Business performance 2017 and strategy implementation
March 27, 2018 in Berlin
Successful financial year 2017 –
Improved organic growth, further progress in strategy implementation

Business performance
• Increase in revenues to €17.2bn, organic growth of 1.7%
• Operating EBITDA of more than €2.6bn at record level
• Group profit of €1.2bn above prior year

Strategy implementation
• Progress on all strategic priorities: Bertelsmann exhibits higher growth and becomes more digital, more international and more diversified
• Share increase Penguin Random House
• Growth platforms developed further
Business performance 2017
Group key figures –
Organic revenue growth, operating EBITDA at record level, Group profit above prior year

<table>
<thead>
<tr>
<th>Revenues (in € bn)</th>
<th>Operating EBITDA (in € m)</th>
<th>Group profit (in € m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organic</td>
<td>+1.7%</td>
<td></td>
</tr>
<tr>
<td>Reported</td>
<td>+1.4%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>17.0</td>
<td>2,568</td>
</tr>
<tr>
<td>2017</td>
<td>17.2</td>
<td>2,636</td>
</tr>
<tr>
<td></td>
<td>EBITDA margin</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>15.2%</td>
<td>1,137</td>
</tr>
<tr>
<td>2017</td>
<td>15.3%</td>
<td>1,198</td>
</tr>
</tbody>
</table>
Long-term Group development – Improved growth momentum, continued increase in profits

in € bn

Organic growth p. a.

-0.3% +0.4% +0.9% +1.7%

Revenues

Sold businesses

1) Including effects from IFRS 11 changes 2) Restated

Operating EBITDA

15.3 2.0

Group profit

2011 20122) 20132) 20142) 2015 20162) 2017

17.2 2.6 1.2

+0.9%

March 27, 2018 - Annual Press Conference
**Group profit – Again exceeding 1 billion euros and above high prior-year level**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating EBITDA</td>
<td>2,568</td>
<td>2,636</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-630</td>
<td>-657</td>
</tr>
<tr>
<td>Special items</td>
<td>-139</td>
<td>-83</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td><strong>1,799</strong></td>
<td><strong>1,896</strong></td>
</tr>
<tr>
<td>Financial result</td>
<td>-244</td>
<td>-219</td>
</tr>
<tr>
<td>Income taxes</td>
<td>-419</td>
<td>-472</td>
</tr>
<tr>
<td>Earnings after taxes from discontinued operations</td>
<td>1</td>
<td>-7</td>
</tr>
<tr>
<td><strong>Group profit</strong></td>
<td><strong>1,137</strong></td>
<td><strong>1,198</strong></td>
</tr>
</tbody>
</table>

**Major effects**

- **Further increase in operating EBITDA** mainly due to TV, music and education businesses
- **Lower burden from special items** due to increased capital gains from fund activities
- **Improved financial result** mainly because of lower interest expense
- **Higher tax expense** due to increase in profits and revaluation of deferred taxes resulting from the US tax reform
**Financial position – Financial metrics in line with targets despite share increase Penguin Random House**

- **Operating free cash flow (in € m)**
  - 2016: 1,799
  - 2017: 1,822

- **Economic investments (in € m)**
  - 2016: 1,262
  - 2017: 1,776

- **Leverage Factor**
  - 2016: 2.5
  - 2017: 2.5
  - Target ≤ 2.5

- **Ratings**
  - Moody's: Baa1, stable
  - S&P Global: BBB+, stable
Media businesses (1/2) – RTL Group again with record revenues and earnings, Penguin Random House organically stable

- Record earnings at Mediengruppe RTL Deutschland
- French TV business with significant advertising market share gain
- New productions at Fremantle Media (e.g. American Gods)
- Expansion digital advertising sales (e.g. step-up SpotX)

<table>
<thead>
<tr>
<th></th>
<th>Growth</th>
<th>Organic</th>
<th>Reported</th>
<th>Revenues (in € m)</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>+1.8%</td>
<td>6,237</td>
<td>6,373</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Op. EBITDA (in € m)</td>
<td>+2.2%</td>
<td>1,405</td>
<td>1,478</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>22.5%</td>
<td>23.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Revenues and profits impacted by negative exchange rate effects
- Expansion Spanish-speaking business (acquisition Ediciones B)
- Strong bestseller performance (461 "New York Times" bestsellers)
- Numerous literary awards (e.g. Nobel Prize for Literature)
Media businesses (2/2) –
EBITDA increase at Gruner + Jahr, BMG revenues exceeding 500 million euros for the first time

- Revenue development impacted by further portfolio measures
- Earnings and margin increase during continuous transformation
- G+J Germany with new titles, increase in revenues and earnings
- Digital businesses with double-digit revenue growth

- Continued strong growth organically and through acquisitions
- EBITDA further improved, exceeding €100m for the first time
- Significant expansion of recording business (esp. acquisition BBR)
- Further international expansion
## Services businesses –
**Growth at Arvato, Bertelsmann Printing Group with stable profitability**

### Growth

<table>
<thead>
<tr>
<th></th>
<th>Organic</th>
<th>Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>+2.9%</td>
<td>+1.6%</td>
</tr>
<tr>
<td>(in € m)</td>
<td>3,763</td>
<td>3,823</td>
</tr>
<tr>
<td><strong>Op. EBITDA</strong></td>
<td>356</td>
<td>320</td>
</tr>
<tr>
<td>(in € m)</td>
<td>2016</td>
<td>2017</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Organic</th>
<th>Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>-1.0%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>(in € m)</td>
<td>1,709</td>
<td>1,681</td>
</tr>
<tr>
<td><strong>Op. EBITDA</strong></td>
<td>121</td>
<td>118</td>
</tr>
<tr>
<td>(in € m)</td>
<td>2016</td>
<td>2017</td>
</tr>
</tbody>
</table>

### Revenues (in € m)

- **2016**
  - Arvato: 3,763
  - Bertelsmann Printing Group: 1,709

- **2017**
  - Arvato: 3,823
  - Bertelsmann Printing Group: 1,681

### EBITDA margin

- **2016**
  - Arvato: 9.5%
  - Bertelsmann Printing Group: 7.1%

- **2017**
  - Arvato: 8.4%
  - Bertelsmann Printing Group: 7.0%

**Note:** 2016 restated

- **CRM Solutions:** Growth, profitability impacted by start-up costs
- **SCM Solutions:** Business and network expansion, start-up costs
- **Financial Solutions:** Investments in Solaris Bank and Intervalor
- **Systems:** Extension of services in media and utilities segments

- **Stable development in an overall declining market**
- **Extension of important customer contracts,** e.g., in retail segment
- **Further expansion of gravure printing business in UK**
- **Market share gains in replication business**
## Education and fund businesses – Increase in revenues and EBITDA at Education Group, funds with significant EBIT contribution

### Growth
- **Organic**
- **Reported**

### Revenues
<table>
<thead>
<tr>
<th>Year</th>
<th>Reported (in € m)</th>
<th>Organic (in € m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>142</td>
<td>141</td>
</tr>
<tr>
<td>2017</td>
<td>189</td>
<td>189</td>
</tr>
</tbody>
</table>

### Op. EBITDA
<table>
<thead>
<tr>
<th>Year</th>
<th>Reported (in € m)</th>
<th>Organic (in € m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>-17</td>
<td>-17</td>
</tr>
<tr>
<td>2017</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

- Significant revenue growth and overall positive EBITDA
- Relias: Further organic and acquisitive business expansion
- Udacity: Number of students tripled, new Nanodegrees
- Alliant and HotChalk with significant efficiency gains

### EBIT
<table>
<thead>
<tr>
<th>Year</th>
<th>Reported (in € m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>35</td>
</tr>
<tr>
<td>2017</td>
<td>141</td>
</tr>
</tbody>
</table>

- Significant contribution to Group profit, especially through exits
- Successful IPOs of four BAI investments
- More than 40 new investments, numerous follow-on investments
- Focus on sectors with high relevance for the Group
Strategy implementation
Group strategy – Strategic framework

**Strategic priorities**

1. Strengthening the core
2. Digital transformation
3. Growth platforms
4. Growth regions

**Target portfolio**

- Higher growth
- More digital
- More international
- More diversified

**Financial performance**
Group strategy – Strategic framework

**Strategic priorities**

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**Target portfolio**

- Higher growth
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- More international
- More diversified

**Financial performance**
Strengthening the core –
Share in Penguin Random House increased from 53% to 75%

75% majority in world’s largest and most international trade publishing group
Increased profit share for Bertelsmann shareholders
Bertelsmann now with strategic majority in all divisions
Strengthening the core—
World’s largest trade publishing group

Strong bestseller performance

Leading market positions

Positive market development

Growing book market

Literacy rate

Children and young adults books

Stable business models

Healthy coexistence
e-books/print books

15,000
new titles annually

with 300
imprints

2m
books sold each day

in more than 100
countries
Digital transformation –
Local content as driver of digital transformation

Investments in own content and exclusive rights ...

- 4,800 hours of own productions in 2017\(^2\)
- Sports highlights such as Formula 1 and Europa League secured
- Seven new fictional shows in 2018

... to strengthen linear channels ...

- Share of own productions\(^1\)
  
<table>
<thead>
<tr>
<th>Year</th>
<th>RTL</th>
<th>Vox</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>86%</td>
<td>46%</td>
</tr>
<tr>
<td>2017</td>
<td>88%</td>
<td>73%</td>
</tr>
</tbody>
</table>

- Audience share, adults 14-59 years
  
<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTL</td>
<td>28.4%</td>
<td>28.9%</td>
<td>26.7%</td>
</tr>
<tr>
<td>RTL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vox</td>
<td>26.7%</td>
<td>24.4%</td>
<td></td>
</tr>
</tbody>
</table>

... and online offers

- Exceptional advertising reach with 93% of 100 ad slots with highest reach
- Growth of TV advertising revenue above market
- Lead over main competitor further increased
- Expansion of linear and non-linear content offer
- Strengthening of direct customer relationships in hybrid business model (free/paid)
- Improvement of user experience

TVNOW

- >20k hours of content
- +31% video views\(^4\)
- +80% paying subscribers\(^4\)

1) AGF/GfK, share of own productions, coproductions and contract productions of total program in hours
2) Only including first runs of own productions, excluding n-tv and RTL2
3) Including RTL2
4) December 2017 vs. December 2016
Growth platforms – Basis created for further organic expansion

2011 Investments €4.6bn → 2017
Growth platforms: Examples – Expansion of BMG, Arvato SCM and Financial Solutions as well as Bertelsmann Education Group

BMG
- Significant business expansion
- Creative and commercial successes
- Revenues in 2017 +22%, >€500m for the first time
- World’s 4th largest player in music rights
- Represents 2.5m songs and recordings

10th anniversary 2018

Arvato SCM Solutions
- Expansion of locations in Germany, Netherlands, Poland and the US
- Growth especially in verticals hightech, healthcare and e-commerce for consumer products
- 5% revenue growth in 2017

Arvato Financial Solutions
- Organic growth in receivables management
- Increase of share in Brazilian financial services company Intervalor
- 7% revenue growth in 2017

Relias
- Expansion into new segments (assessments, learning, analytics)
- More than 6,000 customers
- 17% organic revenue growth in 2017

Udacity
- New Nanodegrees in digital marketing, robotics, deep learning and virtual reality
- Number of students more than tripled in 2017 to approx. 50,000
Growth regions –
Expansion of existing activities, further investments in digital and education businesses

Brazil
Arvato
Increase of share in Intervalor

Education Group
Expansion of Udacity

Bertelsmann Investments
Expansion of education business in cooperation with Bozano Investimentos

India
Penguin
Random House
Extension of offerings in regional languages

Bertelsmann Investments
Investment in Eruditus Executive Education, 6 follow-on investments in digital businesses

China
Education Group
Expansion of Relias and growth of Udacity

Bertelsmann Investments
29 new and 7 follow-on investments (Mobike and SEE among others), capital gains and 4 IPOs

10 years BAI 2018
111 investments
15 exits
7 IPOs
HR strategy –
Optimal framework for transforming Bertelsmann

Talent Management
- Internal placement rate of 81%
- Career programs for creative, entrepreneurial and IT talents
- Bertelsmann Exchange Initiative

Digital Learning
- 90,000 employees in 46 countries with access to 13,000 online courses
- 75,000 scholarships with Google and Udacity

Creativity
- Trainee program for creatives and humanities graduates
- Creative Leadership Curriculum and Bootcamps
- Creativity Award

Corporate Responsibility
- 13 focus topics – from diversity to freedom of press
- Minimum health standards implemented

To Empower. To Create. To Inspire.

1. Strengthening the core
2. Digital transformation
3. Growth platforms
4. Growth regions
Group strategy – Strategic framework

Strategic priorities

1. Strengthening the core
2. Digital transformation
3. Growth platforms
4. Growth regions

Target portfolio

- Higher growth
- More digital
- More international
- More diversified

Financial performance
Target portfolio –
Growth businesses already accounting for almost one third of Group revenues

Share of Group revenues in %

![Chart showing the distribution of Group revenues by type of business over time.](chart)

- **Growth businesses**
  - 20% in 2011
  - 32% in 2017
  - ~40% in Target

- **Stable businesses**
  - 64% in 2011
  - 64% in 2017
  - ~60% in Target

- **Structurally declining businesses**
  - 16% in 2011
  - 4% in 2017

March 27, 2018 - Annual Press Conference
Target portfolio –
Share of digital revenues improved from 30% to 46% since 2011

Share of Group revenues in %

Digital revenues 2017 (in € bn) | Growth since 2011
--- | ---
Advertising | 0.7 | 3.8×
Products | 1.6 | 2.5×
Sales | 0.9 | 2.4×
Customers | 1.4 | 1.8×
Distribution | 3.3 | 1.3×
Group | 7.9 | 1.7×
Target portfolio –
Increasing internationalization

Share of Group revenues in %

<table>
<thead>
<tr>
<th>Region</th>
<th>2011</th>
<th>2017</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>80%</td>
<td>73%</td>
<td>~60%</td>
</tr>
<tr>
<td>US</td>
<td>14%</td>
<td>20%</td>
<td>~30%</td>
</tr>
<tr>
<td>Other countries</td>
<td>6%</td>
<td>7%</td>
<td>~10%</td>
</tr>
</tbody>
</table>

- Revenues outside of Europe increased by more than 50% since 2011
- Expansion of activities in countries with sustainable positive growth potential
Group structure –
Balanced portfolio with eight divisions, strategic majority in all divisions

<table>
<thead>
<tr>
<th>Media</th>
<th>Services</th>
<th>Education</th>
<th>Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTL Group</td>
<td>arvato Bertelsmann</td>
<td>Bertelsmann Education Group</td>
<td>BI Bertelsmann Investments</td>
</tr>
<tr>
<td>92% &gt; 75%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Penguin Random House</td>
<td>Bertelsmann Printing Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>53% &gt; 75%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GJ</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BMG</td>
<td>49% &gt; 100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>75% &gt; 100%</td>
<td>75% &gt; 100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>49% &gt; 100%</td>
<td>49% &gt; 100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RTLMAN
Group strategy – Strategic framework

**Strategic priorities**

1. Strengthening the core
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4. Growth regions

**Target portfolio**

- Higher growth
- More digital
- More international
- More diversified

**Financial performance**
Financial performance –
Further improvement of revenues and profits envisaged

in € bn

Revenues

Operating EBITDA

Group profit

1) Including effects from IFRS 11 changes
Arvato CRM Solutions –
Review of strategic options

Status quo

• Growing and profitable business
• Revenues €1bn
• 36,000 employees
• 90 locations in 19 countries
• Leading positions, e.g. in Germany

Figures without France

However ...

• Significant investment requirements ahead due to technological developments
• Alternative investment options: Eight growth platforms with higher investment priority

Outlook

• Evaluation of strategic options:
  – Sale (without France)
  – Partial sale
  – Partnership
• Closing in second half of 2018
Competitive environment –
Structural change of competitive landscape, Bertelsmann sustainably well positioned

New dimension of competition

Global technology platforms with increasing relevance in the media sector

Bertelsmann’s responses

Investments in premium content (ca. €5bn annually)

Offer brand-safe advertising environments with high reach

Build digital capabilities and own digital businesses

Provide products/services to and cooperate with platforms

Push for regulatory level playing field
Summary and outlook –
Successful transformation continued, even stronger focus on organic growth going forward

### 2017

**Key developments**
- Organic growth improved
- Operating EBITDA at record level
- Group profit of €1.2bn
- Further progress towards target portfolio

### 2018

**Outlook**
- Further improvement of growth profile, especially through organic expansion of existing growth platforms
- Continued high operating profitability
- Group profit to remain in excess of €1bn