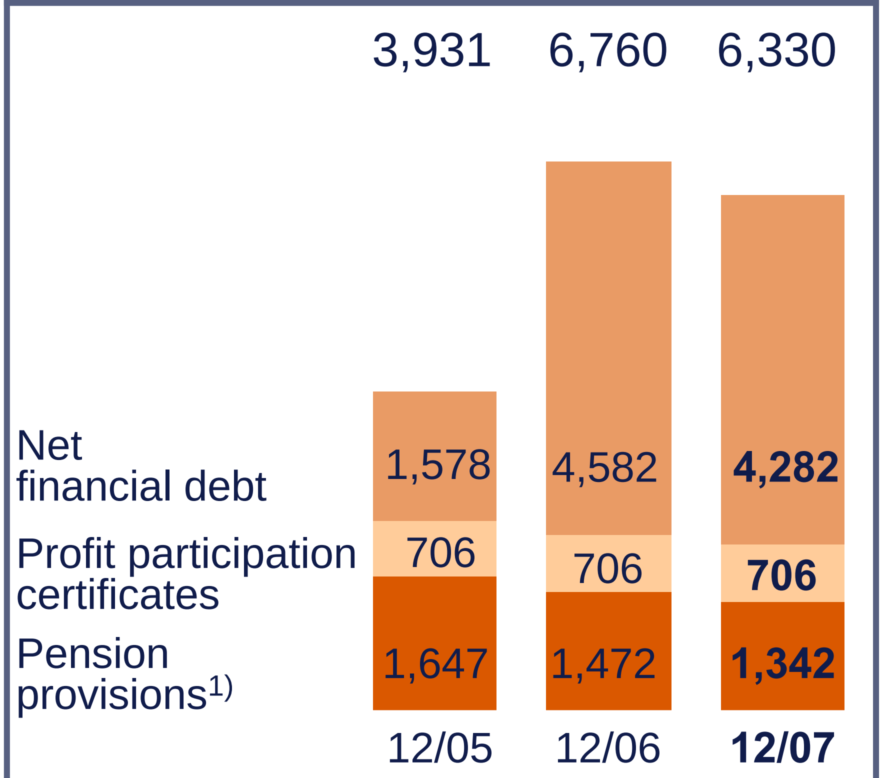
Increase in Bertelsmann Value Added (BVA) –
Five out of six divisions with positive BVA

EUR in m

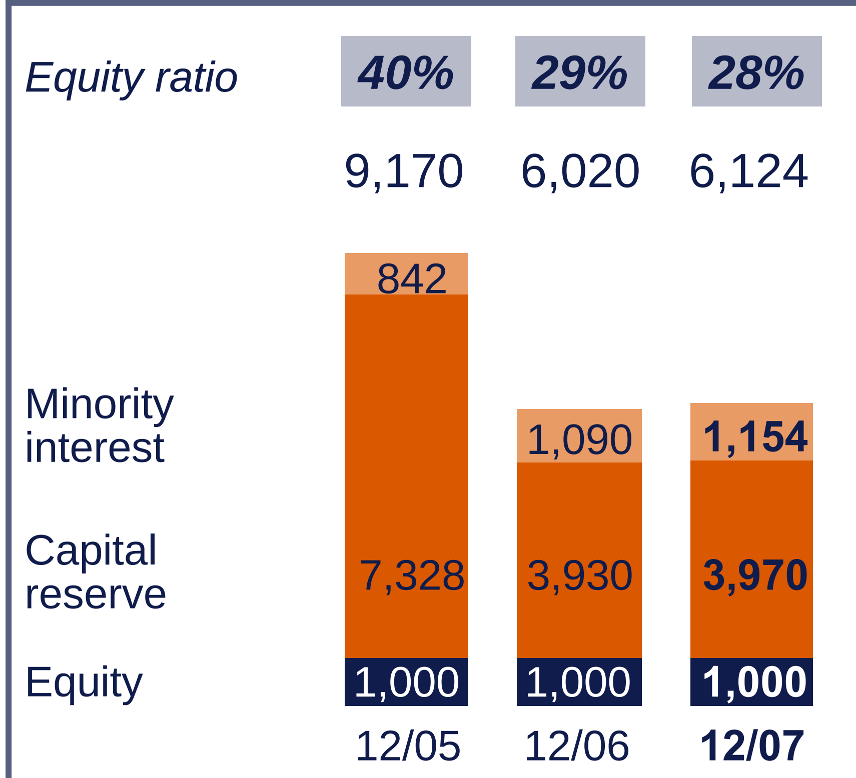


Sound financing profile –
Reduction of economic debt due to lower net financial debt

Economic debt
(EUR in m)



Group equity
(EUR in m)



1) w/o changes due to IAS 19.93A

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Sound financing profile –
Key financial ratios in line with targets

EUR in bn	Target	2007	2006
Leverage factor 2.3	**≤ 2.3x**	**2.6x**	**2.8x**
• Economic debt LF 2.3		6.3	6.9
• Operating EBITDA LF 2.3		2.4	2.4
Operating lease factor 0.7	**≤ 0.7x**	**0.5x**	**0.5x**
• NPV operating leases		1.2	1.2
Leverage factor 3.0	**≤ 3.0x**	**3.1x**	**3.4x**
• Economic debt LF 3.0		7.7	8.6
• Operating EBITDA LF 3.0		2.5	2.6
Interest coverage ratio	**≥ 4x**	**5.0x**	**6.2x**
• Financial result		-0.5	-0.4
Equity ratio	**≥ 25%**	**28%**	**29%**

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Sound financing profile – Leverage factor
New definition in line with rating agencies view

OLD

Leverage Factor $^{2.3}$ =

$$\frac{\text{Economic Debt}^{\text{LF }2.3}}{\text{Operating EBITDA}^{\text{LF }2.3}} \leq 2.3$$

+

Lease Factor $^{0.7}$ =

$$\frac{\text{NPV Operating Leases}}{\text{Operating EBITDA}^{\text{LF }2.3}} \leq 0.7$$

NEW

Economic Debt $^{\text{LF }2.3}$	
+	NPV Operating Leases
+	changes in pension provisions[1)]
=	**Economic Debt $^{\text{LF }3.0}$**

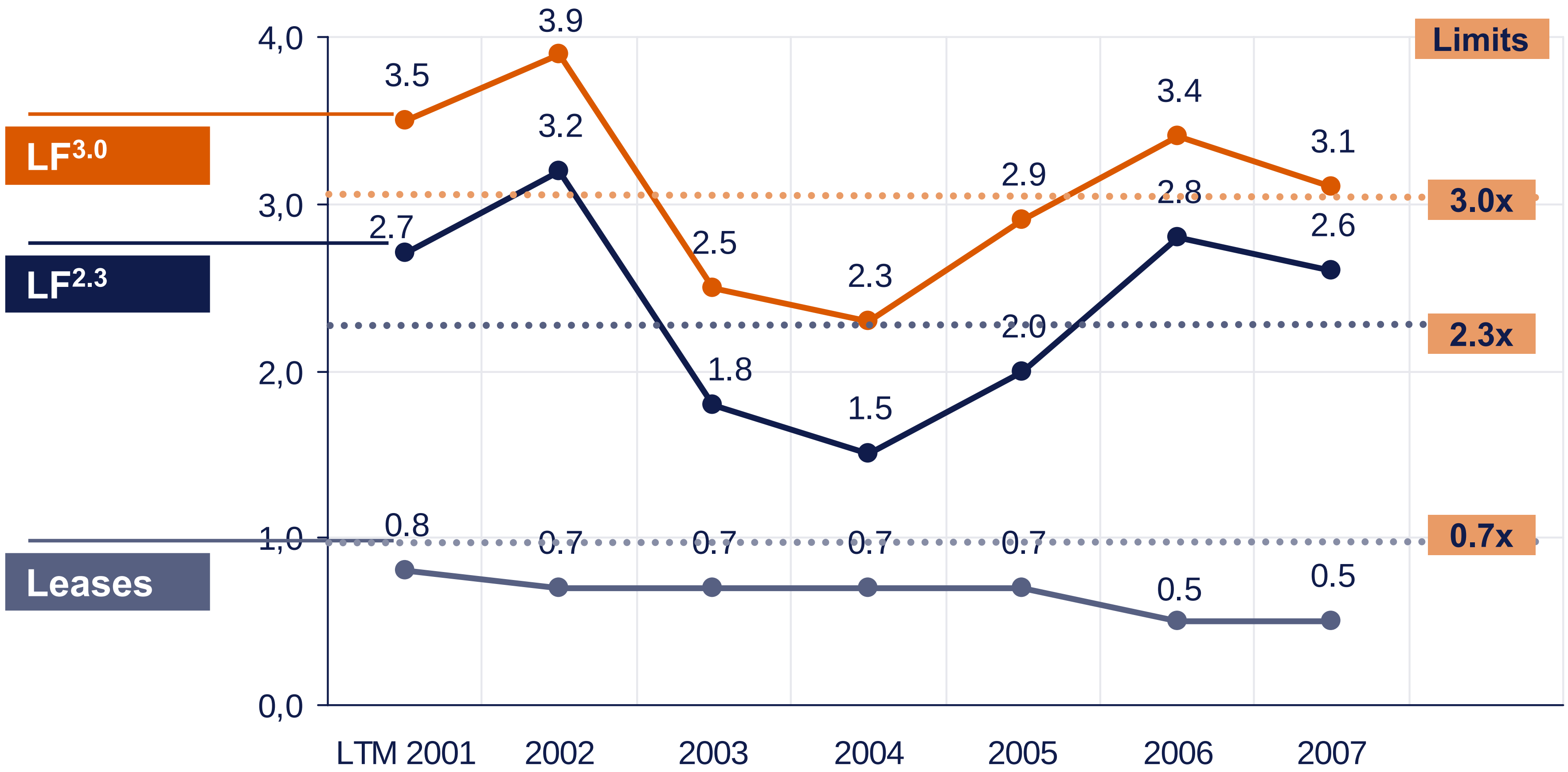
New Leverage Factor $^{3.0}$ =

$$\frac{\text{Economic Debt}^{\text{LF }3.0}}{\text{Operating EBITDA}^{\text{LF }3.0}} \leq 3.0$$

Operating EBITDA $^{\text{LF }2.3}$	
+	implicit interest of leases
=	**Operating EBITDA $^{\text{LF }3.0}$**

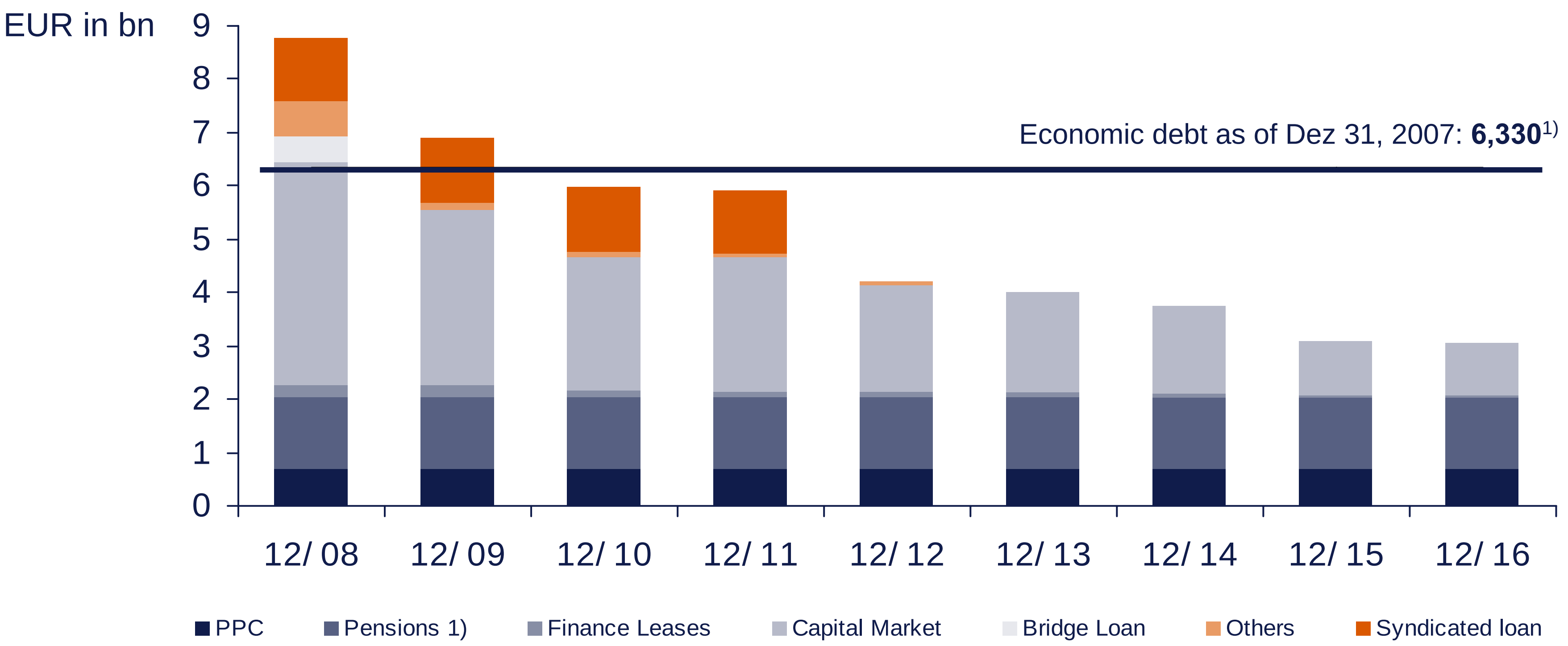
1) actuarial gains and losses in line with IAS 19.93A

Sound financing profile –
Leverage Factor $^{2.3}$, Lease Factor $^{0.7}$ and Leverage Factor $^{3.0}$



Sound financing profile –
No funding needs until 2009

Maturities (capital market)	---	0.85	0.82	---	0.50	0.14	0.25	0.64	1.00



1) w/o changes due to IAS 19.93A

Outlook –
Moderate growth expected for 2008

- Moderate organic growth of group revenue
- Return on sales of approximately 10%
- Cash conversion rate above 95%
- Maintain prudent financing policy
- Portfolio optimization

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Q&A-Session

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