

Bertelsmann – Investor update

March/April 2011

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FY 2010: summary and highlights – **Operating performance significantly improved, expectations exceeded**

Outlook 2010 (April 2010)

- » Economic **stabilization**
- » Continued **optimization** of core businesses, continued portfolio review
- » **Revenues** and **operating EBIT** at previous year's level, significant increase in **net income**
- » Focus on **cash flow**, continued **debt reduction**

FY 2010 actual

- » **Recovery of advertising** markets, in particular TV
- » **Operations** and **portfolio optimized** (Five, DG), profitability at record level: **EBITDA Margin** 15.2 percent, **Return on Sales** 11.7 percent
- » **Revenues** up by 4.5 percent, **organic growth** >3 percent; **Record Operating EBIT** of € 1.9bn, **Net income** € 656m, up by € 621m
- » High **cash conversion rate**, **Free operating cash flow** of € 2.1bn, significant **debt reduction** by more than € 1.1 bn; **Leverage factor** at 2.3

Agenda

- 1 Group key figures**
- 2 Divisional key figures
- 3 Financial status
- 4 Business strategy
- 5 Outlook

Group key figures – Significant revenue growth, key figures at record level

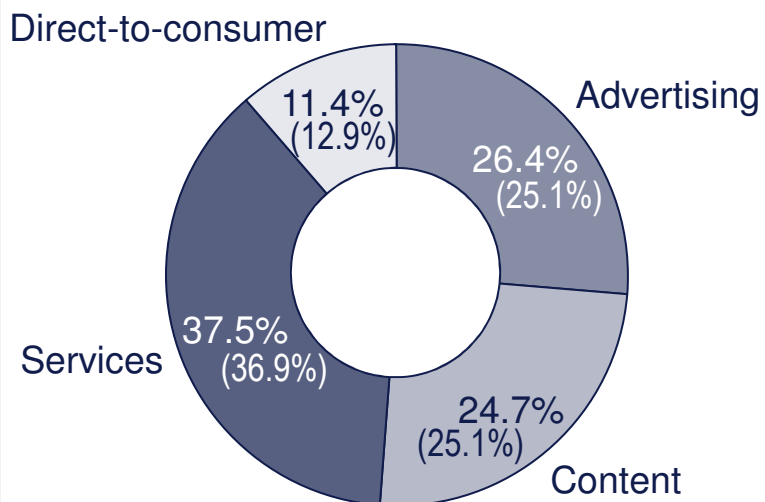
in € millions	2009	Change	2010
Revenues	15,110	+4.5%	15,786
Operating EBIT ¹⁾	1,438	+414	1,852
Operating EBITDA	2,000	+400	2,400
Net income	35	+621	656
BVA	50	+321	371
Operating free cash flow ²⁾	1,771	+304	2,075
<i>Cash conversion rate²⁾</i>	<i>125%</i>	<i>-13%-P.</i>	<i>112%</i>
Net financial debt	-2,793	880	-1,913
Economic debt	-6,024	1,109	-4,915
<i>Leverage factor</i>	<i>3.2</i>	<i>-0.9</i>	<i>2.3</i>

1) Earnings before interest, taxes and special items (especially impairments and restructuring expenses)

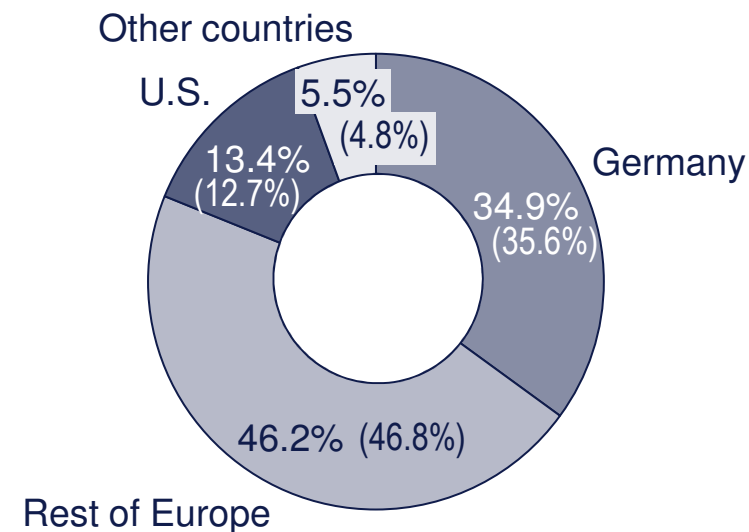
2) Adjusted for one-time effects

Group key figures – Revenues diversified by source and region

Revenue sources (previous year)



Revenue by regions (previous year)



Group profit – High group profit due to better performance and lower level of special items

in € millions

	2009	Change	2010
Operating EBIT of divisions	1,519	+417	1,936
Corporate/consolidation	-81	-3	-84
Operating EBIT	1,438	+414	1,852
Special items	-545	+189	-356
<i>Thereof - Restructuring costs</i>	<i>-196</i>	<i>+134</i>	<i>-62</i>
<i>- Impairments</i>	<i>-362</i>	<i>+91</i>	<i>-271</i>
<i>- Others</i>	<i>-</i>	<i>-</i>	<i>-22</i>
<i>- Capital gains/losses</i>	<i>13</i>	<i>-14</i>	<i>-1</i>
EBIT	893	+603	1,496
Financial result	-407	-131	-538
Income taxes	-249	+1	-248
Earnings from discontinued operations	-202	+148	-54
Group profit	35	+621	656

Cash flow – High operating cash flow in line with profitability


















in € millions

	2009	2010
Cash flow from operating activities	1,777	2,052
Taxes paid	230	373
Investments in intangible and tangible assets	-448	-458
Proceeds from the disposal of intangible and tangible assets	35	55
Restructuring payments	169	81
Operating free cash flow	1,763	2,103
One-time effects	8	-28
Operating free cash flow (adjusted for one-time effects)	1,771	2,075
Cash conversion rate (adjusted for one-time effects)	125%	112%

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Market environment & expectations – **TV: normalization;** **magazines: stabilization;** print: weakening

Division	Business area	Market expectations 2010	Market trend 2010e	Market expectations 2011
	TV		Germany: +9% France: +10% Netherlands: +11%	Germany: } France: } + 2-3%  Netherlands: }
	Book		U.S.: +1% UK: -3% Germany: +1%	U.S.: } UK: } + 0-1%  Germany: }
	Magazines		Germany: A: -3%; C: -1% France: A: -3%, C: -2% Spain: A: -8%, C: -4%	Germany: } France: } A: + 0-2%  Spain: } C: - 0-3%
	Print		Comm. Printing Europe: +2% Book Europe: ±0%	Print: } ±0% 
	Digital Services	 ¹⁾	High-tech logistics, ESD: +15% Replication: -8%	High-tech Logistics, ESD: +12%  Replication: -3%
	Logistics / B2B services		Marketing serv.: } SCM } + 6-10%  Infoscore: }	Marketing serv.: } SCM: } + 6-8%  Infoscore: }

1) Replication business only
A = Advertising revenues | C = Circulation revenues

RTL Group – Strong Performance due to recovery of advertising markets across Europe

RTL GROUP Europe's leading entertainment network

- Record results driven by market recovery, cost discipline and audience performance

Average daily linear TV viewing per day increased

Country	2003 (min)	2009 (min)
ESP	224	227
UK	213	225
GER	203	212
FRA	202	205

+7min

Source: Médiamétrie, TNS Sofres, Ofcom, AGF/GfK

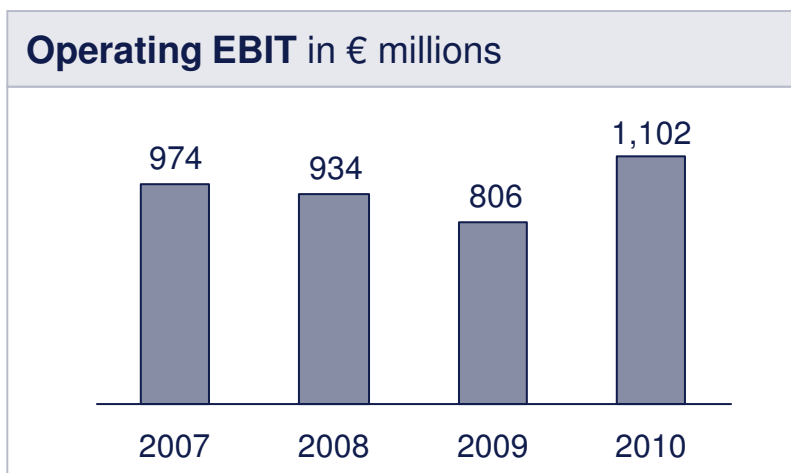
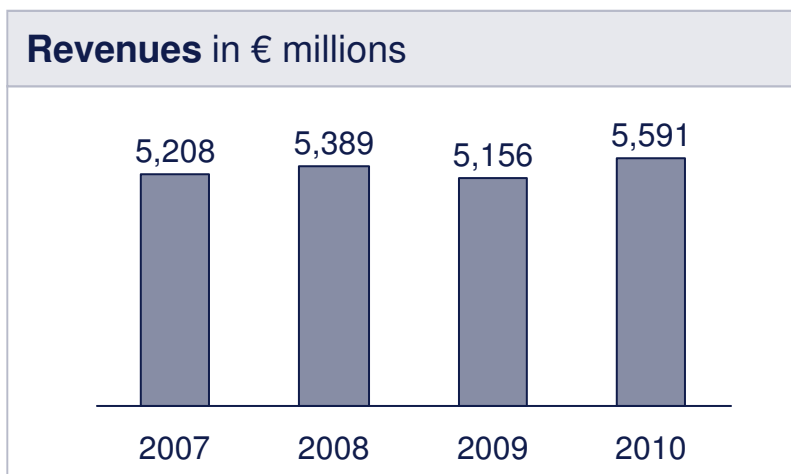
Young people adopt adults TV behavior

In minutes per day

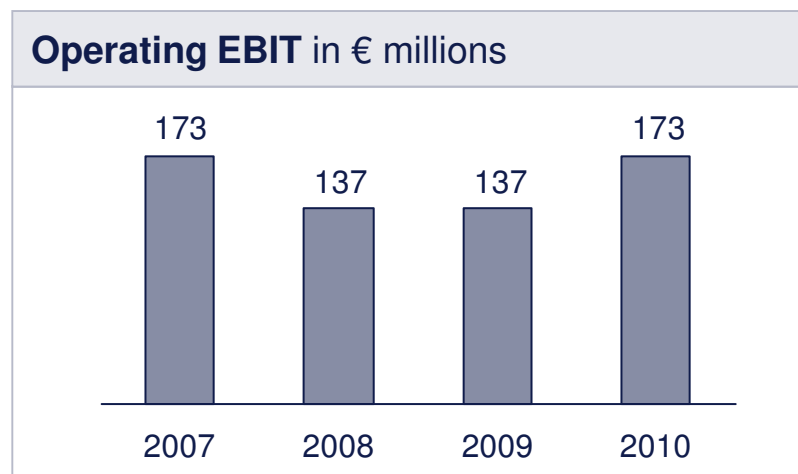
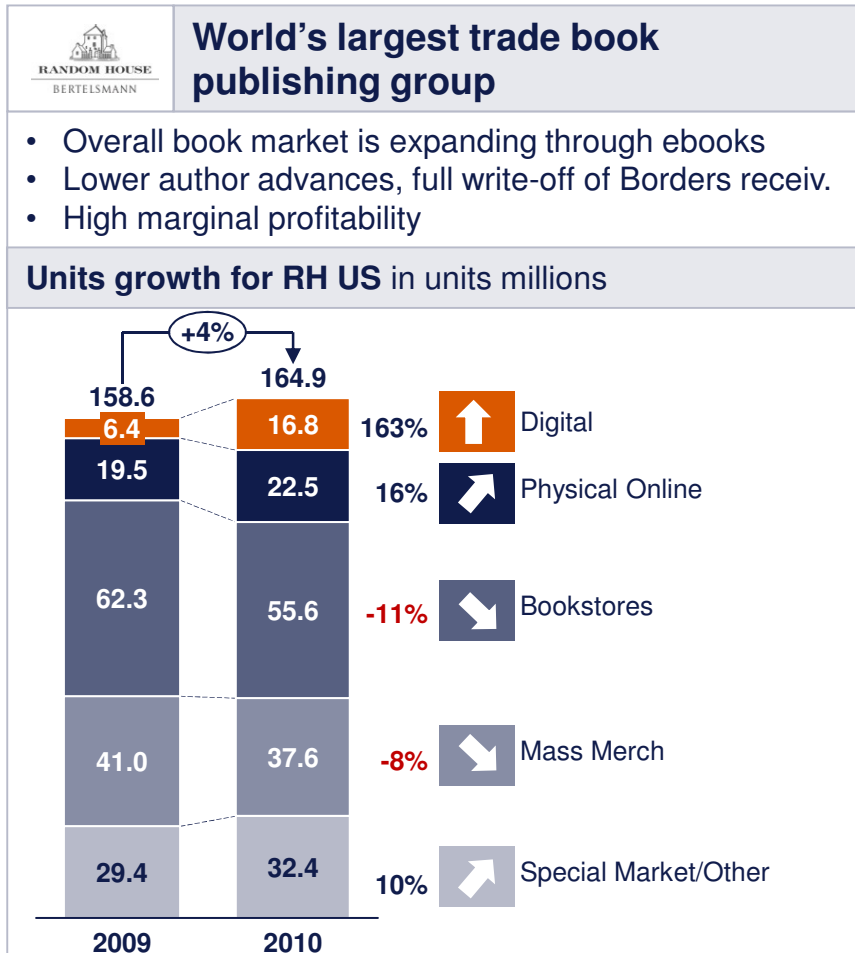
Country	1998 (15-24 yo)	2009 (26-35 yo)
GER	118	204
UK	113	200
FRA	113	197

10 years of age = +85 min TV consumption

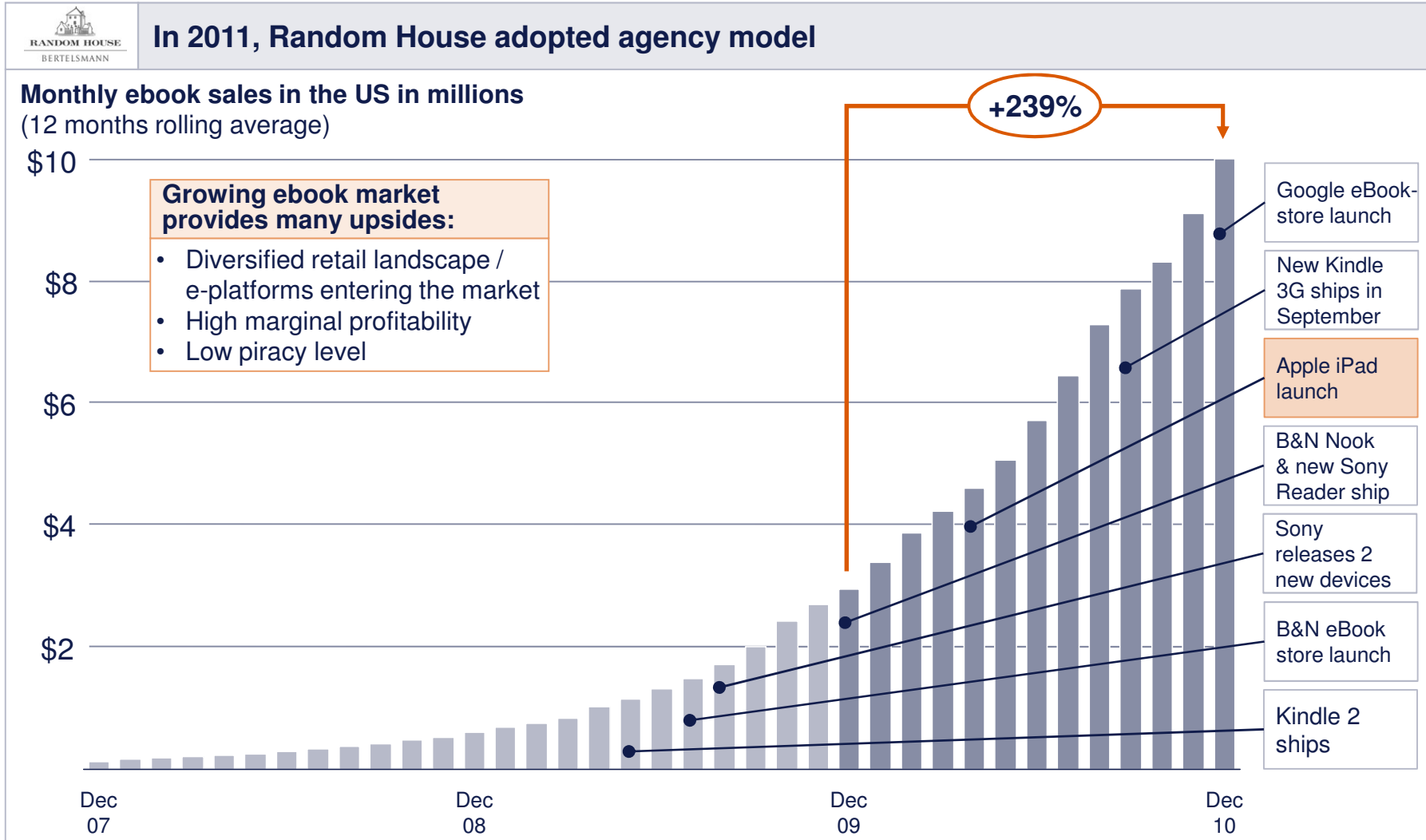
Source: AGF/GfK, Mediametrie, BARB



Random House – Massive growth of ebooks: sales increased by 250 % in 2010

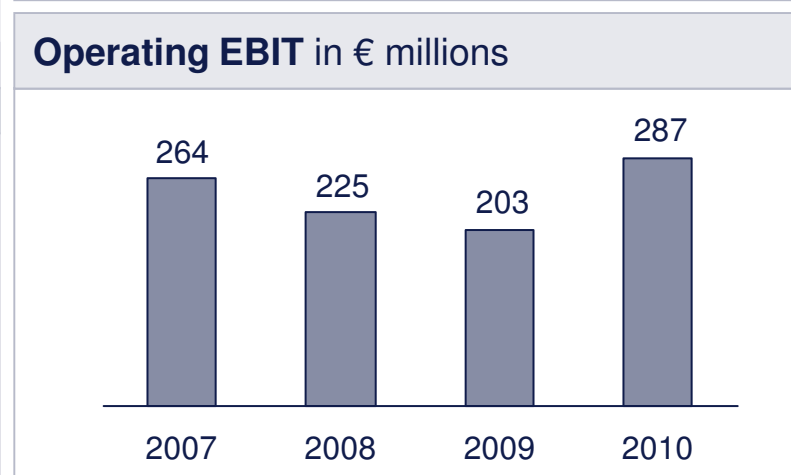
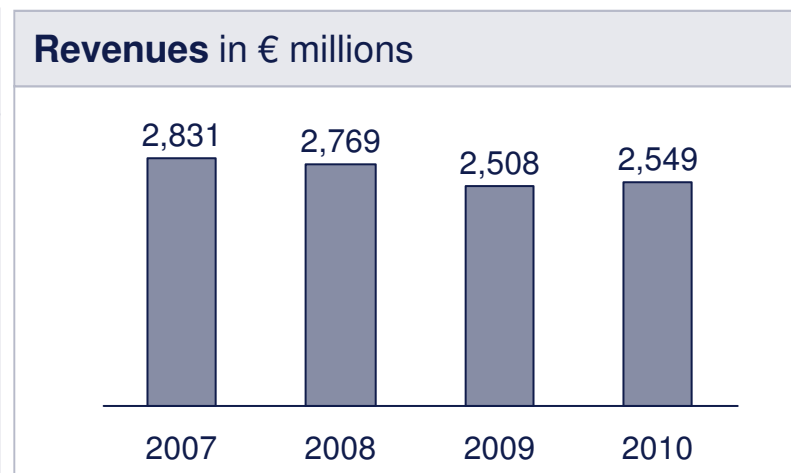


Random House – Increased availability of devices fuels sale of ebooks

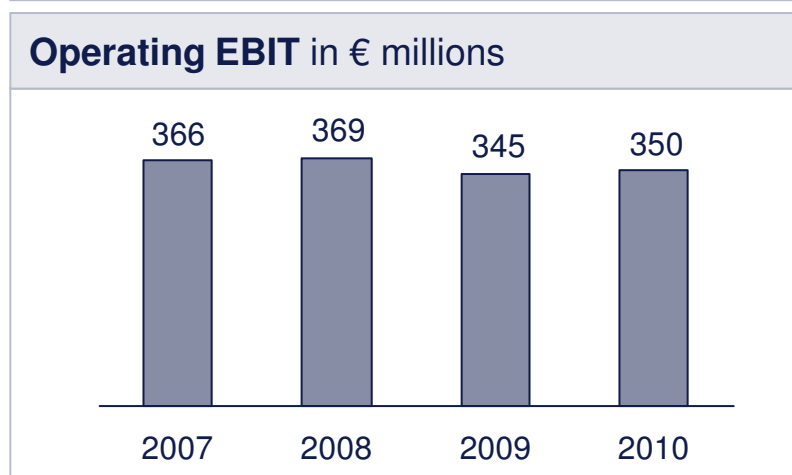
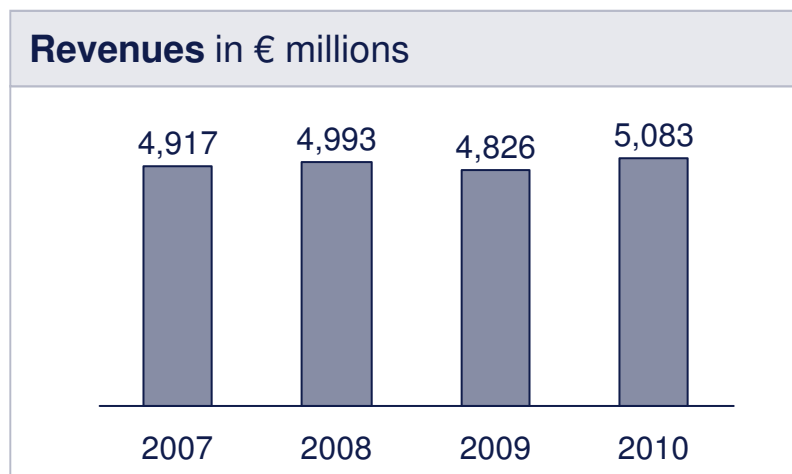
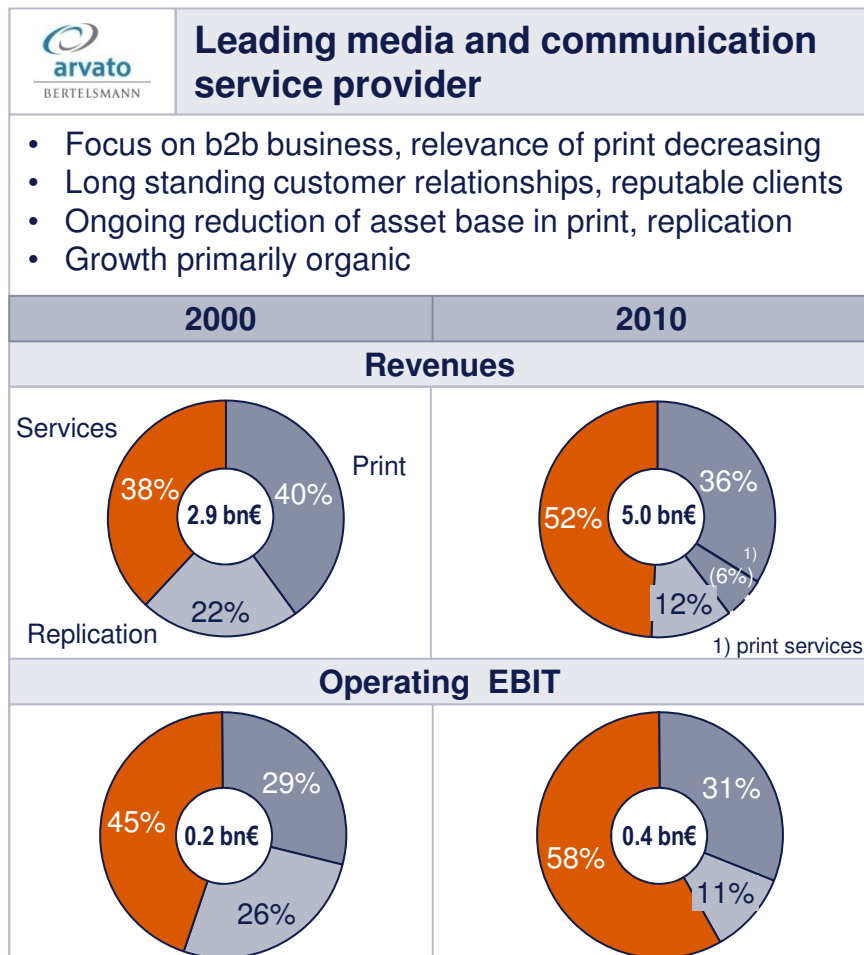


Gruner + Jahr – Significant improvement in profitability, margins more than doubled from 4.5% to 10.7%

	Europe's biggest magazine publisher
<ul style="list-style-type: none"> • Recovery of advertising markets not as strong as in television • Profits in FY 2010 mainly driven by cost control • Attractive cash flow profile, optimized tax position • Expecting market share gains, focus on leading magazines (Stern, Spiegel, Brigitte, Gala, Geo, AMS) • Emergence of e-magazines / apps, enhancing attractiveness of magazines 	
Revenue mix in core markets	
G+J Germany	G+J France
	



Arvato – Continued transformation into a provider of integrated market solutions, revenues above € 5 bn



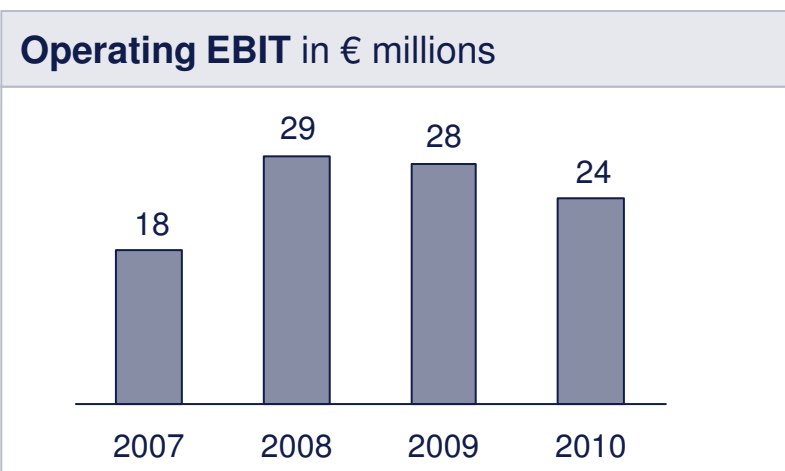
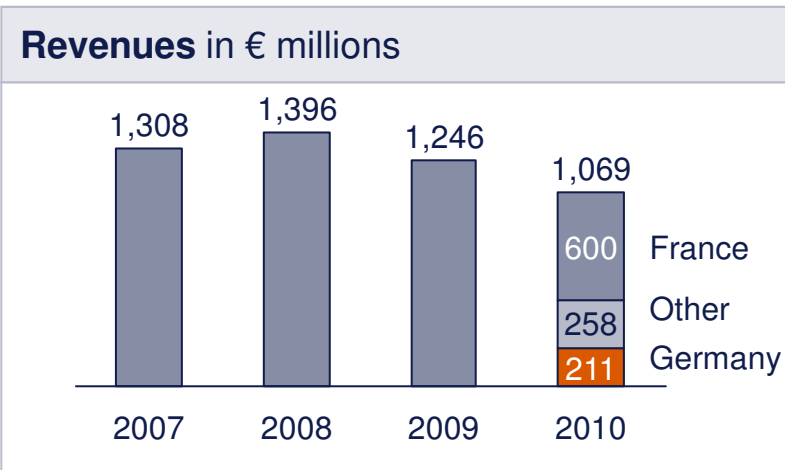
Arvato services – Integrated operations offer unique set of services, top tier clients

CRM Consulting	Direct Marketing, Loyalty Programs, Customer Care	
Data Management	Addresses & Marketing-Data, Data Mining & Scoring, Address maintenance, Campaign-management, Response Management	
Lettershop	Marketing Mails, Postal charges management, Shrink-wrapping, Card production	
Customer Service	Inbound / Outbound, Customer-service, Telesales, Technical support, Back-Office Services, Retention, E-Shop solutions	
Logistics	Stock management, Transport-optimization, Pick & Pack, Customs Handling, Online tracking of shipment, Award- and prize-shipment	
Finance	Factoring, Credit assessment, Receivables collection	
After Sales	Repair, Spare-Parts Logistics, Reverse Logistics	

Direct Group – Positive operating EBIT, active re-dimensioning continues

 Media clubs and stores, as well as direct sales		
<ul style="list-style-type: none"> • Re-dimensioning of Direct Group businesses has continued in FY 2010 • Envisaged sale of Direct Group France currently negotiated with a private US investment company • Remaining businesses located in Germany, Czech Republic and Ukraine 		
Year	Portfolio measure	Revenues sold, €m
2008	Direct Group NA	931
2008	Clubs UK, NL, CN	158
2009	Direct Group Italy, Port.	107
2010	Direct Group Spain	64
2011	Direct Group France*	623
2011	Direct Group Poland	25
		1,908

* in negotiation



Divisional CCR, BVA – High cash conversion rate throughout the group, Group BVA substantially improved



Group key financials summary – Business in a growing, profitable and financially sound shape

in € millions

	2008 ¹⁾	2009	2010	Change 2010 vs. 2008
Revenues	15,864	15,110	15,786	-0.5%
Operating EBITDA	2,130	2,000	2,400	+12.7%
<i>EBITDA-Margin</i>	13.4%	13.2%	15.2%	+1.8%-P.
Operating EBIT	1,582	1,438	1,852	+17.1%
<i>ROS</i>	10.0%	9.5%	11.7%	+1.7%-P.
Economic Debt	6,627	6,024	4,915	-25.8%
Leverage factor	3.2	3.2	2.3	-0.9
Net financial debt / EBITDA	1.6	1.4	0.8	-0.8

Business and financial profile significantly improved over the past two years

1) excluding FIVE

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Financial strategy – Prudent financial policy defined in Executive Board guidelines on corporate financing

Rules for corporate financing

Preamble

“The financial targets should ensure a balance between financial risk, return on equity and growth. Group financing should be specifically oriented towards the requirements for attaining a “BBB+/Baa1” rating.”

Financial targets at a glance

Rating (Moody's / Standard & Poor's)	Baa1/ BBB+	Interest coverage ratio (Op. EBITDA ^{LF} / net interest expenses)	≥ 4.0x
Leverage factor (Economic debt ^{LF} / Op. EBITDA ^{LF})	≤ 3.0x	Equity ratio (Group equity / total assets)	≥ 25%

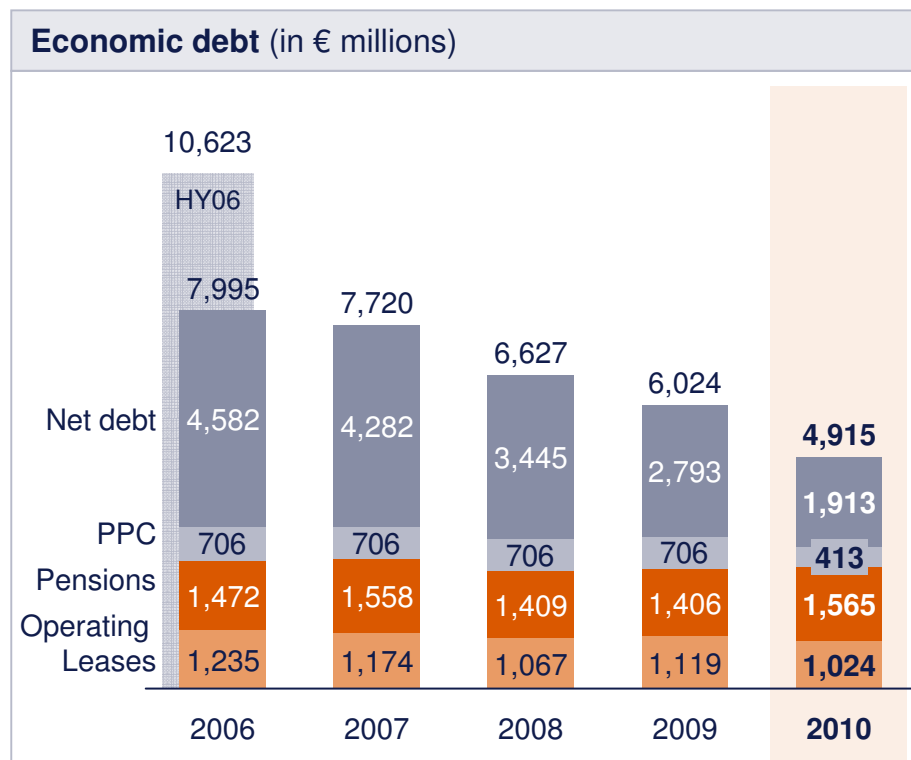
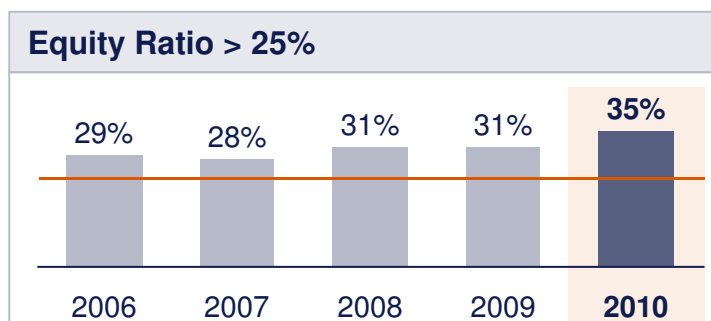
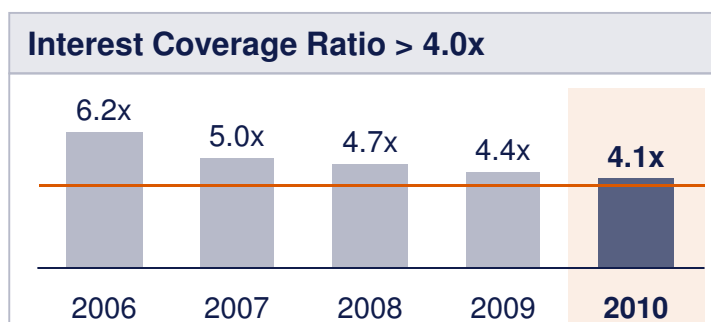
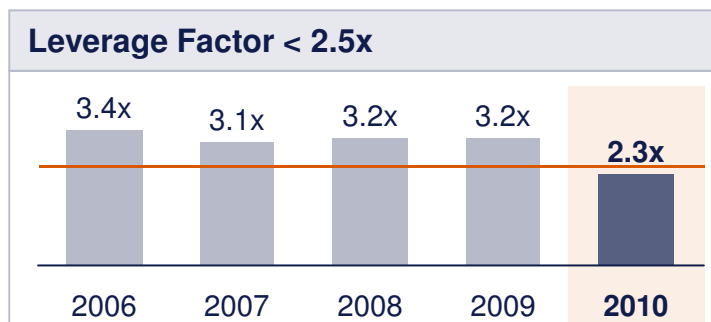
≤ 2.5x

Compulsory deleveraging

If limits are exceeded, management must present a plan designed to ensure that limits are achieved again within a maximum period of three years.

Leverage factor limit lowered to 2.5x to improve financial profile

Financial status – All key ratios met, significant debt reduction in FY 2010



STANDARD
& POOR'S

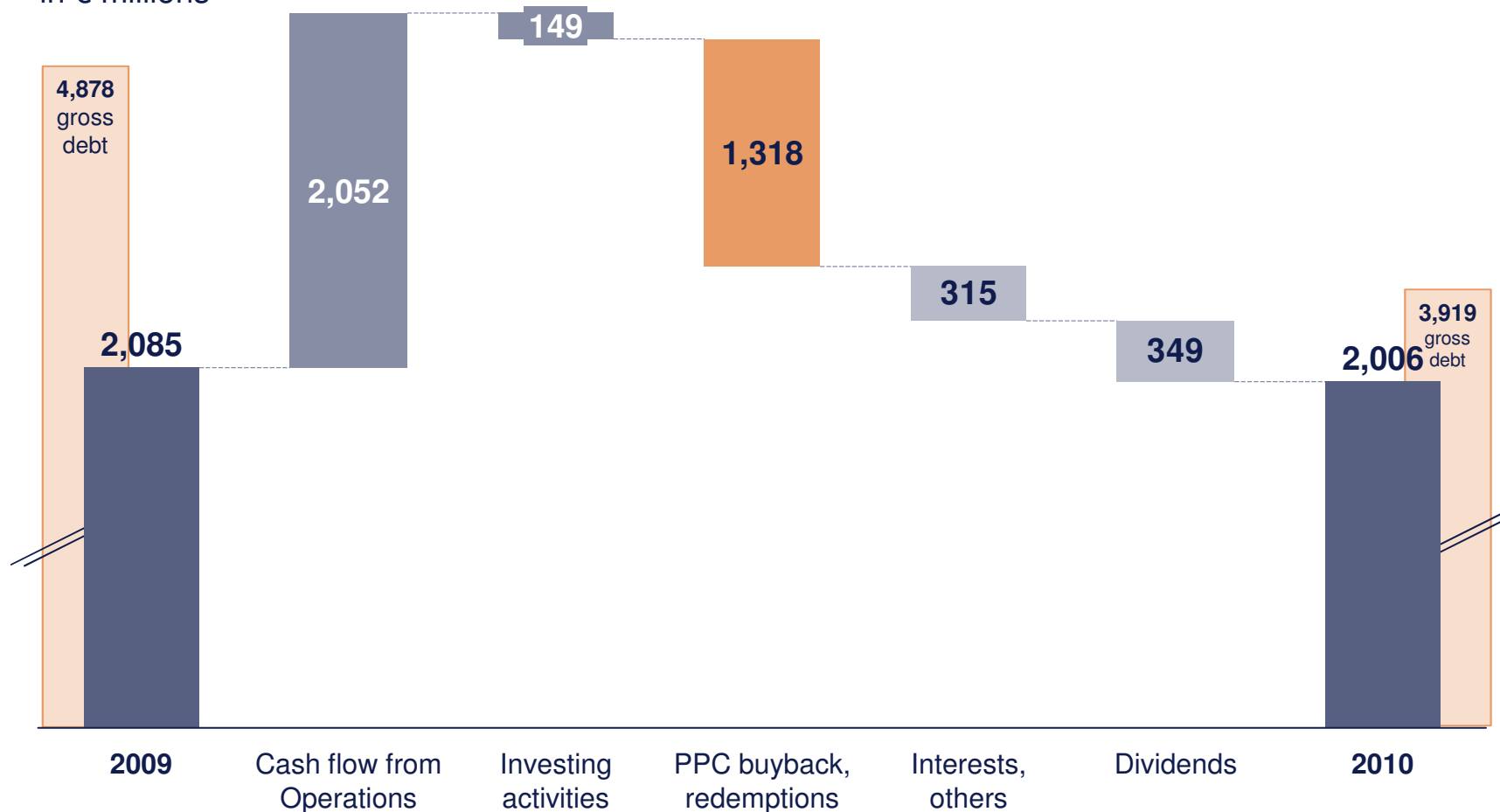


- BBB, stable Outlook

- Baa2, stable Outlook

Financial status – High liquidity position despite redemptions

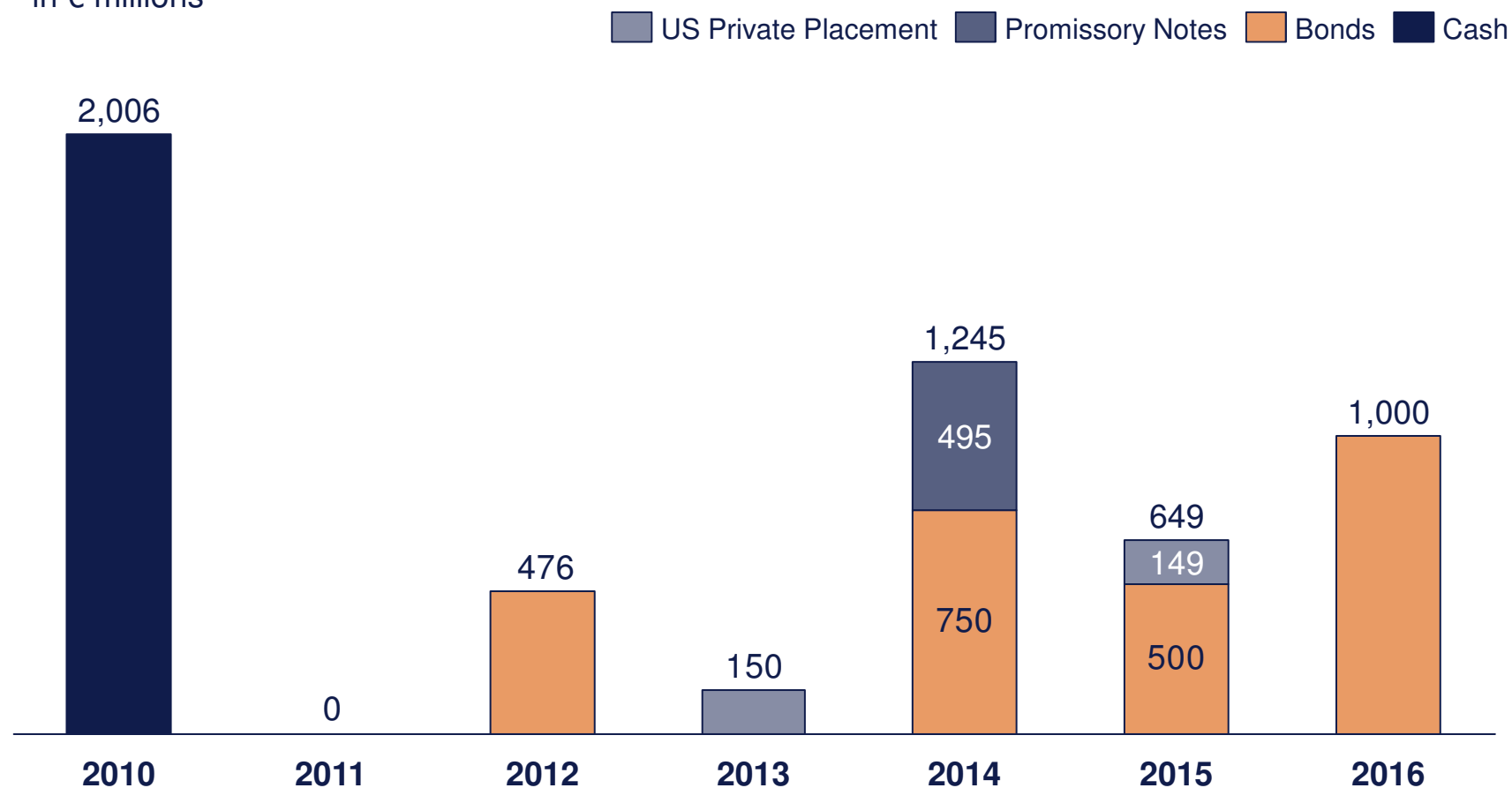
in € millions



Sufficient liquid funds for maturities in 2012 (476 €m), 2013 (200 \$m) and 2014 (1,245 €m)

Maturity profile – Well diversified, liquidity partly used for repurchases

in € millions



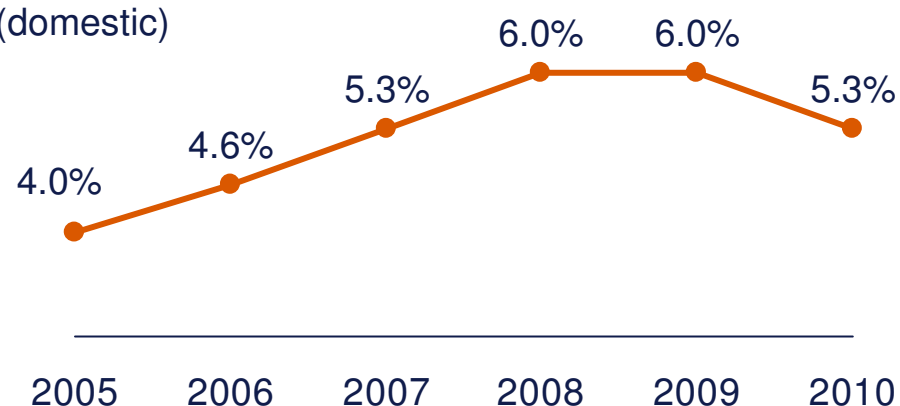
Average maturity of capital market debt is 3.9 years, average coupon of 5.3%

Pensions – Pension provisions increased primarily due to interest rate development

in € millions

	2007	2008	2009	2010
Defined Benefit Obligation ¹⁾	-2,695	-2,206	-2,298	-2,569
Obligations similar to pensions ²⁾	-139	-132	-125	-129
Gross liability recognized in the balance sheet	-2,834	-2,338	-2,423	-2,698
Fair value of plan assets	-1,282	930	1,020	1,137
Net liability recognized in the balance sheet	-1,552	-1,408	-1,403	-1,561
Other assets	-6	-1	-3	-4
Provisions for pensions and similar obligations	-1,558	-1,409	-1,406	-1,565

Discount rate (domestic)

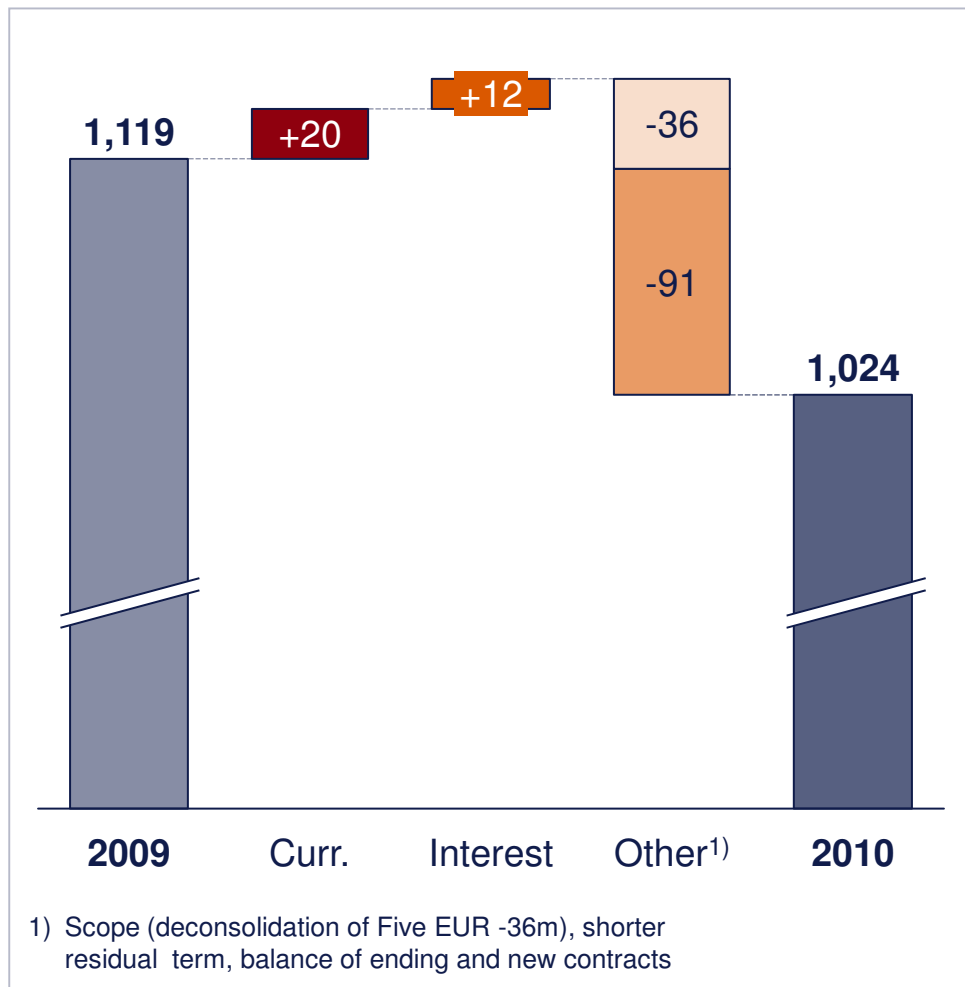


1) Incl. healthcare costs USA

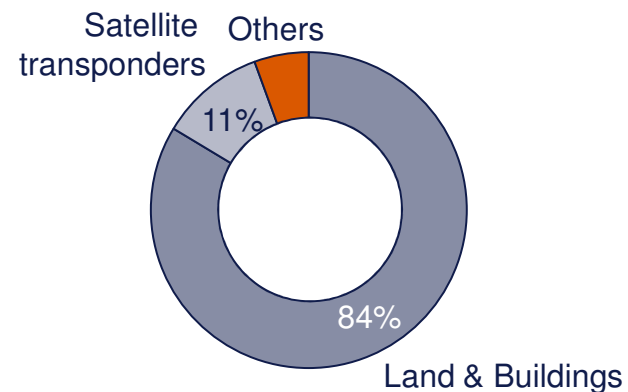
2) Partial retirement programs, employee service anniversaries, severance payments at time of retirement (primarily Italy, Austria)

Operating Leases – Development and allocation, mostly land and buildings

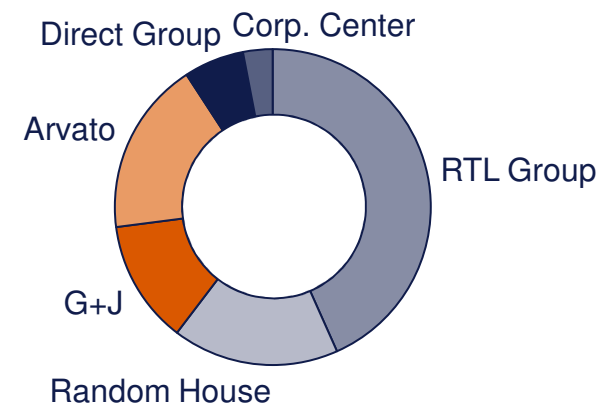
NPV, in € millions



Leases by nature



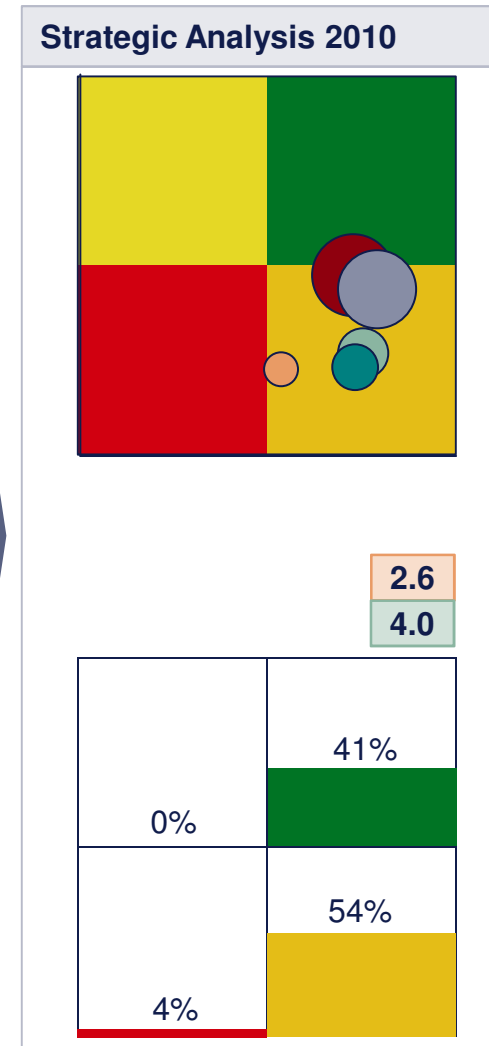
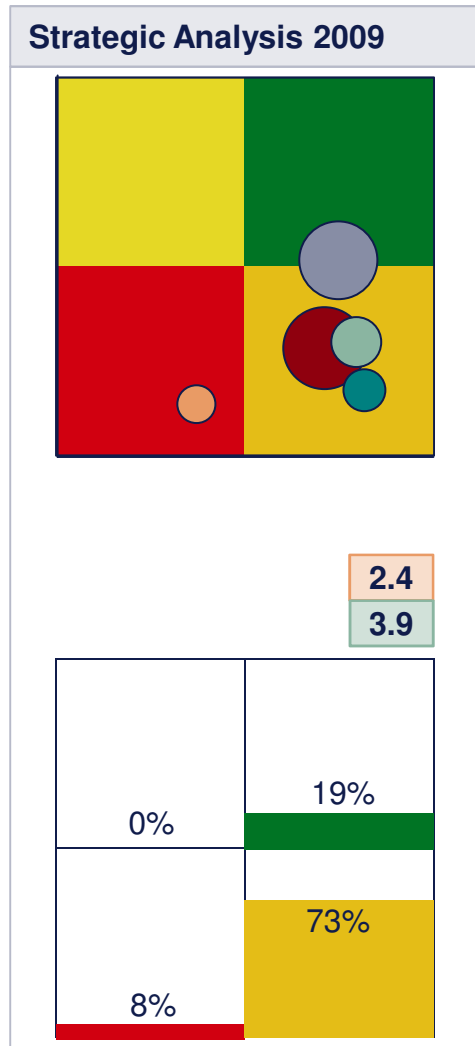
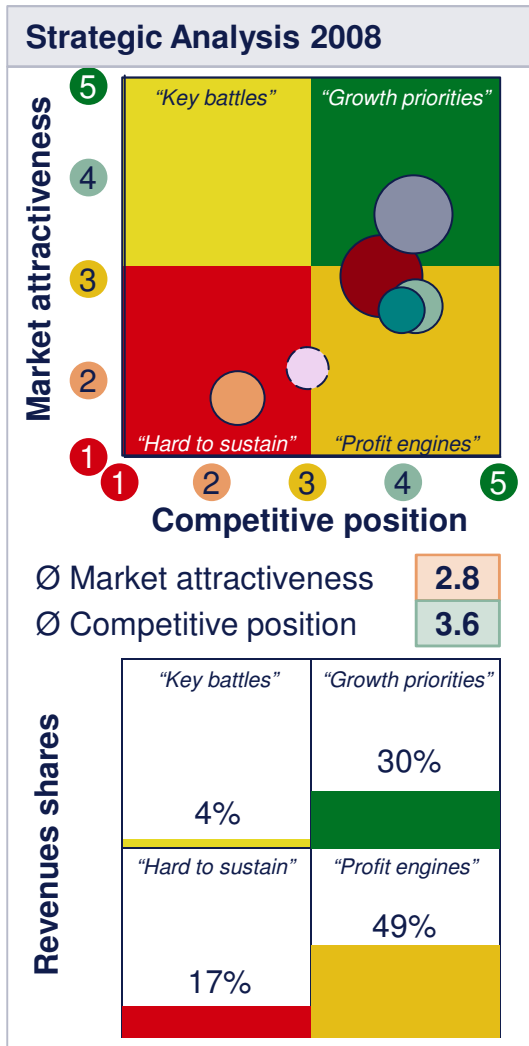
Leases by divisions



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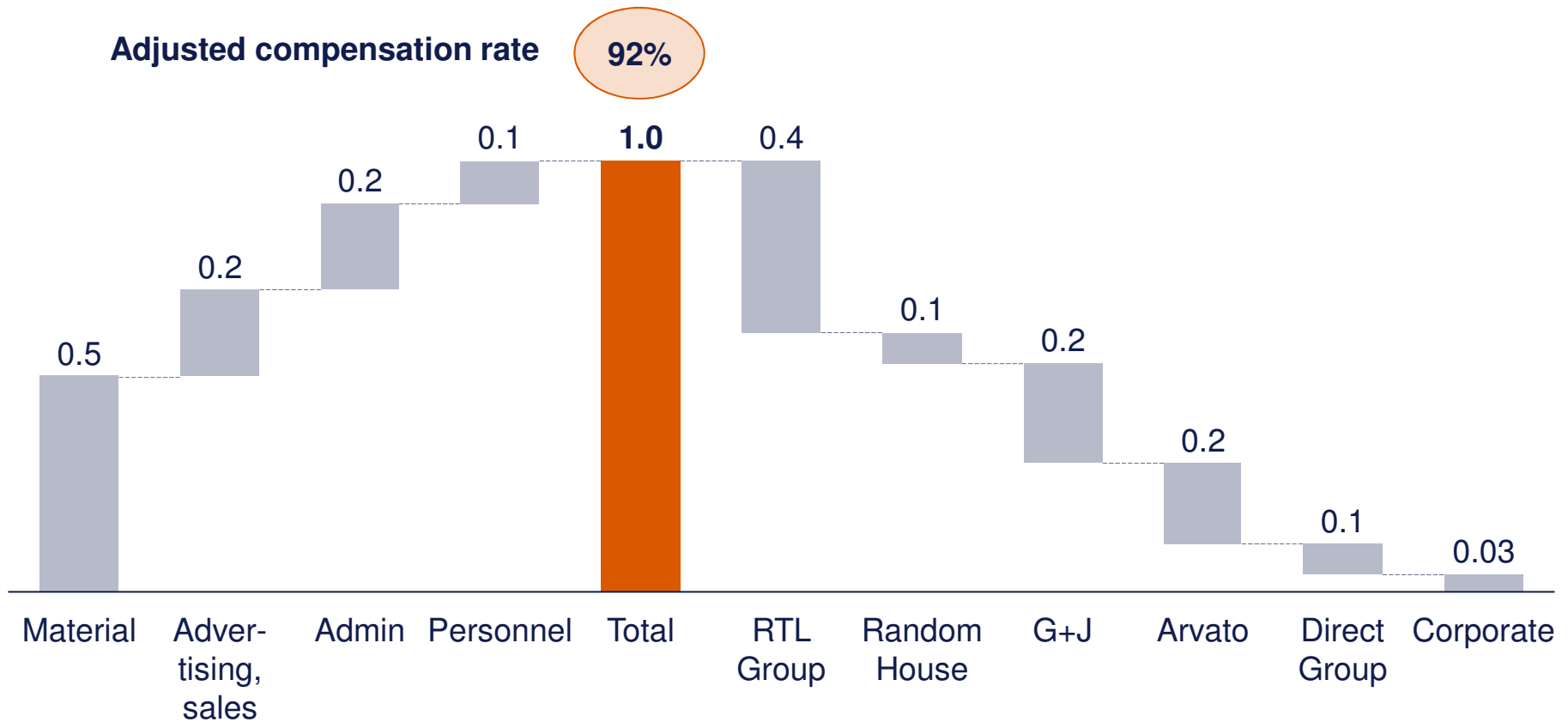
Strategic assessment – Competitive positions improved, businesses in challenging position largely divested



Optimizing operations - Core business strengthened continuously, especially during financial crisis











in € billions

○ Compensation rate = $\Delta \text{costs} / \Delta \text{revenues}$



Total savings of approx € 1bn achieved in FY 2009, high compensation rate

Portfolio optimization – Major divestments 2007-2010

Year		Portfolio measure	Revenues sold
2007		BMG Recorded Music	} Σ 3.2 bn €
2007		RTL Shop	
2007		GB III, FiS, Emotion	
2008		Direct Group NA	
2008		Clubs UK, NL, CN	
2008		Mobile, empolis	
2008		G+J Russia	
2009		Direct Group IT, PT	
2009		RH Korea, Japan	
2010		Direct Group ESP (JV Planeta)	
2010		Five	

Portfolio development– **Focus on four segments**



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Outlook – **Continued stabilization expected in 2011**

Outlook FY 2011

- » Economic **stabilization**
- » **Revenues** above previous year
- » Continued **optimization** of core businesses and portfolio review
- » **Return on sales** in the range of **11 percent**
- » **Group profit** to exceed **previous year's level**
- » Focus on **cash flow** and **target rating**