

PRESS RELEASE

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Bertelsmann initiates long-term reshaping

- **Four strategic approaches: consolidation, digital transformation, growth platforms and growth regions**
- **Group revenues increased to €15.3 billion in 2011**
- **At €1.75 billion, Operating EBIT remains stable at a high level**
- **11.4 percent ROS underscores profitability**
- **Group profit of €612 million affected by special items**
- **Significant increase in investments**
- **Outlook for 2012: moderate revenue increase and high Operating EBIT again**
- **Bertelsmann to change its legal form to SE & Co. KGaA**

Berlin, March 28, 2012 - In 2011, with Group revenues up slightly, a continued high operating EBIT and a return on sales of more than 11 percent, the international media company Bertelsmann laid a good foundation for the long-term reshaping of the Group under new leadership. Bertelsmann confirmed its previously announced key financials, with revenues of continuing operations rising 1.2 percent to €15.3 billion in the year under review (previous year: €15.1 billion). Organic growth was 1.7 percent. Operating EBIT reached €1.75 billion (previous year: €1.83 billion), remaining stable at a high level. The return on sales was 11.4 percent (previous year: 12.1 percent), once again demonstrating the profitability of the Group.

“We are in a good starting position for the next phase in the Group’s development,” said Thomas Rabe, Chairman and CEO of Bertelsmann AG since the beginning of the year. “Our primary goal is to grow the company faster, and to make it more digital and international. We plan to achieve this with four strategic approaches: First, by further consolidating and strengthening our portfolio. Second, by accelerating the transformation to digital of our core businesses. Third, by establishing new growth platforms. And fourth, by expanding into new geographic growth regions. On this basis, we will reshape Bertelsmann over the next five to ten years.”

In the first few months of his term in office, Rabe conducted a Group-wide dialog on the future direction of the company with managers and employee representatives from all of Bertelsmann’s key businesses and countries. Major strategic decisions during this time included the establishment of a new Executive Board seat for corporate development and new businesses, and the convening of an expanded executive committee with top managers from various divisions, which will advise the Executive Board on all matters of business development. Bertelsmann entered the rapidly growing global Education business and focused Arvato on high-growth service businesses by bundling major parts of the printing business. In April, Anke Schäferkordt will become the first female executive to take a seat on the Bertelsmann Executive Board.

Rabe: "We will channel a large share of our investments into new businesses that meet clear guidelines: They should have attractive long-term growth potential, be global, and benefit from developments in digital media. Examples of this are our successful music rights business and new activities in the field of education. At the same time, we will widen our footprint in countries like India, China and Brazil."

In fiscal 2011, positive impetus mainly came from the ad sales-driven businesses, particularly those of the RTL Group, as well as TV production, the rapidly growing e-book business and the service sector. This was offset by planned start-up losses for new businesses and a weak business performance of some of the printing operations, as well as declines in the replication and direct-marketing businesses. Thanks to high ratings and airtime bookings at RTL Group channels; numerous bestsellers at Random House; popular G+J magazine brands; and customized outsourcing solutions for businesses, Bertelsmann was able to maintain or improve its strong market positions.

During the reporting period, the portfolio was further strengthened by increases in existing holdings, and targeted acquisitions. The music rights company BMG, jointly operated with KKR, was fortified by the acquisition of music publishers and many new artist signings. Bertelsmann entered the education business by way of a fund structure, and will partner with universities to establish innovative education programs, initially in Europe and the United States, and later in emerging markets as well. Slow-growing businesses such as the French club and bookselling activities were sold; the previous year's figures have been adjusted accordingly. In 2011, all business units made progress in developing their digital activities. For instance, RTL Group generated around 1.9 billion video views with its on-demand services across Europe, and Random House has grown its e-book inventory to nearly 40,000 titles in English, German and Spanish.

In 2011 the TV, radio and television production group RTL Group consistently outperformed the market in its key ad sales markets and recorded numerous audience successes. TV production revenues increased. RTL Group's revenues and operating EBIT increased. Random House, the world's largest trade book publisher, maintained its strength in a challenging market environment, with a strong portfolio of titles and significant growth in its digital business. Revenues were down, partly due to currency-related effects, while operating EBIT increased significantly. Europe's leading magazine publisher Gruner + Jahr was particularly successful in Germany and increased its revenues. Operating EBIT fell due to development costs for digital projects, title innovations and a weak performance in the countries of southern and eastern Europe. The BPO provider Arvato increased its revenues thanks to its thriving IT services, financial services and customer care businesses in Europe. Operating EBIT remained stable.

Special items, primarily from businesses in structurally declining markets, were reflected in a reduced Group profit. At €612 million (previous year: €656 million), Group profit for 2011 was lower than forecast.

During the period under review, Bertelsmann significantly stepped up its investments again. Total commercial investments amounted to €1.1 billion (previous year: €0.8 billion). Nevertheless, the Group further reduced its net financial debt. By December 31, 2011 it was down to €1.8 billion from €1.9 billion a year earlier, and therefore was well balanced with profitability and cash flow. The broader economic debt remained unchanged at €4.9 billion. Operating free cash flow amounted to €1.7 billion (previous year: €2.1 billion), reflecting the increased investment activity.

"Overall, 2011 was a solid year," said Thomas Rabe. "Bertelsmann has once again proven operationally strong and profitable. We've enhanced many of our market positions, and will

share this success with the employees by distributing a profit participation and bonuses totaling €107 million for the past fiscal year.”

For the 2001 Profit Participation Certificates 15 percent of the basic amount will be paid out in early May 2012 in accordance with the participation certificates' terms and conditions. The payout for the "old" participation certificates from 1992 will amount to 7.37 percent (previous year: 7.23 percent).

Commenting on the outlook for the current year, Bertelsmann's CEO added: “Bertelsmann is off to a good start in 2012. If economic growth in our key markets is stable or slightly positive, we expect a moderate increase in revenues for 2012, with operating EBIT continuing high, return on sales at over 11 percent, and higher Group profit than in 2011.”

Furthermore, Bertelsmann is planning to change its legal form from *Aktiengesellschaft* (stock corporation) to *Kommanditgesellschaft auf Aktien* (KGaA; partnership limited by shares). The aim is to long term secure the company's continuity. It is specifically intended to convert to SE & Co. KGaA in order to document the international orientation of the Bertelsmann group. *Kommanditgesellschaft auf Aktien* is an often used legal form for businesses with a family-style ownership structure; the managing general partner will be a SE (Societas Europaea). The conversion will be an “identity-preserving change of legal form,” wherein the Group's ownership structure and corporate structure remain unchanged. Nor will anything change for the employees.

Other key financials:

BVA

The Bertelsmann Value Added (BVA), the Group's central performance indicator for evaluating the operating performance and return on invested capital, amounted to €356 million in 2011 (previous year: €378 million) – so Bertelsmann created value in the past fiscal year. The BVA measures income generated beyond an appropriate return on invested capital and is calculated as the difference between net operating profit after tax (NOPAT) and capital costs.

Special items

Special items in fiscal 2011 amounted to €-303 million after €-196 million a year earlier. They included write-downs and restructuring charges, mainly at the Greek Alpha Media Group, Arvato's printing and replication businesses, especially Prinovis, Gruner + Jahr's printing business in the U.S., and the reorganization of the Club and direct marketing businesses in the Corporate division.

Cash flow

During the reporting period cash flow generated from operating activities amounted to €1,791 million (previous year: €2,052 million). Long-term operating free cash flow, adjusted for one-off items, amounted to €1,728 million after €2,075 million in 2011, and reflects the increased investment activity. The cash conversion rate of 100 percent (previous year: 112 percent) was within the target range.

Total assets

Total assets at December 31, 2011 were €18.1 billion (previous year: €18.7 billion). The decrease is mainly due to lower cash and inventories, disposals and increased shareholdings in fully consolidated companies. The latter were responsible for the equity decrease from €6.5 billion to €6.1 billion, despite positive Group net income. The equity ratio was therefore 33.9 percent (previous year: 34.7 percent).

Investments

Commercial investments of €1,133 million in fiscal 2011 were well above the previous year (€811 million). Most of it was accounted for by RTL Group and Arvato, as well as a recapitalization of BMG.

Employees

At the end of the fiscal year, the Group employed 100,626 employees worldwide (previous year: 97,528). The increase of 3,098 employees is attributable to organic growth and acquisitions. At the end of the fiscal year 1,284 young people completed vocational training at Bertelsmann companies in Germany (previous year: 1,339).

Divisions:

RTL Group

Europe's leading entertainment company increased its revenues in 2011 despite advertising markets that were mostly stagnant or in decline. Operating EBIT remained stable at a high level. Revenues for the reporting period rose by 4.0 percent to €5.8 billion (previous year: €5.6 billion). Operating EBIT rose slightly by 1.7 percent to €1.1 billion (previous year: €1.1 billion). Return on sales was 19.3 percent (previous year: 19.7 percent). At the end of the year RTL Group employed 12,184 people (December 31, 2010: 12,339). The increase in revenues was mainly driven by a strong first-half performance, positive business developments at RTL Nederland, and the production arm Fremantle Media. While TV advertising markets in Western Europe stagnated in 2011 with the exception of the Netherlands, and fell slightly in Germany, the Southern and Eastern European countries saw significant declines. RTL Group stations consistently outperformed the market. RTL Group managed to sustain or extend its leading positions in viewer markets. In 2011 Mediengruppe RTL Deutschland revenues were up slightly and operating EBIT fell slightly below last year's record earnings. The flagship channel RTL Television expanded its leading position and, thanks to strong formats, further increased its viewer market share in the main target group to 18.4 percent (previous year: 18.1 percent) and in the total audience to 14.1 percent (previous year: 13.6 percent). In the French television market, M6 was the only major channel to increase its popularity in the overall audience. Groupe M6's main digital channel W9 also increased its ratings. The channels' increased income partly compensated for lower revenues from the group's diversified businesses such as e-commerce and soccer. Revenues were slightly below and operating EBIT slightly above last year's figures. RTL Nederland recorded strong growth in both revenues and operating EBIT. The audience shares of the broadcasting group around RTL 4 reached peak levels, which were successfully converted into significantly higher advertising revenues. At Fremantle Media portfolio effects and a positive business performance in North America boosted revenues. Operating EBIT remained stable with continued pressure on margins. The show formats produced by Fremantle Media achieved top ratings in all of the world's major television markets. In Hungary, RTL Group acquired seven cable channels and the remaining shares in the market-leading channel RTL Klub during the reporting period. RTL Group also bought up the remaining 26 percent of the Croatian television company RTL Hrvatska with the channels RTL Televizija and RTL2. As part of the rescission of a share exchange with Talpa Media

Holding, RTL Group also regained full ownership of RTL Nederland. In December 2011 the RTL Group Board of Directors decided to sell its 70 percent shareholding in Alpha Media Group and subsequently approved a corresponding sales agreement with fellow shareholder Dimitris Contominas. RTL Group continued to invest in the expansion of its digital lines of business, and recorded high traffic figures on its numerous online and on-demand platforms as well as its mobile offerings all over Europe.

Random House

In 2011, the world's leading trade book publishing group benefited from a strong title lineup and considerable digital publishing growth in a market challenged by restrained consumer spending and retailer insolvencies. Revenues were down slightly but the operating EBIT was higher year on year, especially in the United States. This rise was helped by continued cost-cutting measures and lower return rates in North America and the United Kingdom due to increased e-book sales. At €1.7 billion, revenue was down by 4.3 percent year on year (previous year: €1.8 billion), partly due to exchange rates. Operating EBIT improved by 6.9 percent to €185 million (previous year: €173 million), and the return on sales was 10.6 percent, after 9.5 percent in the previous year. At year-end, Random House had 5,343 employees (December 31, 2010: 5,264). The increasing availability of lower-priced e-reading devices and tablets contributed to the surging demand for Random House e-books, enabling the company to record triple-digit-percentage digital revenue growth and counterbalancing decreased sales of print books, especially in the English-speaking territories. Random House expanded its e-book portfolio to almost 40,000 titles in English, German, and Spanish by the end of 2011, and further developed its active publishing programs for apps and enhanced e-editions. Random House imprints published many of the world's biggest bestsellers in 2011. Their year's top title was "Inheritance," the fourth and final volume in the eponymous series by Christopher Paolini. For its first eight weeks, the novel sold more than three million hardcover, e-book, and audiobook editions. In the United States, the world's largest book market, Random House placed 228 titles on the "New York Times" bestseller lists, including 32 at #1. George R. R. Martin's five-volume fantasy series "A Song of Ice and Fire" sold over eight million copies in North America in 2011. The Random House Group UK delivered strong full-year results, and placed 39 #1 titles in the "Sunday Times" bestseller lists, the most of any publisher. In the German-speaking territories, Verlagsgruppe Random House maintained its leading position with numerous bestsellers and innovative digital content. Key successes include the year's bestselling German-language nonfiction hardcover, "Steve Jobs" by Walter Isaacson. The biography was also a leading bestseller for Random House Mondadori, which improved both its revenue and operating EBIT in the Spanish-speaking territories. During the reporting period, Random House acquired the US digital media agency Smashing Ideas and established new English, German, and Spanish print and e-book imprints. Random House successfully completed a consolidation of its floor space in its New York headquarters. Random House authors won numerous prestigious awards in 2011, including the Pulitzer Prize in Fiction for Jennifer Egan's "A Visit from the Goon Squad" and the Man Booker Prize for "The Sense of an Ending" by Julian Barnes.

Gruner + Jahr

Europe's leading magazine publisher increased its revenues in 2011. Operating profit softened, but remained high. Gruner + Jahr's 37.45 percent shareholding in the Prinovis gravure printing group was sold to its Group sister company Arvato with effect from July 1, 2011. Prinovis is retroactively shown in Arvato's accounts for the full year. G+J's figures, including the previous year's figures, have been adjusted accordingly. Gruner + Jahr reported a 1.2 percent increase in revenues to €2.3 billion (previous year: €2.3 billion). The increase was mainly driven by businesses in Germany and Brown Printing in the United States. Operating EBIT reached €233 million, 10.4 percent down from the previous year's figure of €260 million. This was due among other things to a rise in paper costs, development costs for digital projects and new titles, and a weak performance in Southern and Eastern

European countries. Return on sales was 10.2 percent in fiscal 2011 (previous year: 11.5 percent). Gruner + Jahr employed 11,822 people at year-end (December 31, 2010: 11,637). G+J Deutschland recorded a particularly positive performance. Operating profit reached record levels, and advertising and circulation revenues increased. In the advertising business, Gruner + Jahr gained market share again thanks to its premium brands. In France, revenues remained stable despite the economic downturn. Operating profit increased slightly. Gruner + Jahr reported a decline in revenues in the Austrian magazine business, where profits fell, mainly due to heavy investment in the news magazine "News." The continuing difficult market conditions in Spain resulted in lower earnings. The trend was positive in the Netherlands, however, where Gruner + Jahr increased its earnings, and its business activities in China showed further growth. The majority takeover of Maxposure Media Group India opened the door to the strategically important growth market of India. The transformation to digital was resolutely driven forward in 2011. For instance, as part of a multinational development project Gruner + Jahr worked on future ways, business models, and technologies to present journalistic content on digital platforms. G+J brands' digital offerings continued to develop positively. The digital marketing business of G+J EMS and the continued internationalization of the EMS subsidiary Ligatus led to significant revenue growth. Also gratifying was the expansion of activities in the growing field of corporate publishing. Dresdner Druck- und Verlagshaus increased its revenues slightly and remained highly profitable. In the United States, Brown Printing recorded increasing revenues in a persistently challenging market but was unable to maintain last year's earnings. The work of numerous G+J journalists won many prizes and awards during the reporting period.

Arvato

In 2011 the global BPO services provider Arvato grew its revenues thanks to thriving IT services, financial services, and customer care businesses in Europe. Operating profit remained stable despite weak performances by businesses in South America and the United States as well as higher costs for energy and raw materials. With effect from July 1, 2011, Arvato took over the 37.45 percent shareholding in the Prinovis gravure printing group previously held by its sister Bertelsmann division Gruner + Jahr. Prinovis is retroactively shown in Arvato's accounts for the full year. The direct marketing company Inmediaone was assigned to the club and direct marketing businesses in the Corporate division, where it is retroactively shown in the accounts for the entire year. Arvato's figures, including last year's, have been adjusted accordingly. During the period under review, Arvato increased its revenues by 2.5 percent to €5.4 billion (previous year: €5.2 billion). Operating EBIT was €341 million, down 1.7 percent from the previous year's figure of €347 million. Return on sales was 6.4 percent (previous year: 6.6 percent). Arvato employed 68,325 people at year-end (December 31, 2010: 65,182). Arvato continued its strategy of offering integrated services chains in all segments and improved its market position in key growth markets and industries as a result. The division won many major new customers and expanded its business with existing customers. Arvato recorded strong growth in China, where it further expanded its nationwide logistics network. In India the supply chain management business expanded, while in South America new service centers were built for major clients in the telecommunications and Internet sectors. In the field of government services, another administrative district in the United Kingdom was gained as a customer: Slough Borough Council. In France, Arvato supports public-sector customers with solutions for digital business transactions and digital archiving. In financial services, Arvato won the German Insurers Association as a new major customer, while the e-commerce business grew with renowned new clients in the cosmetics, fashion and retail sectors. The DeutschlandCard multi-partner program expanded its network of acceptance points and had nearly two million program participants at the end of the year. The expansion of integrated solution offers in the business fields of digitization, archiving, merchandising, and electronic software distribution was further advanced. With Grundy UFA and Schweizer Radio und Fernsehen (SRF), two major new customers now rely on Arvato's integrated archiving solutions. In electronic

software distribution, the range of services handled for the Microsoft Store was expanded. The printing operations showed a stable performance overall in a market environment that remains challenging, while the storage media business with clients in the entertainment industry declined. Arvato's tailor-made customer solutions won numerous industry awards in Germany and other countries in 2011.

Corporate

The Corporate division, which includes the Corporate Center with all the central locations of the Bertelsmann Group as well as Corporate Investments, recorded revenues of €382 million in 2011 (previous year: €524 million) and operating EBIT of €-125 million (previous year: €-62 million). The dip in earnings is due to scheduled start-up costs for the expansion of the BMG music rights company jointly operated with KKR and to declines in the club and direct marketing businesses, which were retroactively assigned to Corporate Investments with effect from January 1, 2011. During the course of the year, the direct marketing company Inmediaone, which was previously owned by Arvato, was also allocated to these businesses. The previous year's figures were adjusted in both cases. The Corporate division had 2,952 employees at year-end (December 31, 2010: 3,106). The club and direct marketing businesses were further significantly reduced in 2011. The French-language operations (formerly Direct Group France) were sold to the investor Najafi Companies. The retail businesses in the German-speaking countries were continued, as were the Club operations in Spain in a joint venture with the Planeta Group. Club revenues declined notably during the reporting period. In Germany, the Club actively countered this trend by opening its shops to all end users. Inmediaone's direct-to-customer sales also saw substantial falls in revenue and profits as well as a negative result. The music rights company BMG continued on its expansionist course. BMG successfully completed the acquisition of the renowned British music publisher Chrysalis and also acquired the Los Angeles-based music publisher Bug Music. BMG signed new contracts with many famous artists over the course of the year and now manages the rights to about one million compositions and recordings. The company has been provided with additional capital by the shareholders. The Bertelsmann Digital Media Investments (BDMI) and Bertelsmann Asia Investments (BAI) funds, which belong to Corporate Investments, greatly expanded their portfolio and had a total of 43 holdings on the reporting date. BDMI primarily invested in venture capital funds in Spain, Italy, and France in order to gather know-how and build networks. BAI's new investments include the Asian online marketer "iClick" and the social media platform "Douban", which is synonymous with lifestyle topics in China and reaches an audience of millions. In 2011 Bertelsmann prepared the opening of another central location in India to support the expansion of business activities in this rapidly growing market. India now complements the Corporate Center offices in Beijing, New York, and Gütersloh. Bertelsmann also has representative offices in Brussels and Berlin.

Overview of figures (in € millions)

	2011	2010
Consolidated revenues	15,253	15,065
Operating EBIT divisions	1,880	1,882
Corporate/consolidation	(134)	(57)
Operating EBIT continuing operations	1,746	1,825
Special items	(303)	(196)
EBIT	1,443	1,629
Financial result	(397)	(528)
Earnings before taxes from continuing operations	1,046	1,101
Income taxes	(313)	(249)
Earnings after taxes from continuing operations	733	852
Earnings after taxes from discontinued operations	(121)	(196)
Group profit	612	656
attributable to Bertelsmann shareholders	465	478
attributable to non-controlling interests	147	178

Economic investments	1,133	811
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	Balance as of 12/31/2011	Balance as of 12/31/2010
Net financial debt	1,809	1,913
Economic debt	4,913	4,915
Employees (in absolute numbers)	100,626	97,528

The comparative figures for the previous period have been adjusted.

Division	Revenues		Operating EBIT	
	2011	2010	2011	2010
(in € millions)				
RTL Group	5,814	5,591	1,121	1,102
Random House	1,749	1,828	185	173
Gruner + Jahr	2,287	2,259	233	260
Arvato	5,357	5,225	341	347
Total divisions	15,207	14,903	1,880	1,882
Corporate/consolidation	46	162	(134)	(57)
Total Group	15,253	15,065	1,746	1,825

About Bertelsmann AG

Bertelsmann is an international media company whose core divisions encompass television (RTL Group), book publishing (Random House), magazine publishing (Gruner + Jahr), and services (Arvato) in some 50 countries. In 2011, the company's businesses, with their more than 100,000 employees, generated revenues of €15.3 billion. Bertelsmann stands for a combination of creativity and entrepreneurship that empowers the creation of first-rate media, communications, and service offerings to inspire people around the world and to provide innovative solutions for customers.

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