

The Spirit to Create

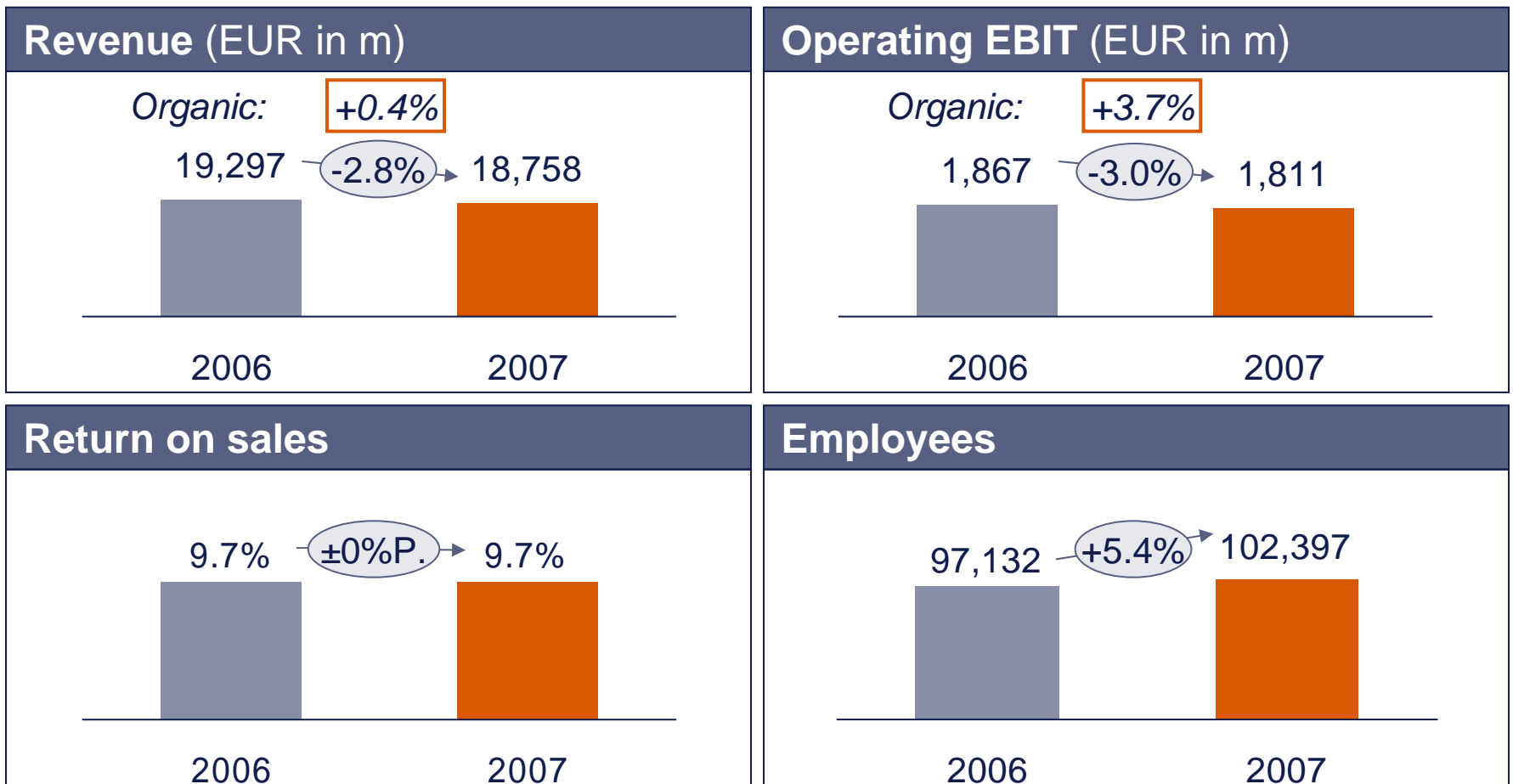
Corporate Development and Strategy, Hartmut Ostrowski

Annual Press Conference, Bertelsmann AG, March 18, 2008 in Berlin

Corporate Development and Strategy

Hartmut Ostrowski

Bertelsmann 2007 – Profitability stabilized at high level



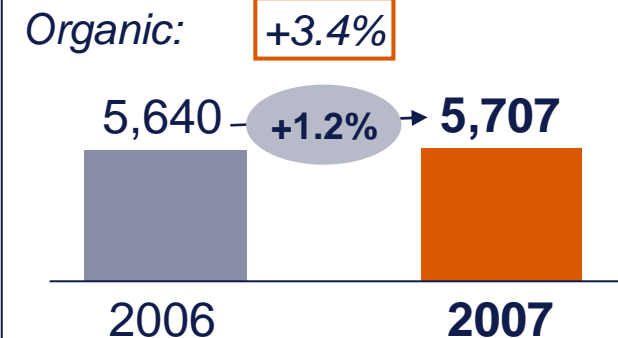
RTL Group – Most successful year in company history



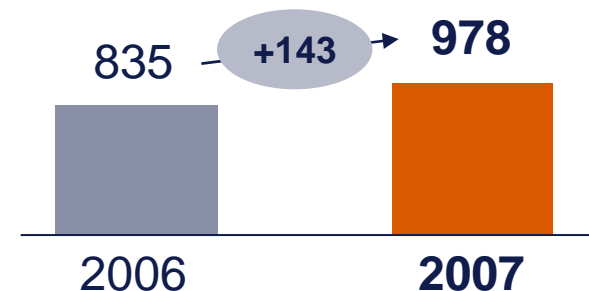
Europe's leading entertainment network

- Revenue and result have increased for the sixth consecutive year
- Mediengruppe RTL Deutschland: result further improved, lead in audience market over competitor extended
- M6 Group: dynamic growth of digital channels
- Content producer FremantleMedia: continued strong performance, driven by success of U.S. operations
- Netherlands: family of channels strengthened; fourth TV channel RTL 8 launched, Radio 538 integrated
- RTL Radio France: position as market leader regained

Revenue (EUR in m)



Operating EBIT (EUR in m)



Random House – Worldwide publishing success



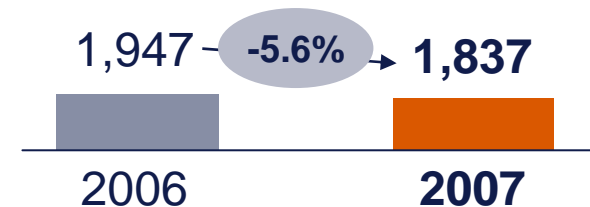
World market leader among book publishers

- U.S.: more than 200 titles on New York Times bestseller lists
- Winner of Pulitzer Prize in four literary categories
- Record revenues generated by audio book "Harry Potter and the Deathly Hallows"
- U.K.: nearly one third of all titles on Sunday Times bestseller lists
- Germany: level of growth ahead of market (strong paperback book business)

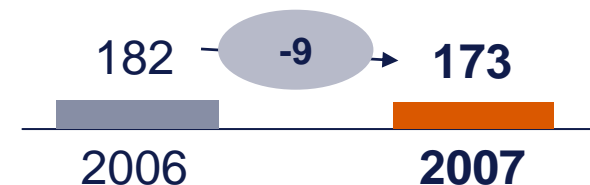
Revenue (EUR in m)

Organic:

-1.4%



Operating EBIT (EUR in m)



Gruener + Jahr – Expansion of business around media brands



European magazine market leader

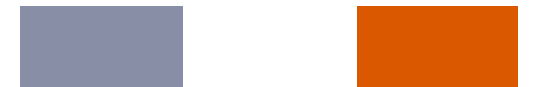
- Positive development of magazine brand business, significant increase in revenue and result
- "Expand your Brand" process continued
- Ten new magazine titles introduced
- Profitability and market position in international markets enhanced
- Revenues in the print business declined due to price pressure and exchange rate effects
- Result negatively effected by Prinovis (loss in margin through overcapacities and startup losses in Liverpool)

Revenue (EUR in m)

Organic:

-0.5%

2,861 → -1.0% → 2,831



2006

2007

Operating EBIT (EUR in m)

277 → -13 → 264



2006

2007

BMG – Result maintained in difficult market



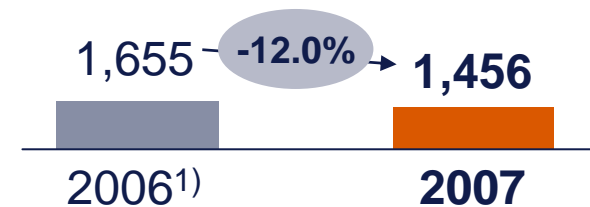
#2 music company worldwide
(through Sony BMG Music Entertainment)

- Creative success: best-selling albums included Avril Lavigne, Alicia Keys and breakthrough Leona Lewis
- CD business: accelerated market decline but promising CD and hybrid product initiatives
- Digital business: 35% year-on-year growth, representing 17% share of global revenues (U.S.: 26%)
- New business: diversification through ancillary rights deals, investments in music-related business
- Cost savings: 2% margin uplift from further improving processes and structures

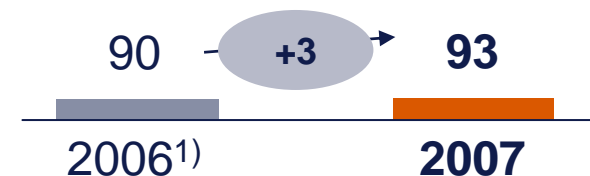
Revenue (EUR in m)

Organic:

-7.0%



Operating EBIT (EUR in m)



1) Pro forma excluding BMG Music Publishing (deconsolidation in 2006)

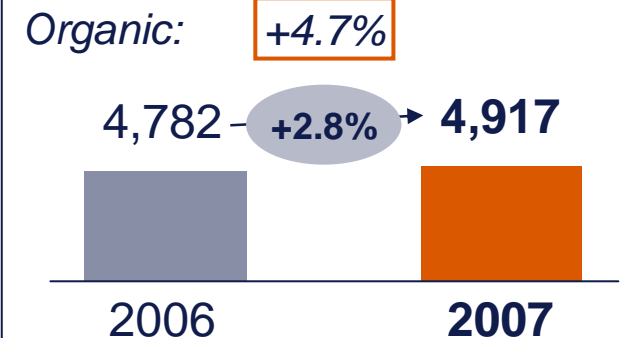
Arvato – Services business continues to be growth driver



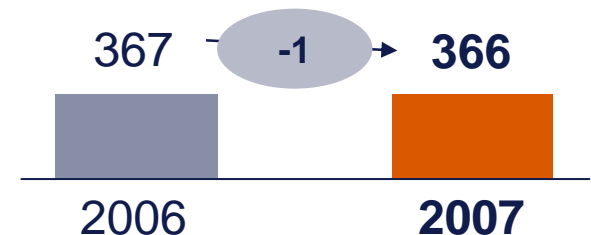
Leading provider of media and communications services

- Profitable growth of services business
 - Driven by ongoing outsourcing trend
 - Market position in Europe strengthened through acquisition of service centers from Deutsche Telekom and SFR
- Arvato Print: value chain further expanded, market position strengthened
- Arvato Digital Services: storage media operations developed into an integrated full-service provider for digital content

Revenue (EUR in m)



Operating EBIT (EUR in m)



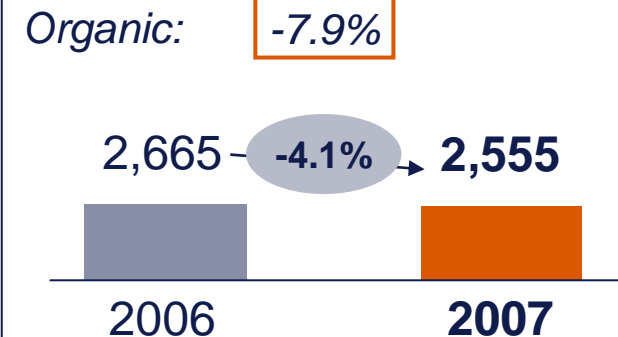
Direct Group – Results in North America significantly declined

DIRECTGROUP
BERTELSMANN

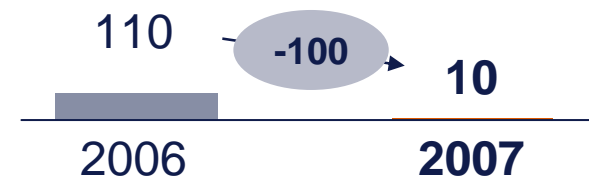
Media clubs and direct marketing

- Western Europe: book clubs, book retail and Internet combined in several markets (multi-channel), positive stabilization of Club Germany, good earnings in France and Spain
- Eastern Europe: successful publishing operations
- North America: remaining shares of Bookspan acquired, result significantly impacted by decline of CD and DVD business
- Reorganization of operations: Direct Group (except North America) under F. Carro, North America operations under P. Olson

Revenue (EUR in m)



Operating EBIT (EUR in m)



2007 summary

-
- » Good operational performance, high profitability

 - » Operating free cash flow reaches record levels

 - » Financial debt significantly reduced

 - » Napster litigation settled

Strategic goals

» Take the Lead «

» Go for Growth «

» Create Value «

Lead

Growth

Value

Strategic goals

» Take the Lead «

Go for Growth

Create Value

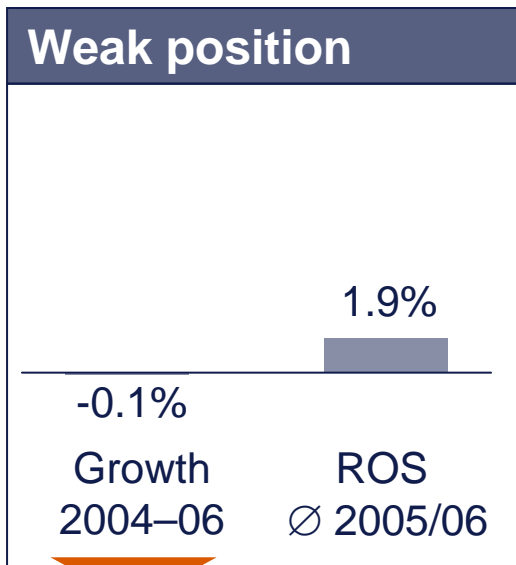
Assume **leadership**

Expand **talent management**

Take **leading market positions**

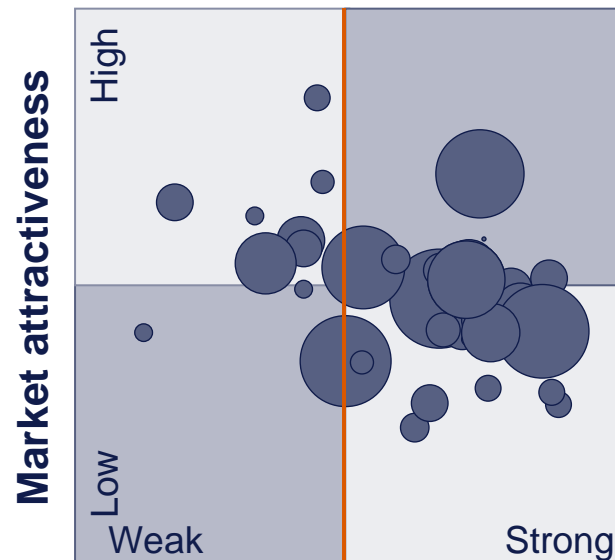
Lead

Take the Lead – Some 80% of Bertelsmann businesses lead their respective markets



Organic growth 2006

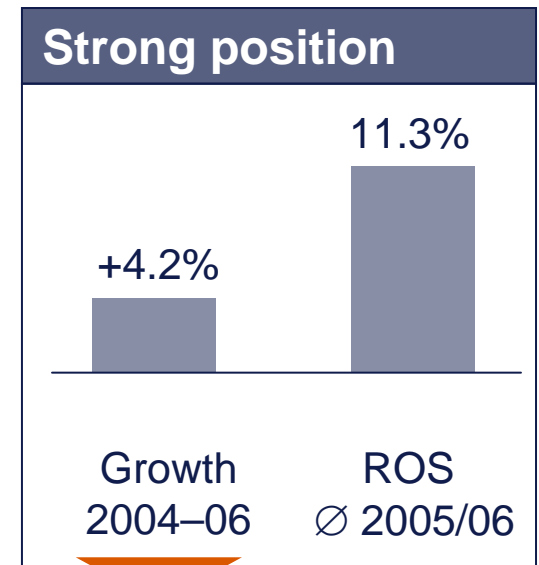
-5.2%



Competitive position

Share of revenues 2006

23% | 77%



Organic growth 2006

+5.0%

Strategic goals

Take the Lead

» **Go for Growth** «

Create Value

Exploit additional **market opportunities**

Focus on **growth investments**







Expand presence in **growth regions**

Tap new **business segments**

Growth

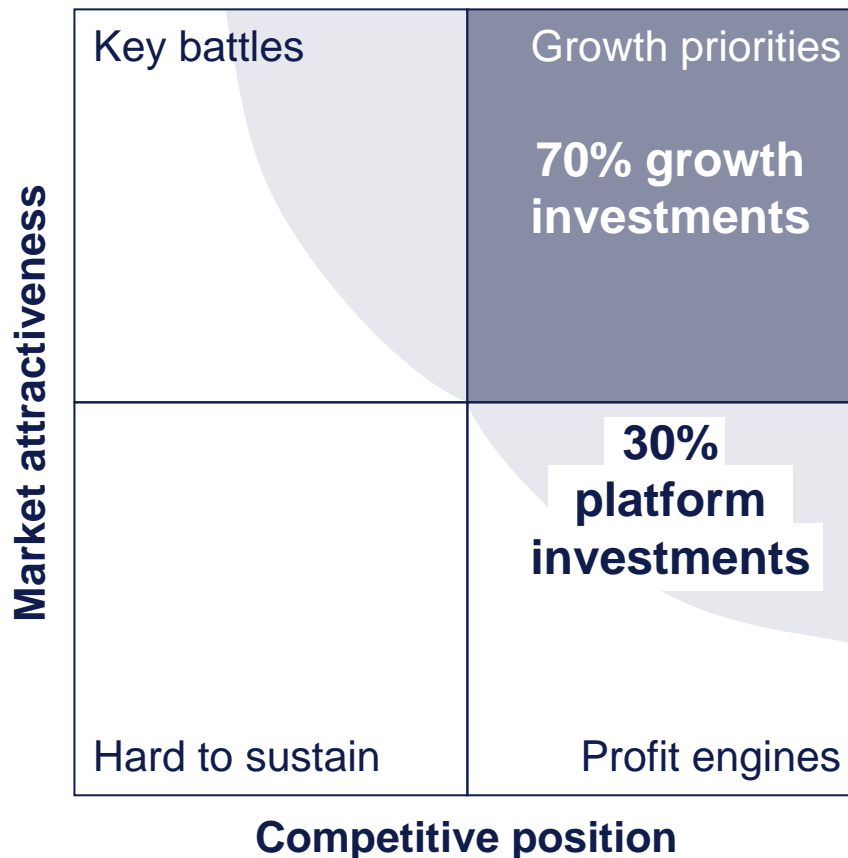
Go for Growth – Broaden definition of business segments, exploit additional market opportunities

Examples

	Core business	Broadened business concept
	Television	Multi-media entertainment content for all new distribution channels
	Books	Story-based content (e.g. film)
	Magazines	“Life enriching media”
	Record company	Music-based entertainment company
	Media services	Services worldwide
	Media clubs/media retail	Direct marketing expertise

Go for Growth – Focus financial leeway on growth investments

Investment focuses 2008–2015



Establish leading positions
in growth markets

Strategic goals

Take the Lead

Go for Growth

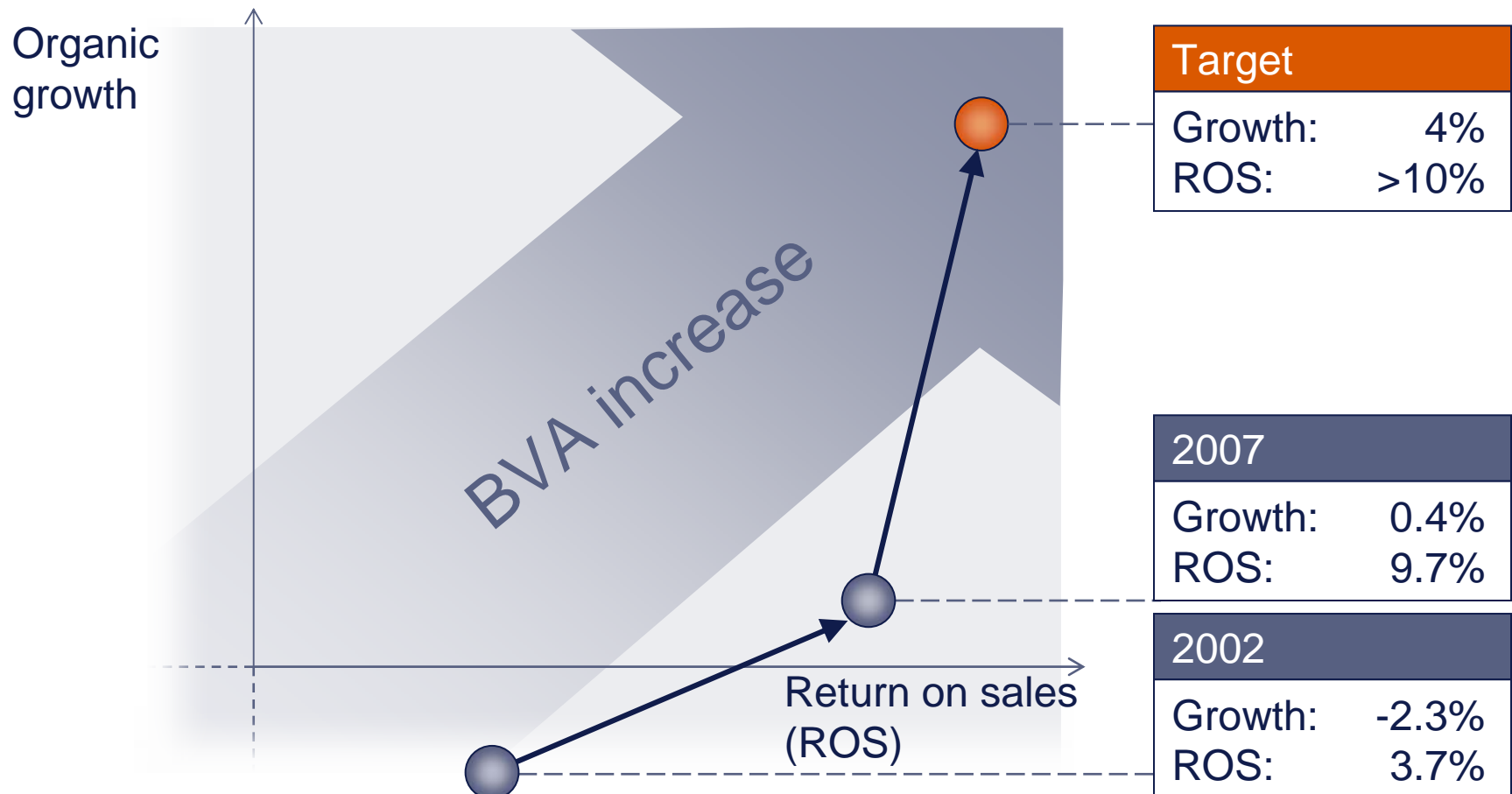
» Create Value «

.....
Increase **BVA**
.....

.....
Increase **stakeholder value**
.....

Value

Create Value – Sustainable increase of BVA through higher growth and improved results



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to Create