

Bertelsmann Annual Results 2015

Investor Conference Call
March 22, 2016

Thomas Rabe
Chairman and CEO of Bertelsmann

Summary and highlights – Financial year 2015

Group key figures

Revenues up 2.8 percent,
highest level since 2007

Operating EBITDA up by €111m,
14.5% EBITDA margin

Group profit over €1bn

Financial status

Leverage Factor within
target range

Target rating Baa1/BBB+
with stable outlook

Financial profile strengthened
through issuance of €1.25 billion
hybrid bonds

Strategy

Significant progress on all
strategic priorities

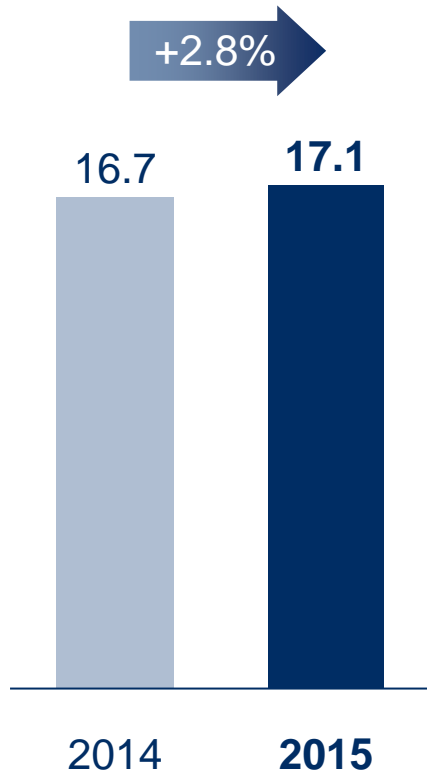
Education business
established as third pillar

New Group structure from
2016 with eight divisions

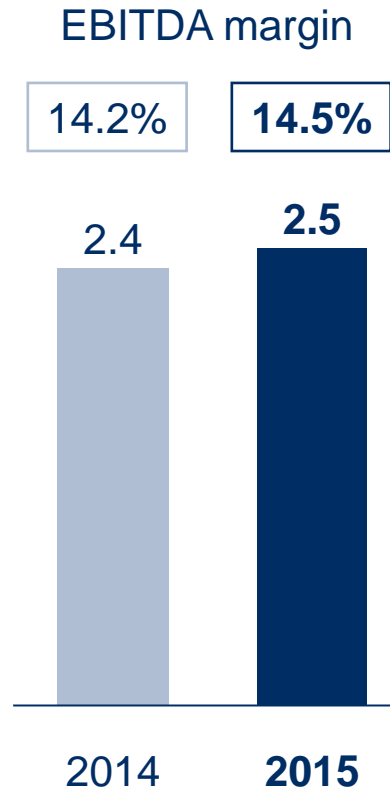
Group key figures – Highest revenues since 2007, operating EBITDA on record level, group profit over €1bn

in € billions

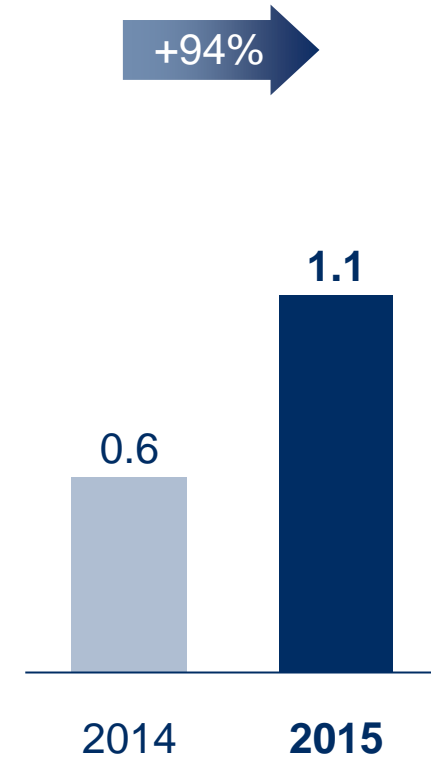
Revenues



Operating EBITDA



Group profit



Note: 2014 restated

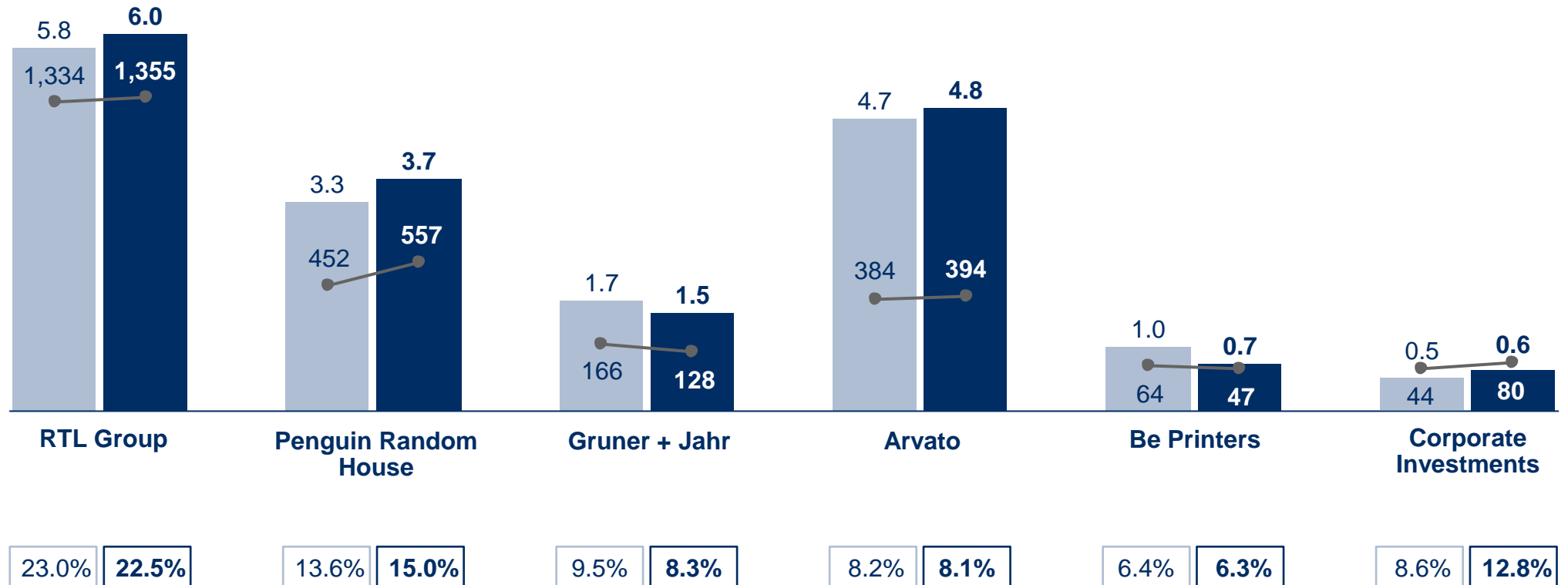
Divisions 2015 – Increased earnings at US book publishing, German TV, CRM and SCM services, music and education businesses

Continuing operations

■ 2014 ■ 2015

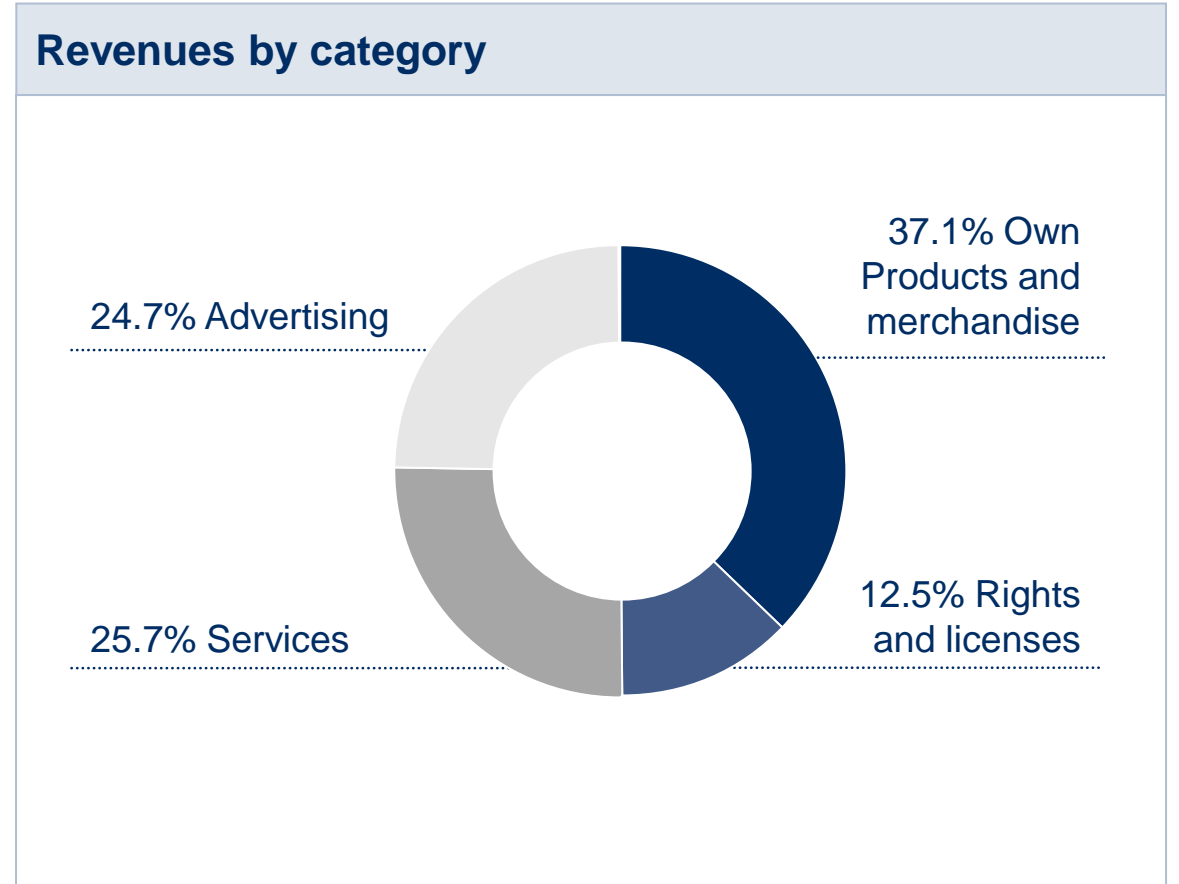
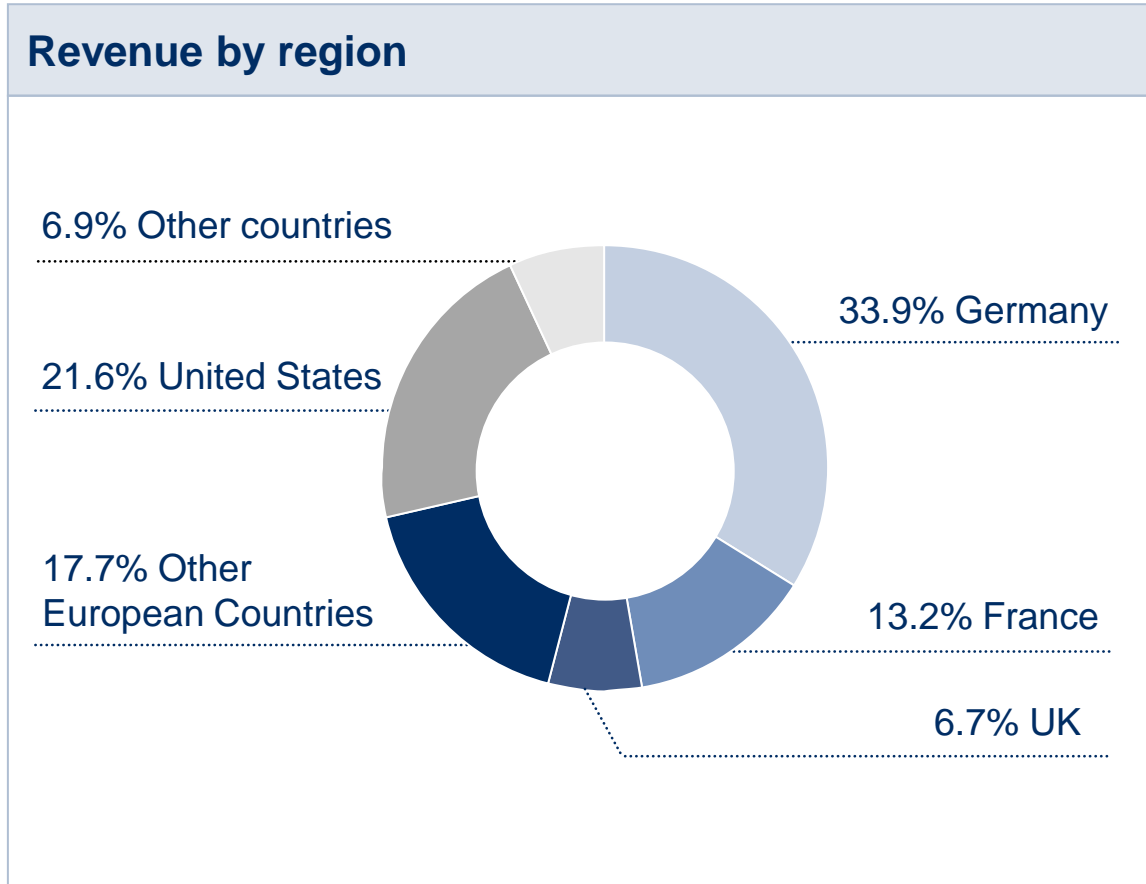
Revenues
(in € billions)

Operating EBITDA
(in € millions)



Note: 2014 restated

Group key figures – Diverse revenue base across regions and category



Revenue share FY2015, continuing operations

Group key figures – Significant increase of group profit due to improved operating performance and lower special items

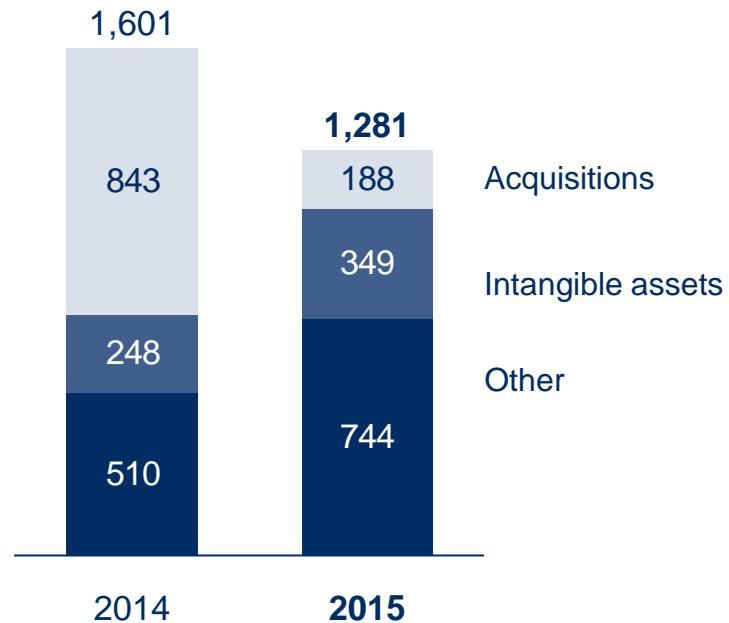
in € millions

	2014	2015	Change	Commentary
Operating EBITDA	2,374	2,485	+111	Profitable growth and earnings improvement program
Depreciation & Amortization	(606)	(613)	+7	
Special items	(619)	(191)	+428	Negative effects in 2014: scaling back of structurally declining businesses, restructuring and integration costs
EBIT	1,149	1,681	+532	
Financial result	(295)	(230)	+65	Previous year included full takeover of Gruner + Jahr
Income taxes	(286)	(346)	-60	Deviation due to tax receivables fiscal court proceedings in 2014
Earnings of taxes from discontinued operations	4	3	-1	
Group profit	572	1,108	+536	

2014 restated

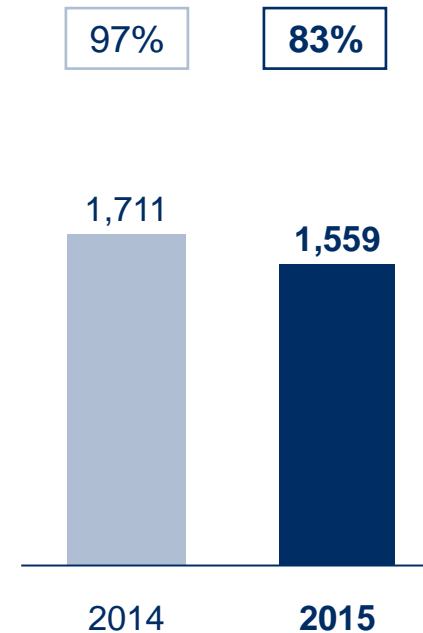
Investments and free cash flow 2015 – Investments continuously on high level, cash conversion impacted by increased working capital

Investments (in € millions)



Operating free cash flow (in € millions)

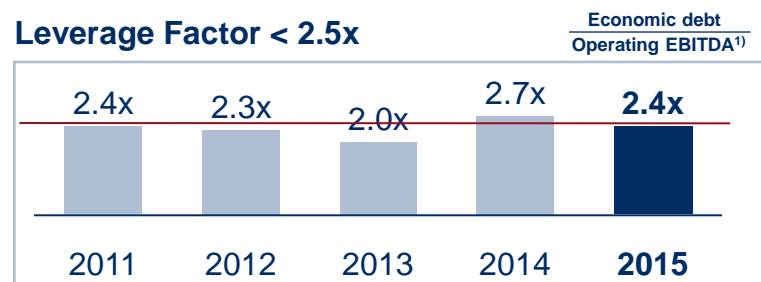
Cash Conversion Rate



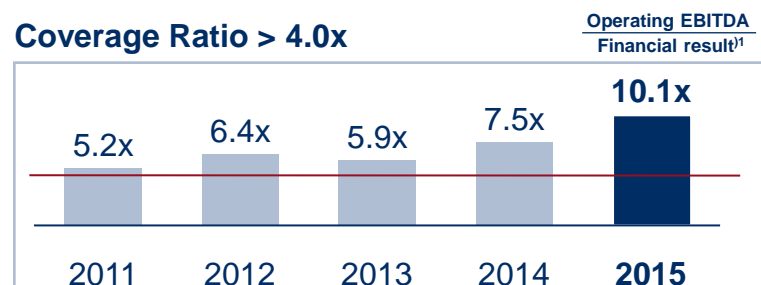
Note: 2014 restated

Financial status – Leverage Factor in comfortable position, hybrid bonds strengthened financial profile

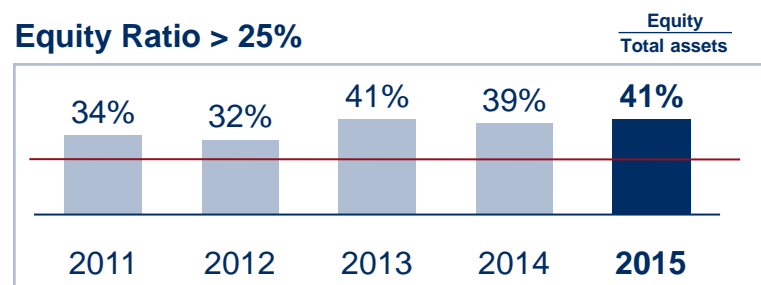
Leverage Factor < 2.5x



Coverage Ratio > 4.0x

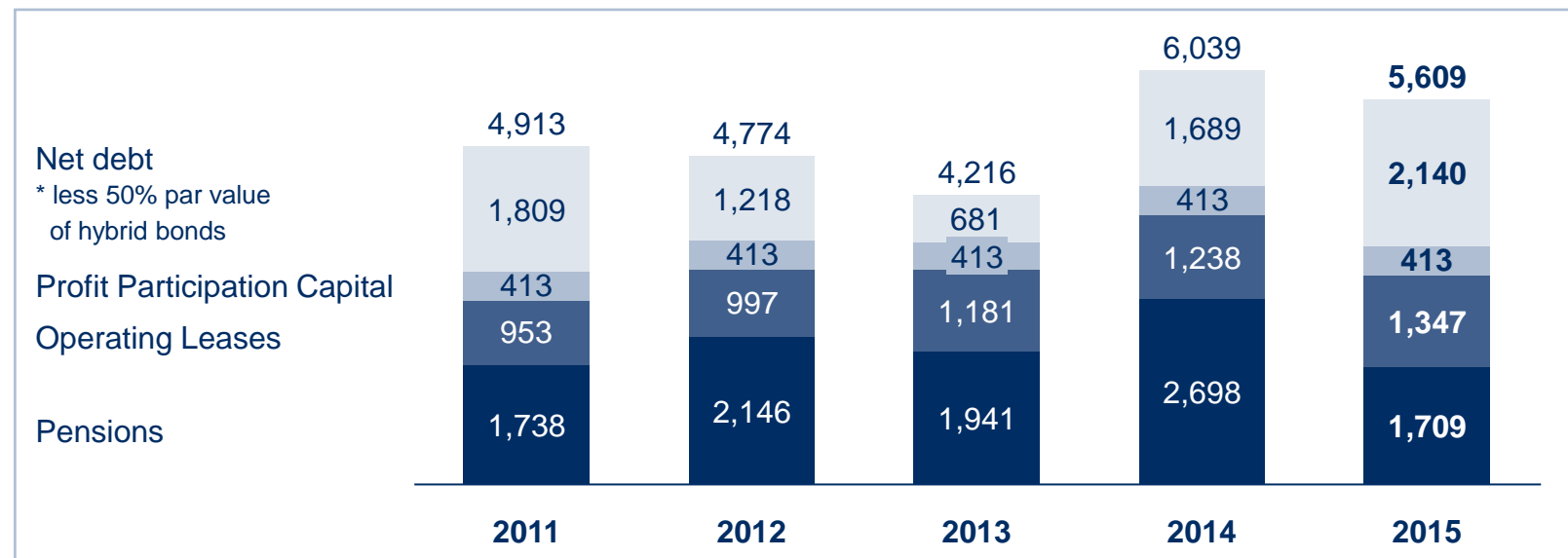


Equity Ratio > 25%

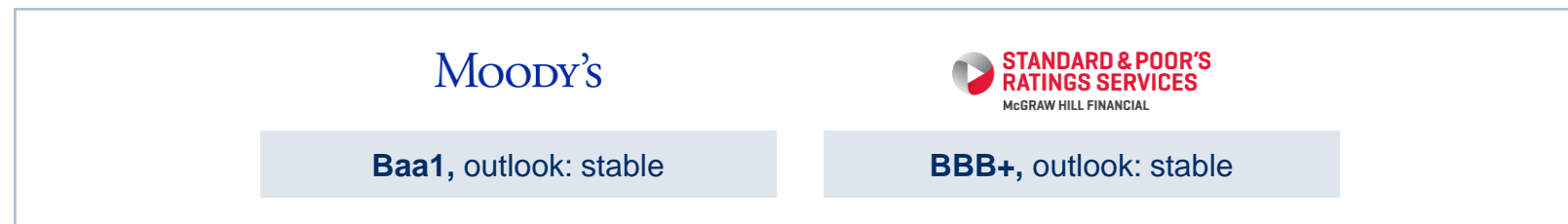


1) After modifications.

Economic debt (in € millions)



Credit Rating

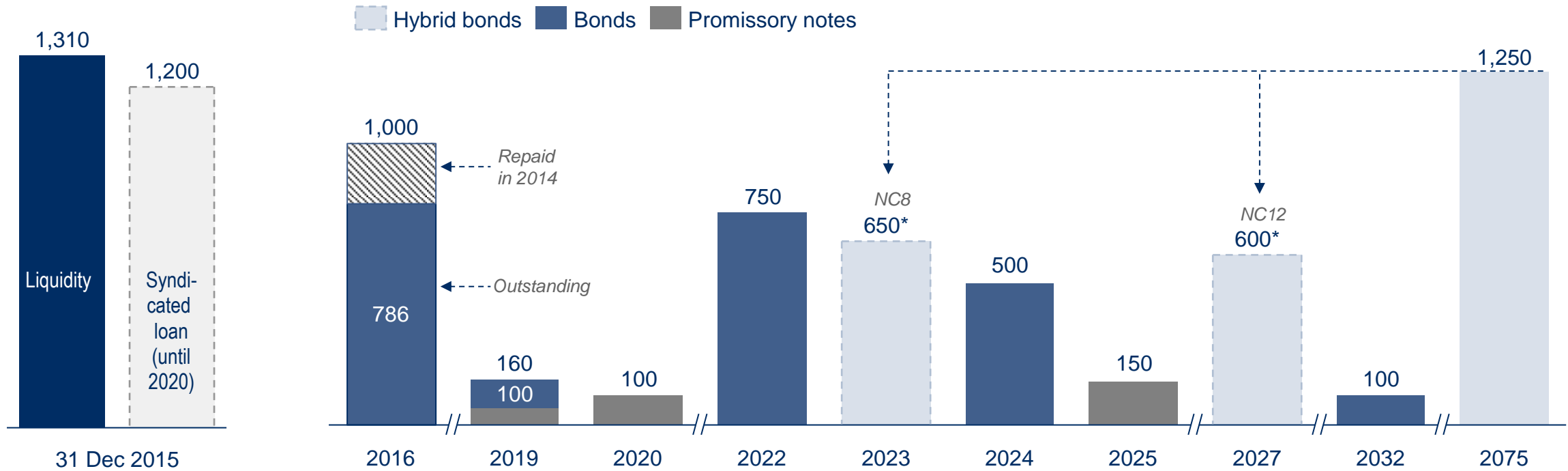


Financial status – Issuance of hybrid bonds and promissory notes extended maturity profile

in € millions

Financing Activities in FY 2015

- Apr 2015: €1.25bn hybrid bonds, 60-yrs term, initial redemption options of 8 and 12 years
- Dec 2015: €100m promissory note of 5yrs term; €150m promissory note of 10yrs term



*For illustrative purposes only.

Group strategy – Continuation of successful transformation and growth strategy

Target portfolio

Strategy execution: based on 4 strategic priorities

Higher growth

More digital

More international

1	2	3	4
Strengthening the core <ul style="list-style-type: none"> ✓ RTL: Four new linear TV channels launched, expansion of production business ✓ PRH: Integration nearly completed, strong publishing performance ✓ G+J: Expansion of magazine portfolio, relaunch of seven titles ✓ Arvato/Be Printers: Restructuring, foundation of Bertelsmann Printing Group ✓ Continued Group-wide earnings improvement program 	Digital transformation <ul style="list-style-type: none"> ✓ RTL: Platforms and offers generated 105bn online video views, RTL Digital Hub founded in June ✓ PRH: Remains global leader in e-books (110k titles available) ✓ G+J: Expansion of digital content and digital advertising, acquisition of Danato and Delinero ✓ Arvato: Growing services for companies in IT/high-tech sector and e-commerce services 	Growth platforms <ul style="list-style-type: none"> ✓ RTL/Fremantle: Acquired several production companies (e.g. Wildside) ✓ Arvato: Investment in Brazilian financial services provider Intervalor ✓ BMG: Further catalog acquisitions, new separate division ✓ Bertelsmann Education Group: New separate division for education activities ✓ Education (e-learning): Acquisition RediLearning, investment in online education platform HotChalk 	Growth regions <ul style="list-style-type: none"> ✓ BAI: Significant value increase, further investments in a large number of startups ✓ China: BMG signed digital distribution agreement with Alibaba ✓ Brazil: Investment in Affero Lab, a leading B2B provider of corporate training ✓ India: Expansion of investment in Pepperfry and Saavn ✓ Bertelsmann Investments: New separate division

Group strategy –
New Group structure from 2016 with eight divisions around three pillars

BERTELSMANN



Group strategy – Revenues of €20 billion, target EBITDA margin of > 15%, share of growing businesses > 40%

Outlook 2016

Market development

- Global economic growth
- Mixed market conditions

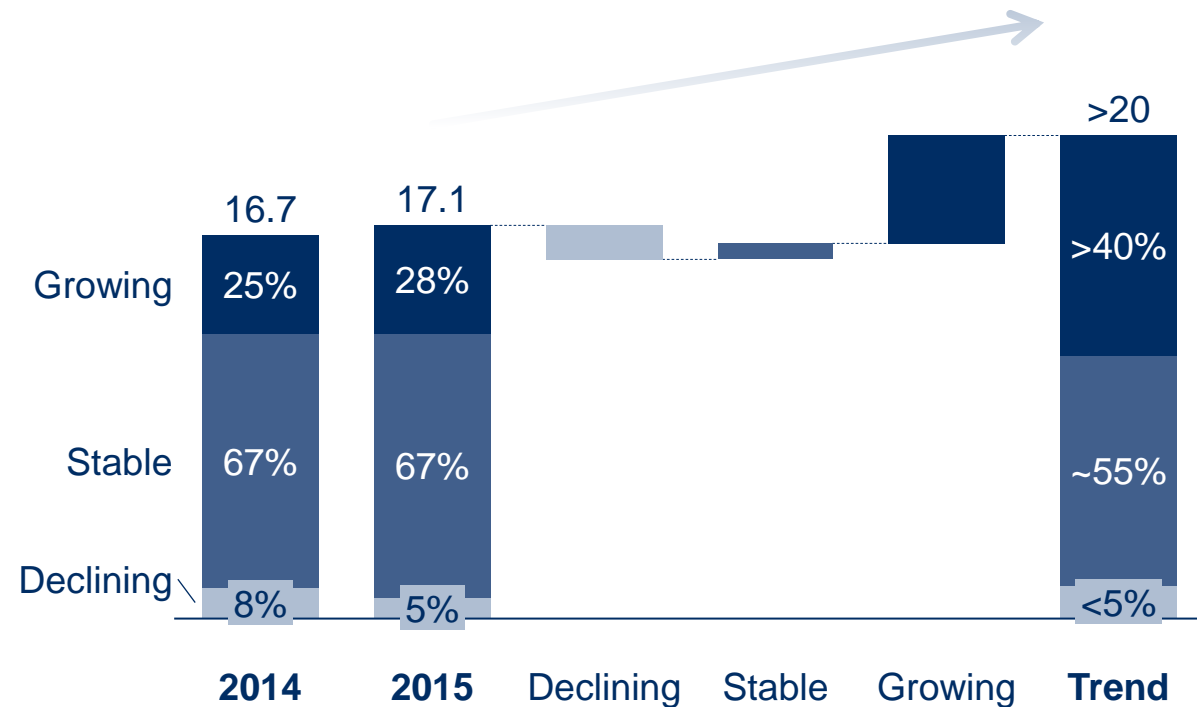
Group development

- Slight revenue growth
- Stable operating EBITDA, continued investment in digital businesses

Strategy

Continued transformation and further implementation along strategic priorities

Revenues in € billions



Q&A-Session

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Group structure – Change in divisional organization/reporting structure as of fiscal year 2016

Previous divisional organization



Divisional organization from 2016

