

Bertelsmann Annual Results 2014

Investor Conference Call
March 31, 2015

Thomas Rabe
Chairman and CEO of Bertelsmann

Summary and highlights – Financial year 2014

Group key figures

Revenues and Operating EBITDA at **highest level** since 2007

Operating EBITDA up 2.7%,
14.2% EBITDA margin

Group profit impacted by
group transformation

Financial status

Investments continue to be
high at €1.6 billion

Target rating Baa1/BBB+
with stable outlook

Maturity profile extended in
2014 at attractive funding terms

Strategy

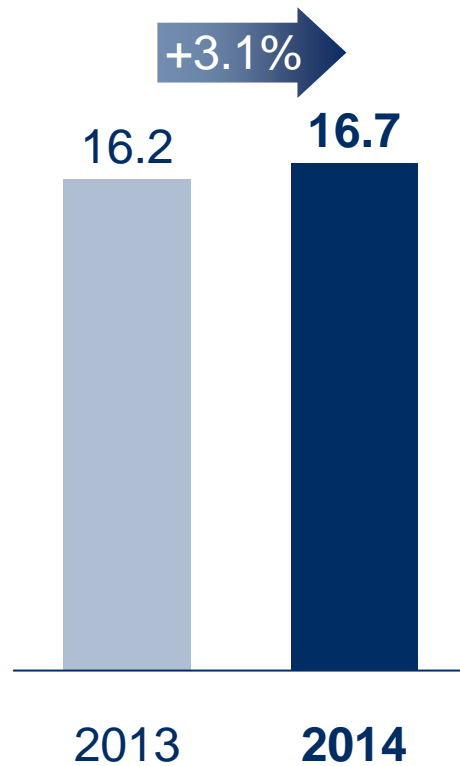
Progress on all four
strategic priorities

Expansion of **digital and
growth businesses**

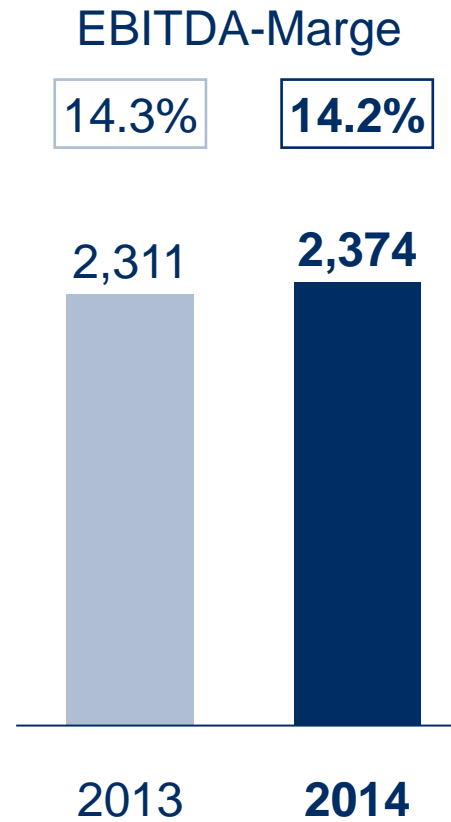
Significant progress in building
an **education division**

Group key figures – Strong operating performance, revenues and Operating EBITDA increased

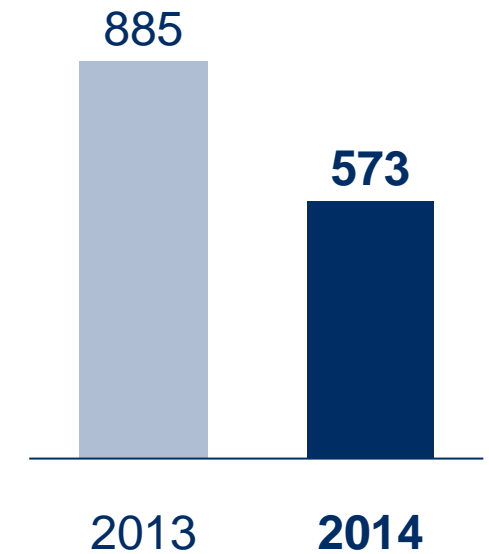
Revenues (in € bn)



Operating EBITDA (in € m)



Group profit (in € m)



Note: 2013 restated

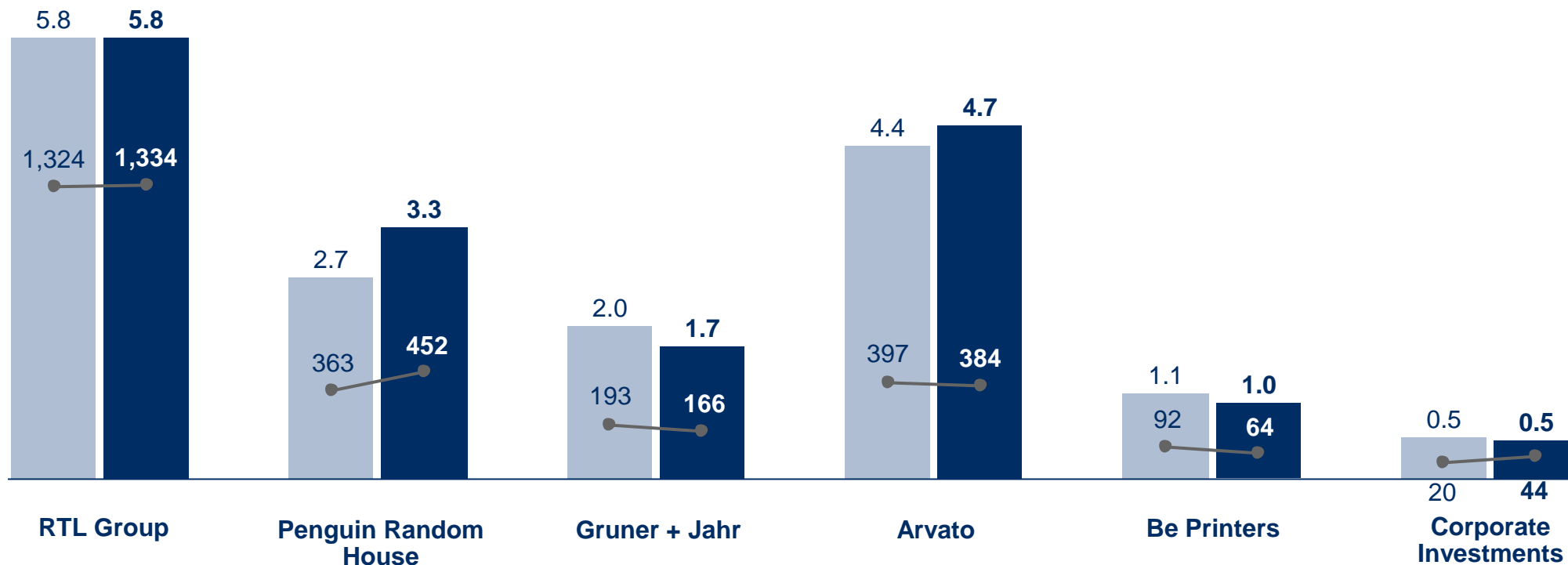
Divisions 2014 – Increased earnings at German television business, book-publishing and music-rights

Continuing operations

■ 2013 ■ 2014

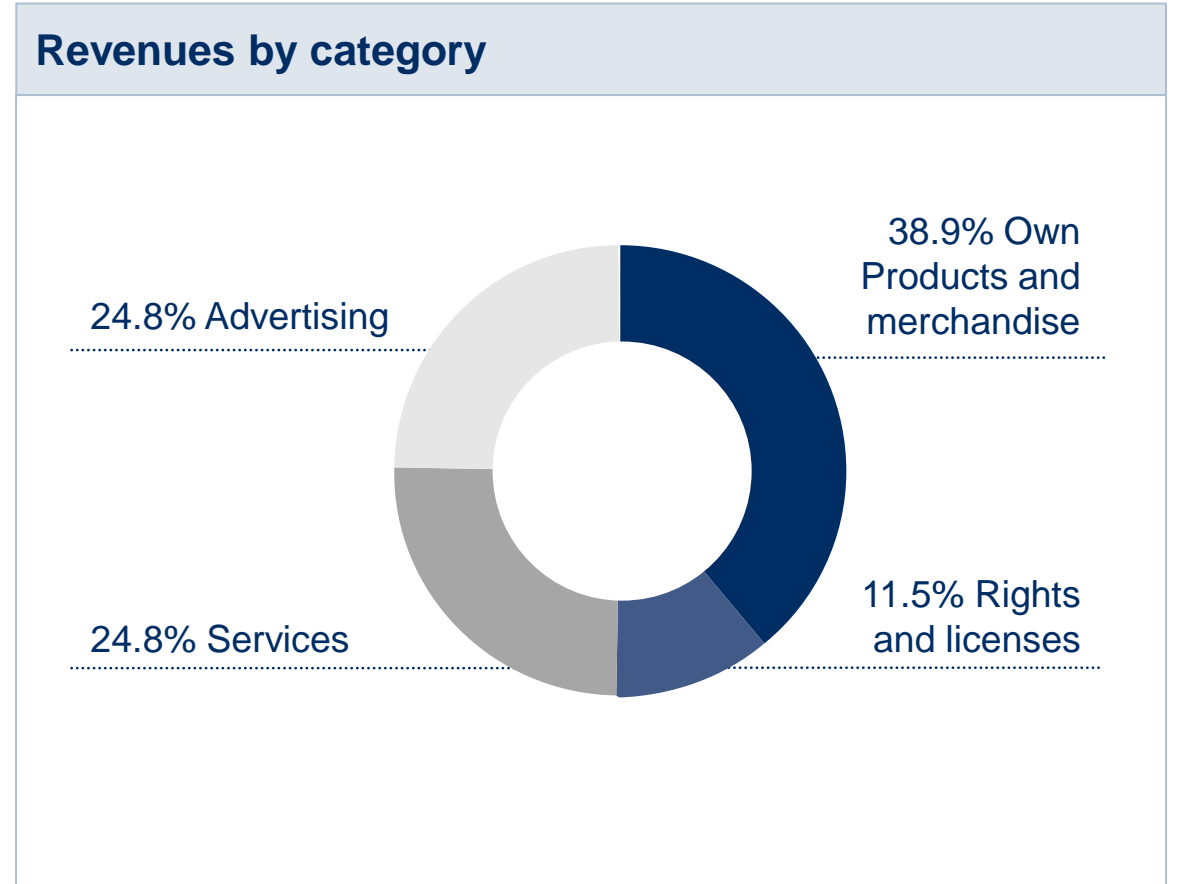
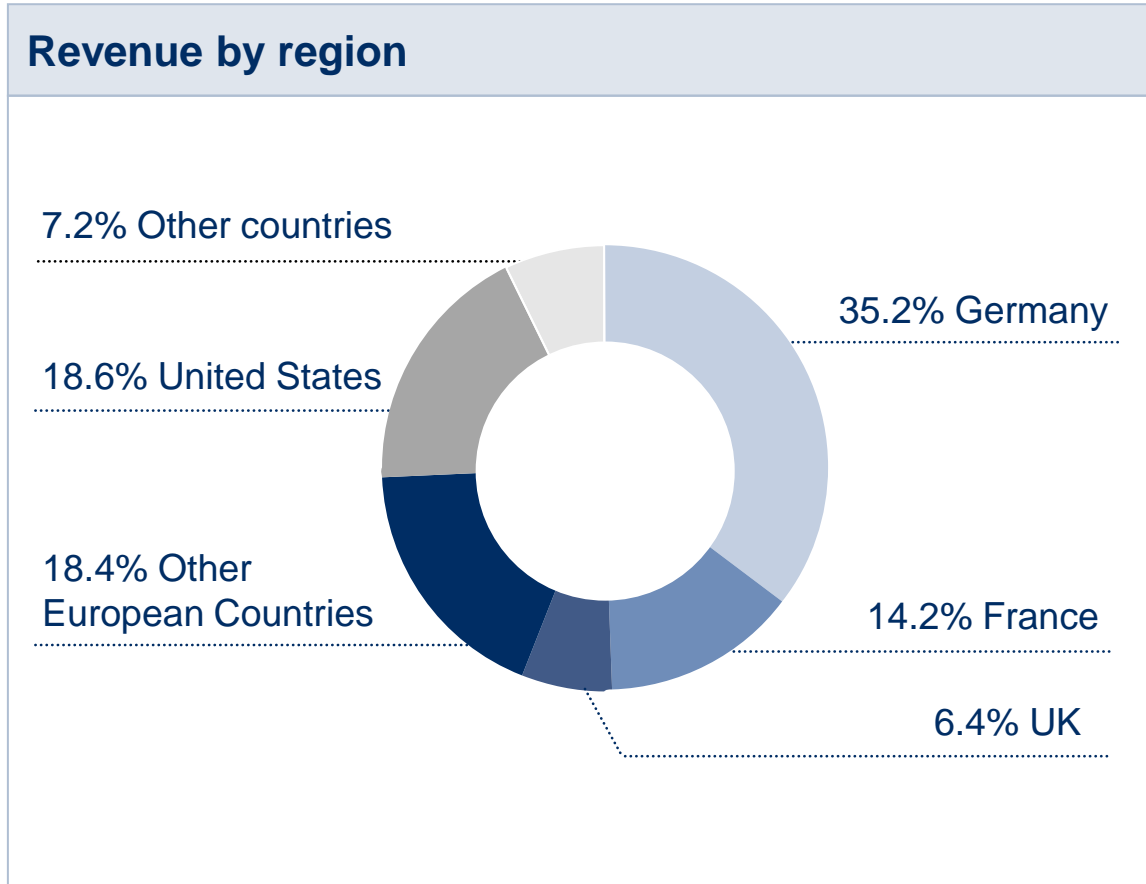
Revenues
(in € billions)

Operating
EBITDA
(in € millions)



Note: 2013 restated

Group key figures – Diverse revenue base across regions and category



Revenue share FY2014, continuing operations

Group key figures – Group profit below prior year due to special items for continued Group transformation

in € millions	2013	2014
Operating EBITDA	2,311	2,374
Depreciation/amortization	-548	-605
Special items	-46	-619
EBIT	1,717	1,150
Financial result	-361	-295
Income taxes	-413	-286
Earnings after taxes from discontinued operations	-58	4
Group profit	885	573

Key effects

Run-down of structurally declining print and club businesses

Expenses for profitability improvement program

- Integration of Penguin Random House
- Efficiency program at Gruner + Jahr
- Profitability program at Arvato
- Operational Excellence

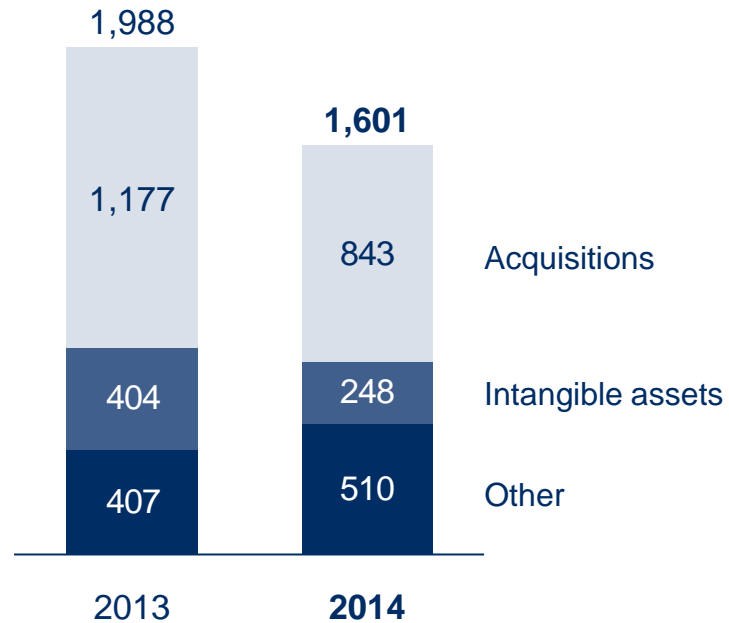
Impairments at Hungarian TV business

Positive special items in prior year

Note: 2013 restated

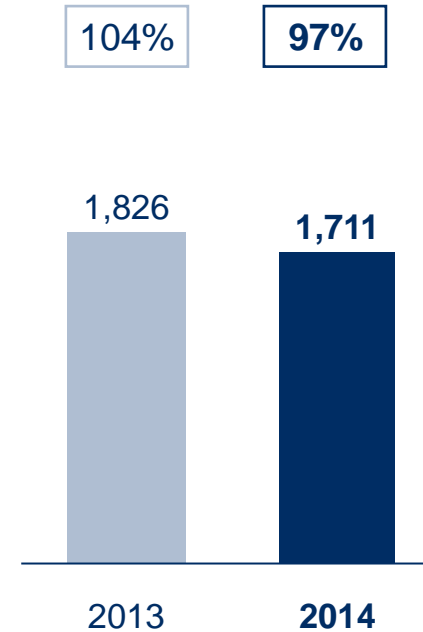
Investments and free cash flow 2014 – Investments and cash conversion continuously on high level

Investments (in € millions)



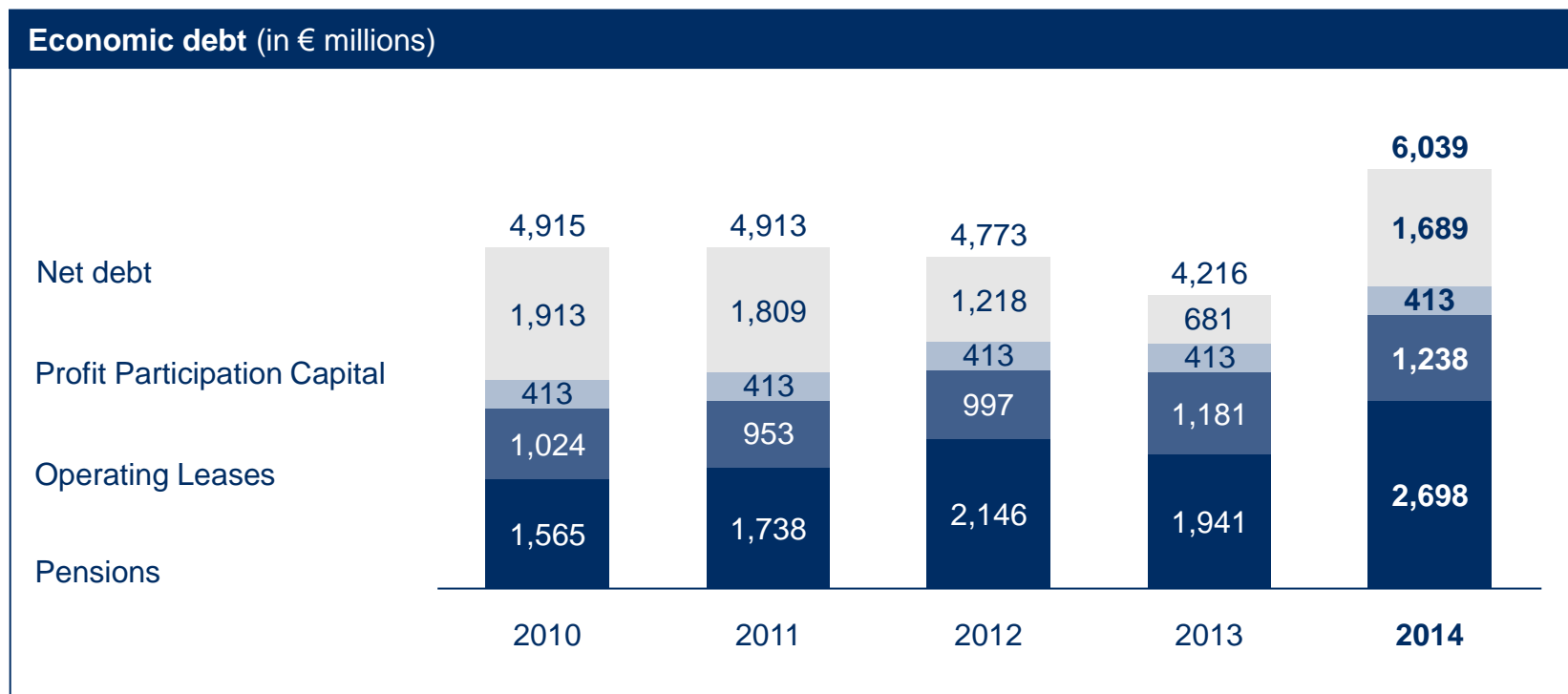
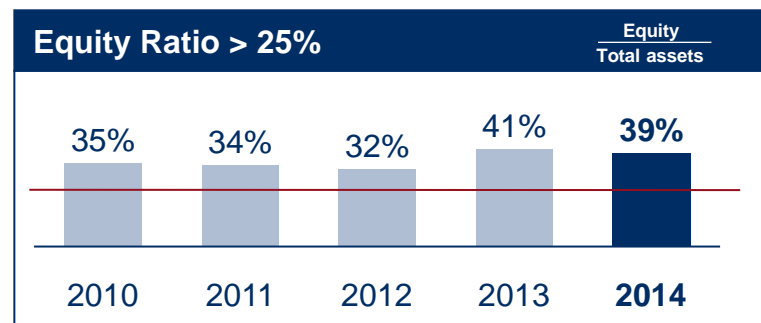
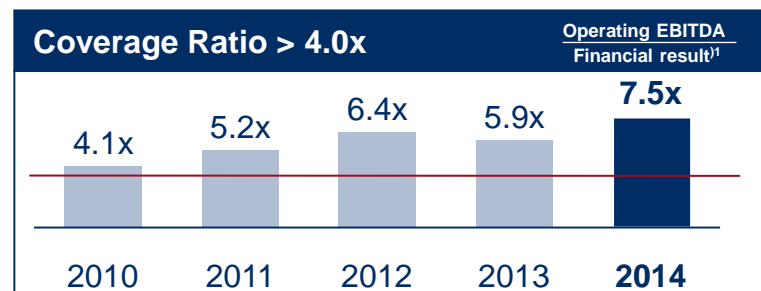
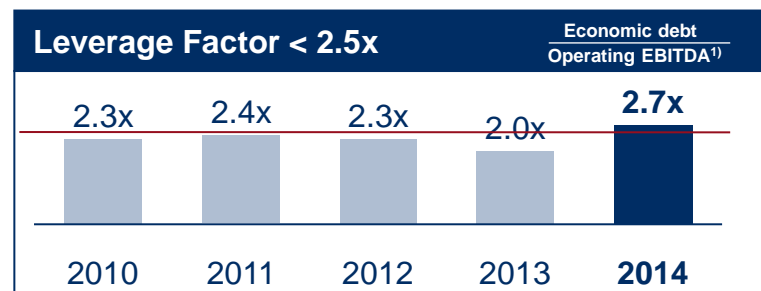
Operating free cash flow (in € millions)

Cash Conversion Rate



Note: 2013 restated

Financial status – Leverage Factor above target due to increased pensions obligations



Credit Rating



Baa1, outlook: stable

BBB+, outlook: stable

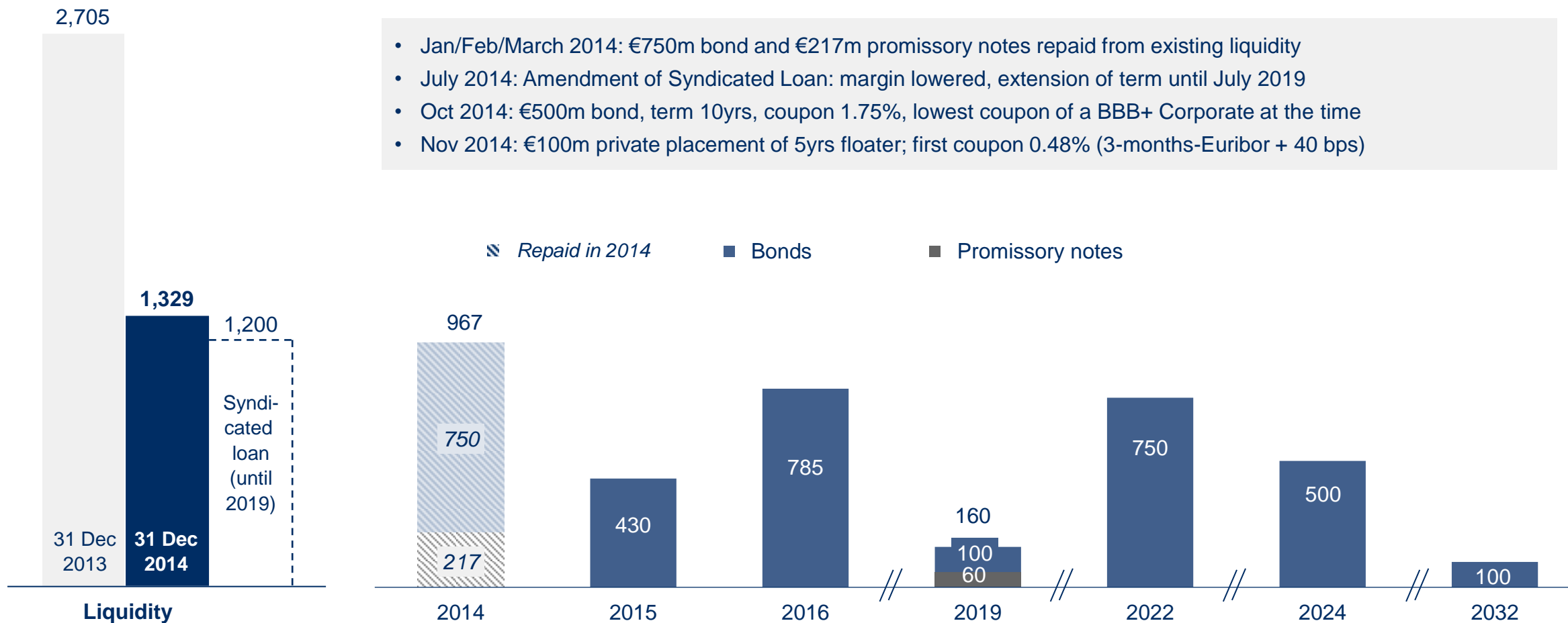
1) After modifications.

Financial status – Maturity profile extended in 2014 at attractive funding terms

in € millions

Financing Activities in FY 2014

- Jan/Feb/March 2014: €750m bond and €217m promissory notes repaid from existing liquidity
- July 2014: Amendment of Syndicated Loan: margin lowered, extension of term until July 2019
- Oct 2014: €500m bond, term 10yrs, coupon 1.75%, lowest coupon of a BBB+ Corporate at the time
- Nov 2014: €100m private placement of 5yrs floater; first coupon 0.48% (3-months-Euribor + 40 bps)



Group strategy – Ongoing implementation of transformation and growth strategy based on 4 priorities

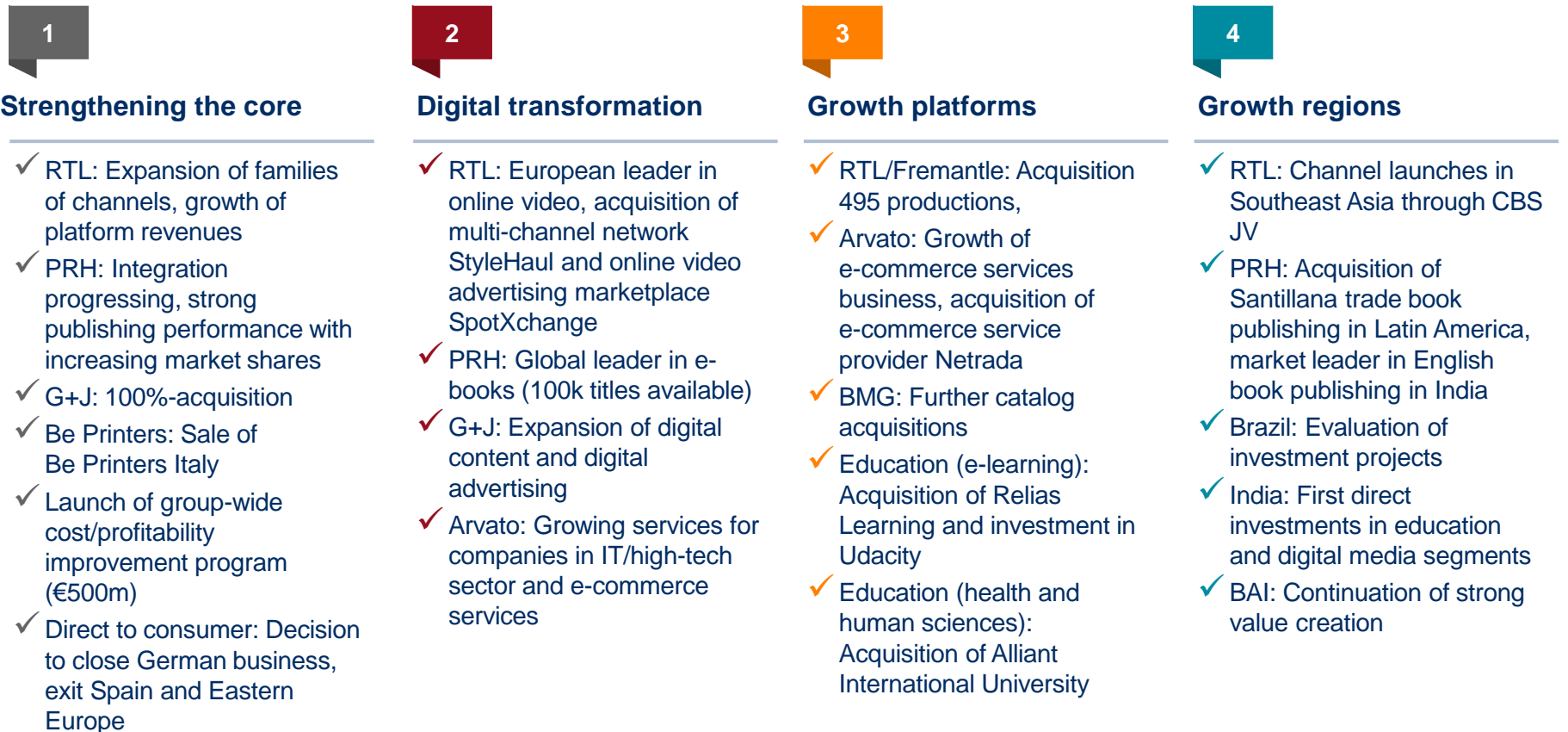
Target portfolio characteristics

Strategy execution: strong progress in 2014

Higher growth

More digital

More international



Group strategy – Diversified group with three pillars

BERTELSMANN



Penguin
Random
House



BMG

Media

arvato
BERTELSMANN



Services

**Bertelsmann
Education**

Education

Group strategy – Revenues of €20 billion with a target EBITDA margin of > 15%

Outlook 2015

Market development

- Global economic growth
- Mixed market conditions

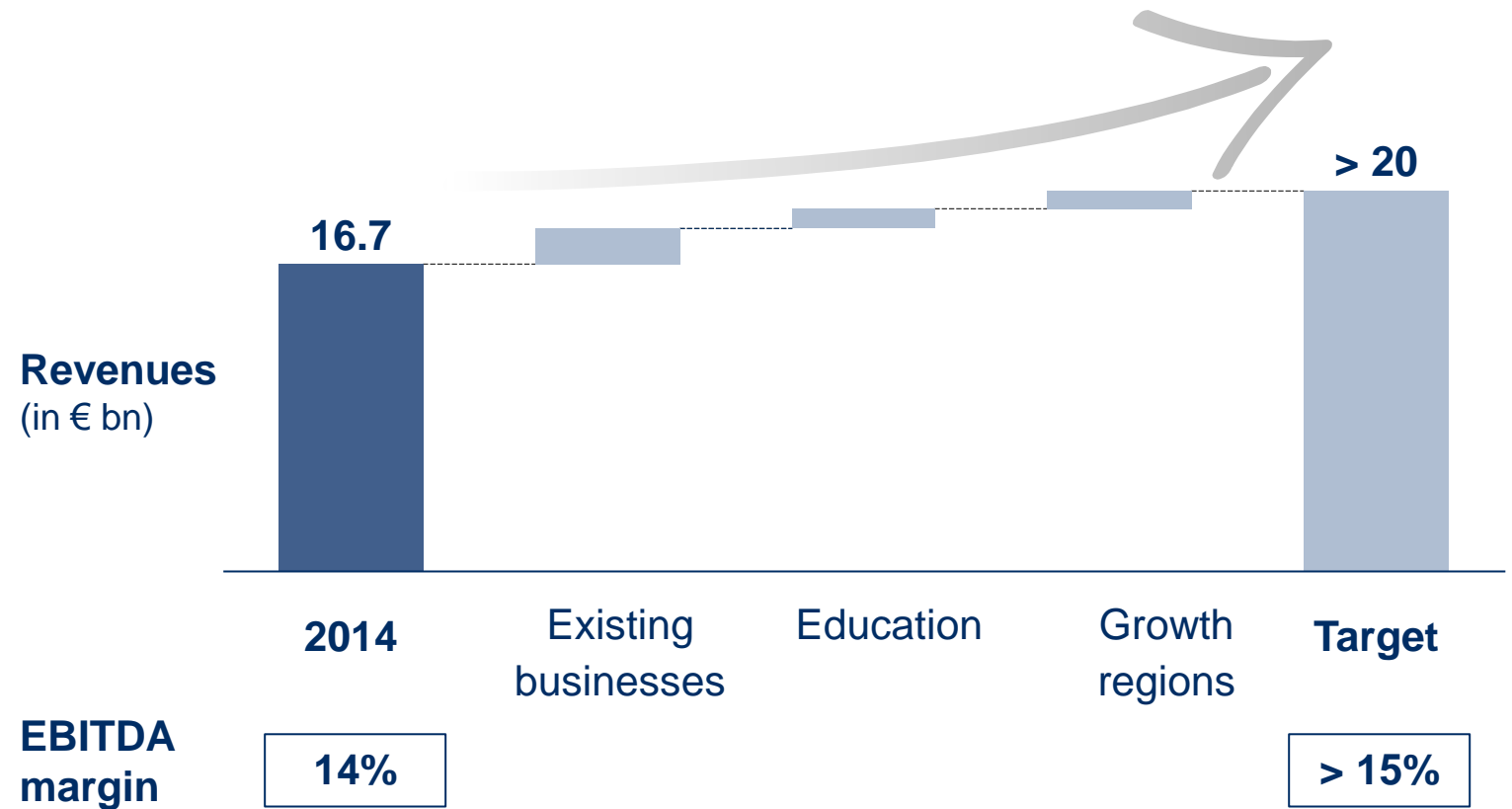
Group development

- Increased revenues
- Higher operating EBITDA

Strategy

Continued transformation and further implementation along strategic priorities

Target



Q&A-Session

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Chairman and CEO of Bertelsmann