

Bertelsmann Annual Results 2013

Bertelsmann Investor Conference Call
March 26, 2014

Judith Hartmann
Member of the Executive Board and Chief Financial Officer of Bertelsmann

Summary and highlights – Financial year 2013

Positive performance

Revenues up 1.8%,
profitability further
improved

Operating EBITDA
up 4.7%

Group profit
increased 42%

Solid financial position

**Stronger financial
position**, high level
of investments

Comfortable liquidity
position

Target rating
Baa1/BBB+ with
stable outlook

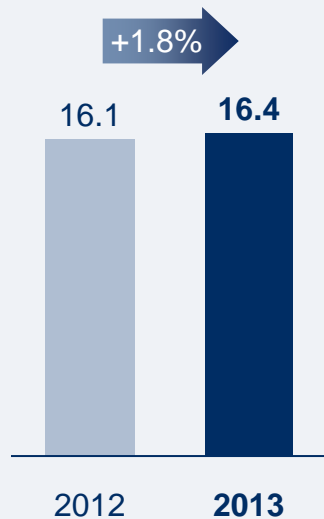
Strategy implementation well on track

Significant progress
along strategic priorities

Group key figures – Positive performance, Operating EBITDA above prior year, group profit increased significantly

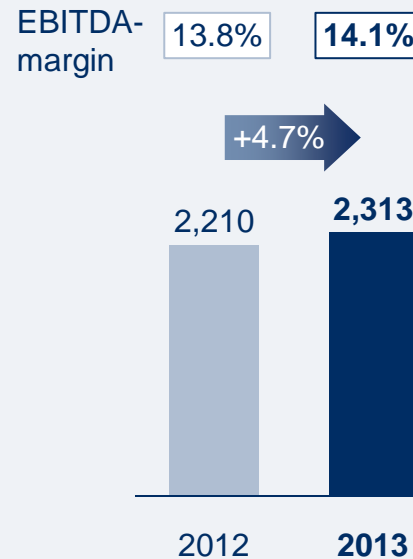
Continuing operations

Revenues (in € billions)



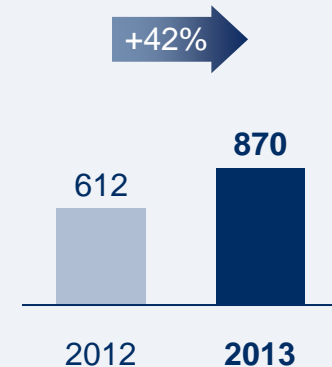
- Revenue growth driven by strategic portfolio expansions (Penguin Random House, BMG, Gothia)
- Accelerated scaling back of structurally declining businesses

Operating EBITDA (in € millions)



- Mediengruppe RTL Deutschland achieved best result ever, positive development at Arvato
- Results impacted by investments in digitization and start-up losses for new businesses as well as structurally declining businesses
- Group profit increased thanks to lower negative effects from special items and improved operating performance

Group profit (in € millions)



Divisions – Overall high level of profitability maintained

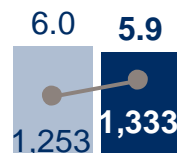
Continuing operations

■ 2012 ■ 2013

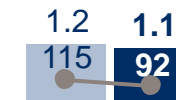
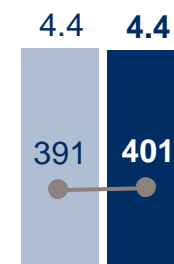
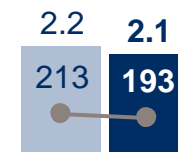
**EBITDA-
margin**



Revenues
(in € billions)



**Operating
EBITDA**
(in € millions)



RTL Group

Penguin Random
House

Gruner + Jahr

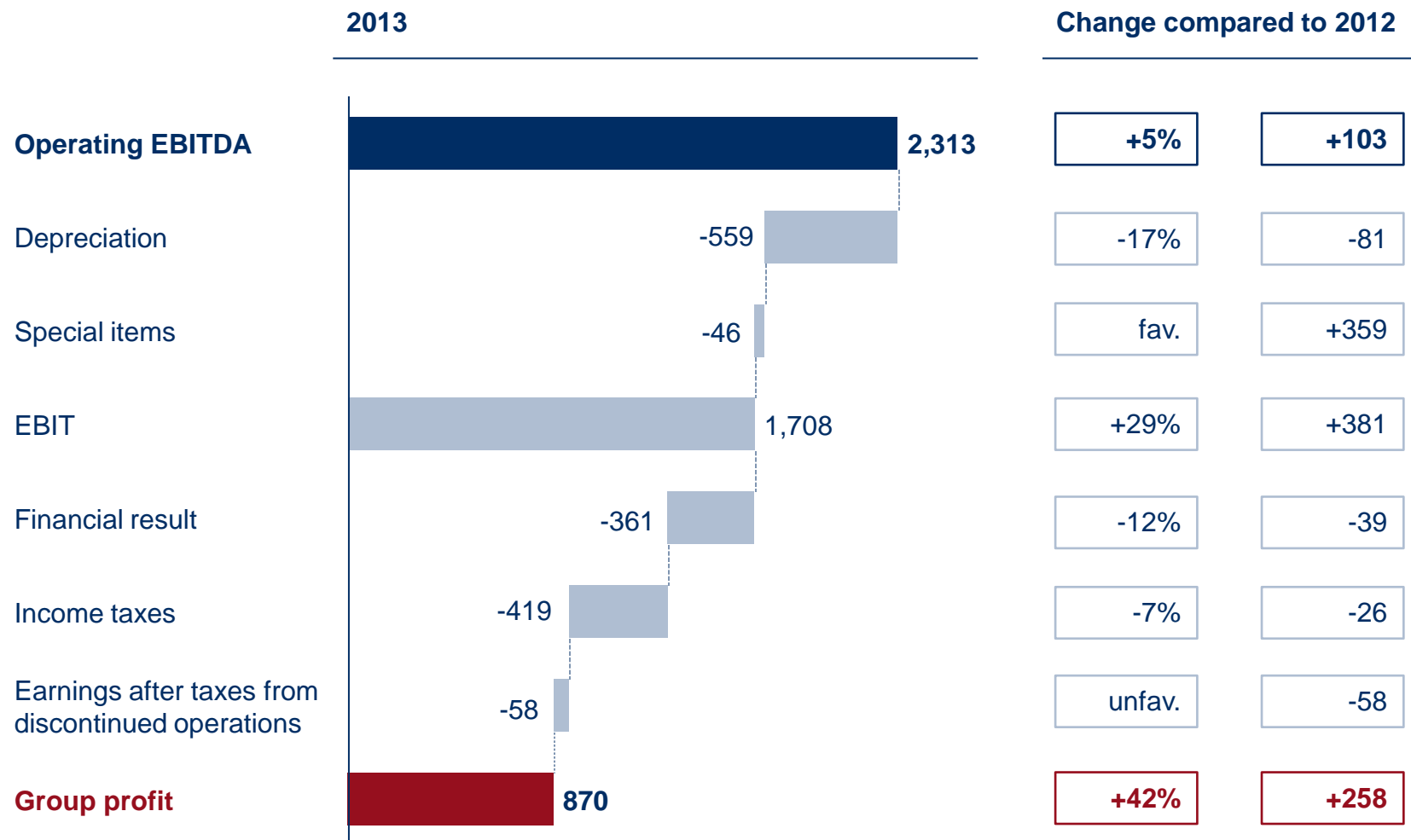
Arvato

Be Printers

- RTL Group: High profitability despite largely declining TV advertising markets in Europe
- PRH: Merger to world's largest trade book publisher, good operating performance given publishing success in 2012
- G+J: Digital growth and market share gains in Germany offset by continued decline of print magazines
- Arvato: Stable revenues and increased earnings, acquisition of Gothia Financial Group
- Be Printers: Decreasing volumes and continuing price pressure due to excess capacity in the industry

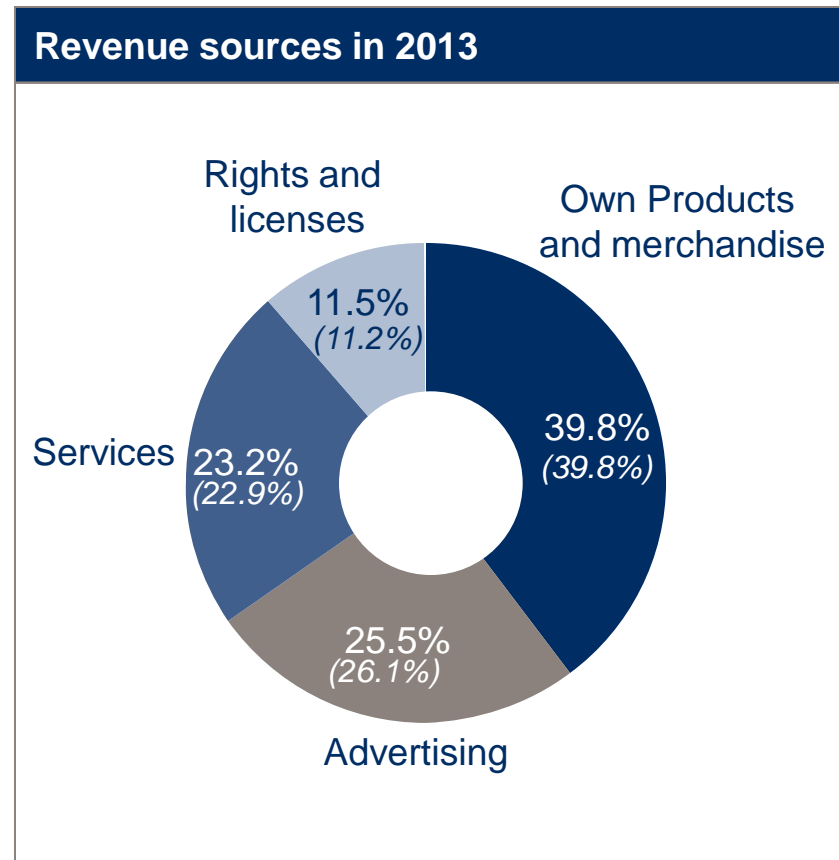
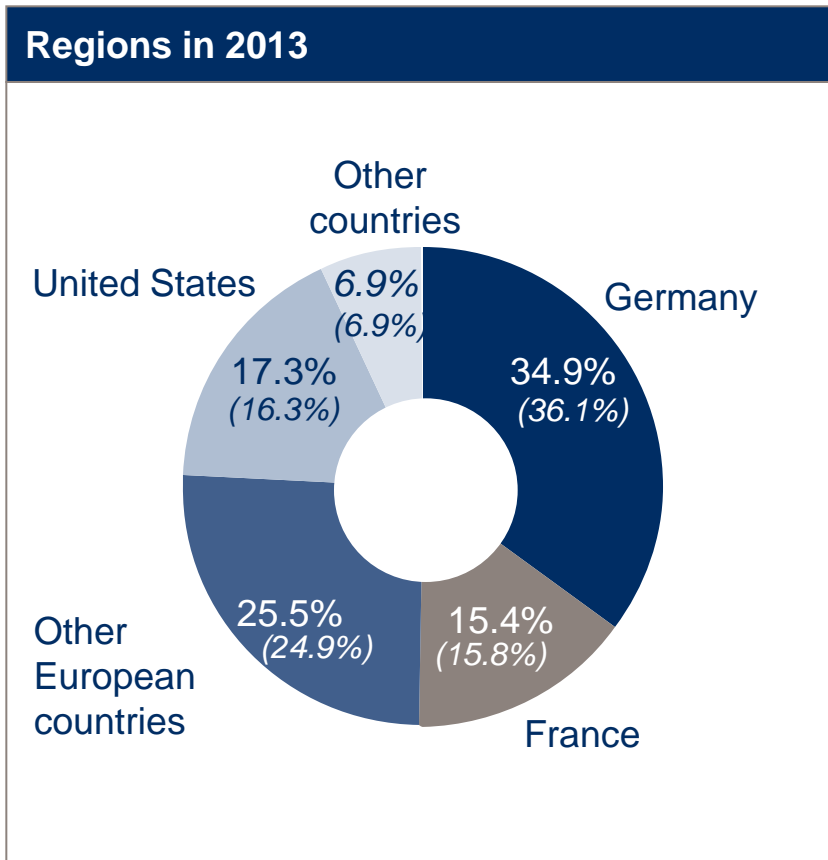
Group profit – Significant increase due to higher operating performance and lower negative effects from special items

in € millions



Group key figures – Diverse revenue base across regions and sources

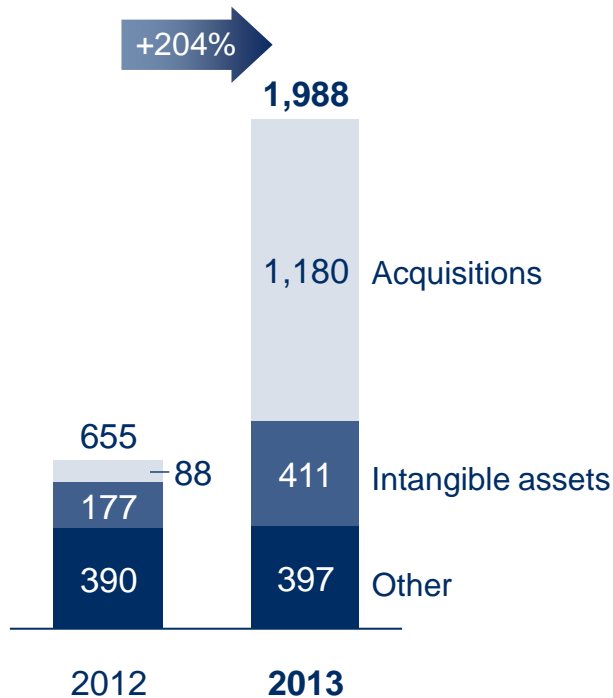
Revenue share, continuing operations



(previous year's figures)

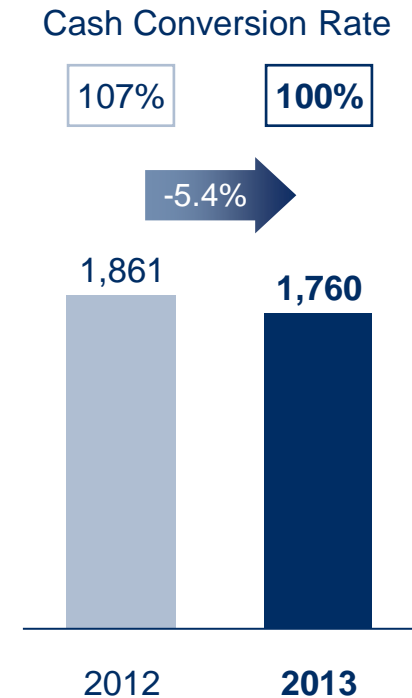
Investments and free cash flow 2013 – Strategy implementation leads to significant increase in investments

Investments (in € millions)



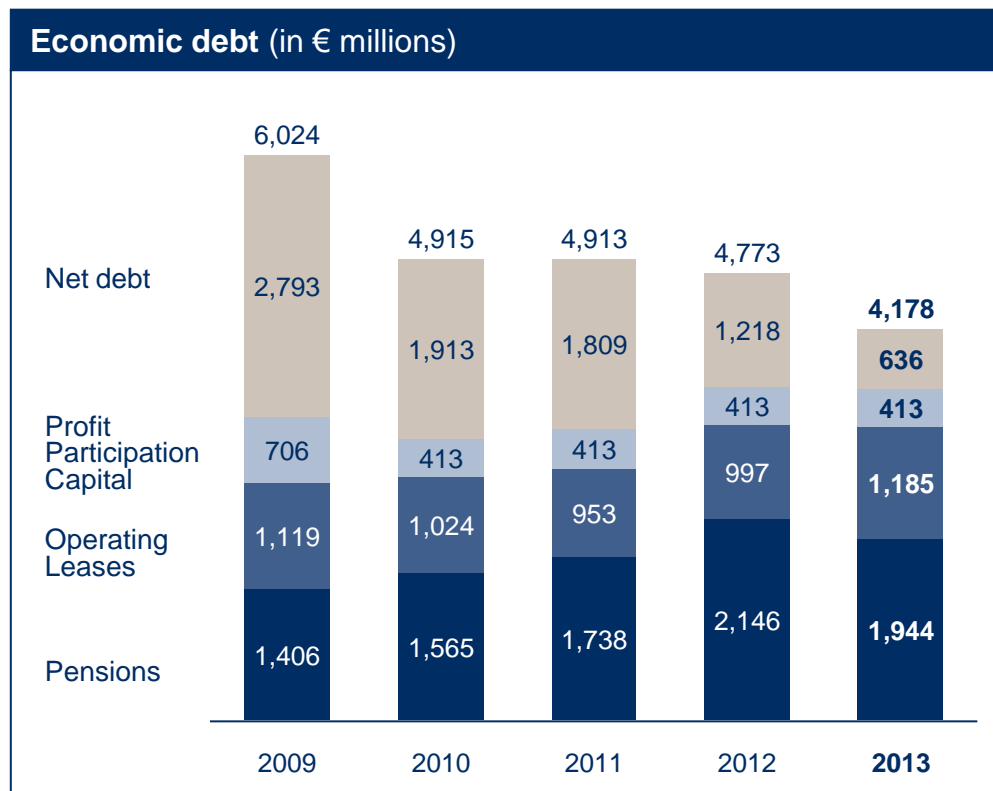
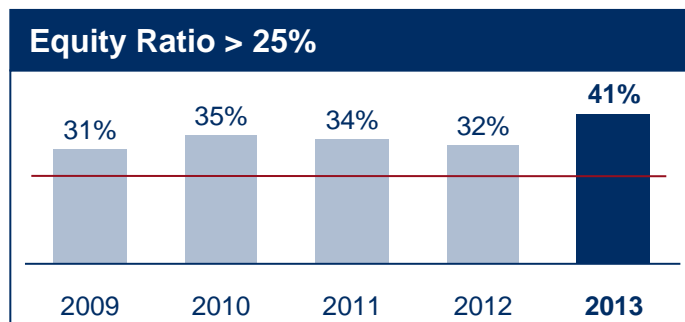
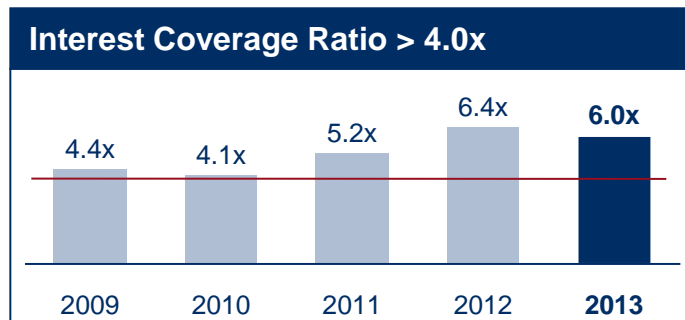
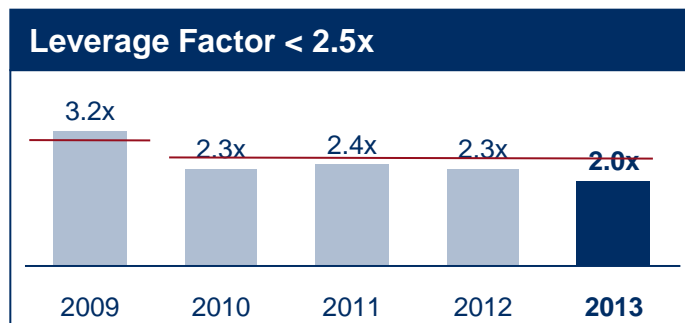
→ Increase particularly through acquisitions

Operating free cash flow (in € millions)



→ Continued strong cash generation, targeted cash conversion rate: 90-100%

Financial status – Stronger financial position, in line with all financial targets



Baa1, outlook: stable

STANDARD
& POOR'S

BBB+, outlook: stable

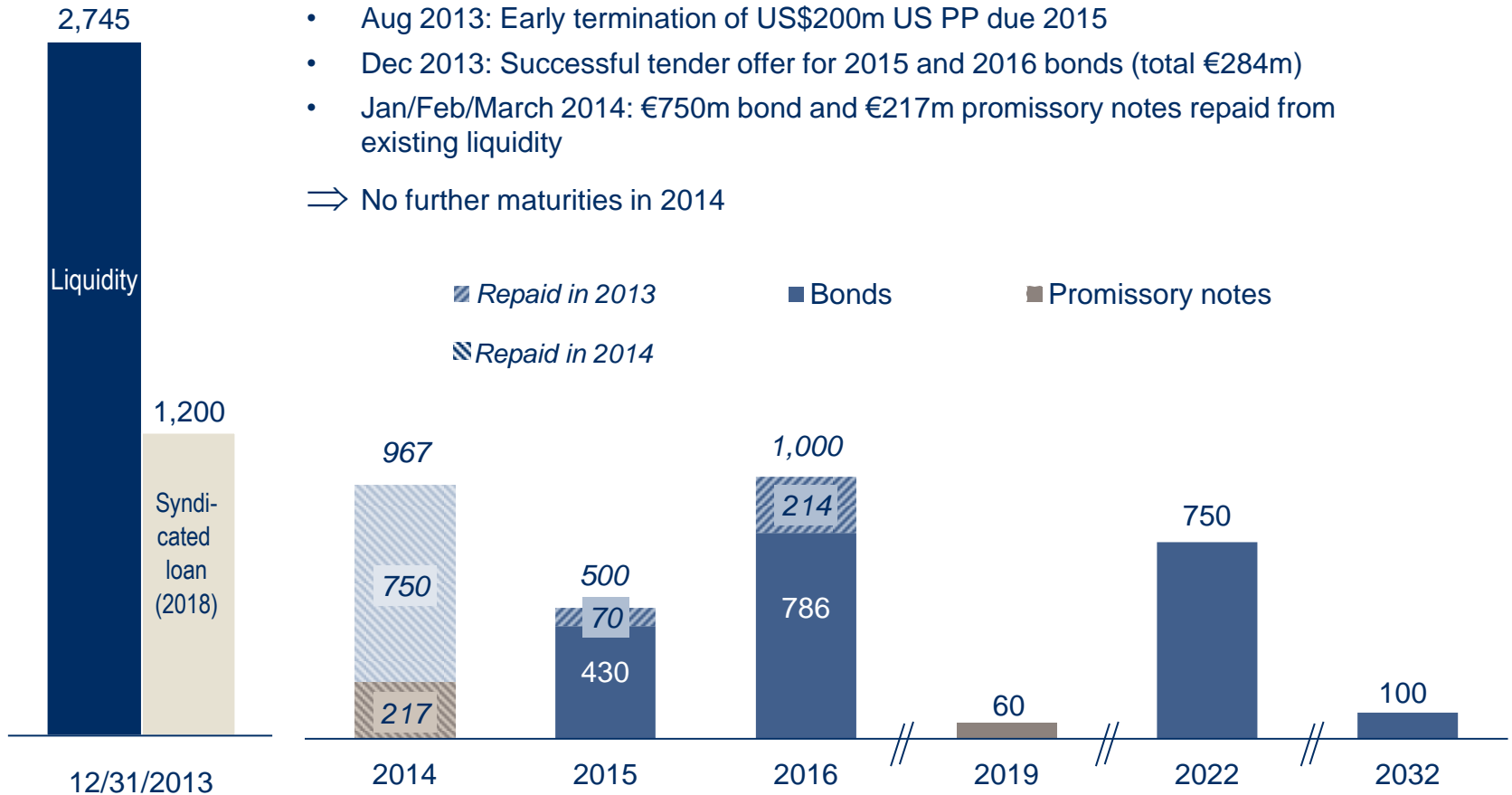
Financial status – Bond tender improved maturity profile, no refinancing required

in € millions

2013-2014 YTD Financing Activities

- Aug 2013: Early termination of US\$200m US PP due 2015
- Dec 2013: Successful tender offer for 2015 and 2016 bonds (total €284m)
- Jan/Feb/March 2014: €750m bond and €217m promissory notes repaid from existing liquidity

⇒ No further maturities in 2014



Group strategy – Transformation of Bertelsmann along four strategic priorities

Target portfolio

Higher growth

More digital

More international



Strategic priorities

1

Strengthening
the core

2

Digital
transformation

3

Growth
platforms

4

Growth
regions

Group strategy – Significant progress in implementing strategic priorities

		 PENGUIN RANDOM HOUSE		 arvato BERTELSMANN	Corporate Investments Corporate Center
1 Strengthening the core	<ul style="list-style-type: none"> ▪ RTL: Expanding families of channels ▪ Penguin Random House: Merger to the world's largest trade book publisher ▪ G+J: Strategic and organizational realignment, management changes ▪ Arvato: Reorganized into Solution Groups and countries ▪ Corporate: Implementation of Operational Excellence program 				
2 Digital transformation	<ul style="list-style-type: none"> ▪ RTL: Online offerings generated total of 16.8 billion video views ▪ Penguin Random House: Over 100 million e-books sold ▪ G+J: Focus on e-magazines, mobile offerings and apps 				
3 Growth platforms	<ul style="list-style-type: none"> ▪ BMG: Full acquisition, further artist signings and takeovers of music catalogs ▪ Education: Further expansion of education business (UV I & II) ▪ Arvato: Acquisition of financial services provider Gothia 				
4 Growth regions	<ul style="list-style-type: none"> ▪ RTL: Strategic partnership with CBS in Southeast Asia ▪ Arvato: Further growth with services in China ▪ Investments: BAI fund expanded portfolio 				

Summary and outlook – Financial year 2014

Market development

Global economic growth
expected slightly above
prior year

Positive performance
in 2014, mixed market
expectations

Performance

**Significant increase in
revenues** due to strategic
portfolio expansions made
in 2013

High profitability
expected to be
maintained

Cash Conversion Ratio
within target range of
90-100%

Strategy

Continued transformation and further
implementation along strategic priorities

Q&A-Session

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