

PRESS RELEASE

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Bertelsmann is growing and progressing in reshaping the Group

- **Advances with all four strategic priorities**
- **Digital businesses and international footprint expanded**
- **Group revenue increased to €16.1 billion in 2012**
- **Operating EBIT at €1.74 billion high level**
- **Group profit increased to €619 million despite special items**
- **Sustained further revenue growth expected**

Berlin, March 26, 2013 – Bertelsmann has made good progress in reshaping the Group, and for the ongoing process can rely on strong financials for 2012: growth in revenues, a stable operating EBIT, and a slight increase in Group profit. In the years ahead, Bertelsmann is targeting for continued organic and acquisition growth. First steps are the planned combination of Random House and Penguin as one of the world's leading book publishers; the complete ownership of the music rights company BMG; and the establishment and expansion of new, mainly digital, businesses in sectors and regions with high-growth potential.

Bertelsmann Chairman & CEO Thomas Rabe said: “Bertelsmann is undergoing a fast-paced and sustained process of change. In 2012, and in the first months of this year, we made important strategic decisions for improving our growth profile. This will have a positive impact already in this current year: Both the future combination for our book publishing business and the BMG full acquisition, once the regulatory approvals have been received, will result in significant additions to our revenues. We will maintain this accelerated pace, particularly in the expansion of our growth platforms, such as television production, financial services, rights management, and education. Additionally, we plan to launch business information as a new area of enterprise. All these measures are aimed at making Bertelsmann a faster-growing, more digital, and more international company over the next few years. We are well on track to achieve this.”

Success in implementing the strategy

Rabe stressed that in implementing its strategy, Bertelsmann had made progress in all four defined priorities: strengthening the core, digital transformation, development of growth platforms, and expansion in growth regions. “For our **core business**, we have put ourselves at the forefront of consolidation in the book market. At the same time, we have expanded access to the Latin American book markets with the full-ownership purchase of Random House Mondadori. RTL Group strengthened its core with several initiatives, among them launching five new TV channels in Europe and Asia - more than ever before in a single year,” said Rabe.

Regarding **digital transformation**, he referred to the rapid expansion of next-generation TV and the growing success of RTL's video-on-demand platforms, which generated 2.4 billion views across Europe in 2012. Random House has expanded its e-book portfolio to 47,000 titles, and Arvato is growing with major digital customers, he said. At Gruner + Jahr, the expansion of digital offerings is accelerating, especially in the digital ad sales sector.

Growth platforms, i.e. existing or new businesses with good growth prospects, are being given preferential treatment in Bertelsmann's investments, Rabe said. He cited as an example the music rights business, which has been expanded both organically and by acquiring catalogs and labels. "In the music business, BMG makes us a leading player again," said Rabe. He added that the new education business, which Bertelsmann entered over a year ago, was also developing positively, and that Bertelsmann has already built up a promising investment portfolio in the U.S. and Europe, with further investments planned. Rabe emphasized that, like the music rights management business, education has the potential to become a new Bertelsmann division.

Business activities in **growth regions** such as China, India and Brazil were expanded considerably during the year, as the divisions stepped up their operations in these territories. RTL Group launched its first channel outside Europe in India; Gruner + Jahr recorded its most successful year in China; and Arvato increased its China revenues to over €100 million. In addition to the Corporate Center in Beijing, two more were opened in New Delhi and Sao Paulo in 2012 to support and accelerate local business expansion.

"After divesting low-growth businesses in recent years, with the associated decline in revenues, Bertelsmann is back on the growth path. We will make every effort to consolidate this upswing. We will use innovative financing models, like the combination of our book business with a strong partner such as Pearson, or the successful buildup of BMG. Also, as announced, we are currently examining the possibility of reducing our shareholding in RTL Group while retaining our qualified majority," said Rabe.

Double-digit return on sales in 2012

Positive impetus in 2012 mainly came from the Random House book-publishing group's strong portfolio of bestsellers, from the German TV business, and growing services businesses. In a difficult economic environment, Group revenue in 2012 grew by 4.5 percent to €16.1 billion (previous year: €15.4 billion); organic growth was 3.1 percent. The year's operating EBIT of €1.74 billion was nearly on par with the high level of the prior year (previous year: €1.76 billion). Record results from important divisional profit centers contributed to this: for example, from the book sector overall; Mediengruppe RTL Deutschland; Gruner + Jahr's China business; and Arvato Infoscore's financial services unit. This was offset by declining sales in some major advertising markets – especially in the print sector – and scheduled expenditure for reshaping the Group.

The return on sales of 10.8 percent (previous year: 11.4 percent) demonstrates that profitability remains at a good level. Despite the impact of high special items, mainly in structurally declining businesses like printing, replication, and direct marketing, as well as the media businesses in Southern Europe, Group profit increased slightly to €619 million after €612 million in the prior year.

Thanks to high operating free cash flow during the reporting period, net financial debt was down about one-third at year-end to €1,218 million (previous year: €1,809 million). Broader economic debt declined to €4,778 million after €4,913 million in the prior year; the drop was less pronounced here as pension provisions were increased due to the lower discount rate. The adjusted operating free cash flow amounted to almost €1.9 billion (previous year: €1.7 billion).

Bertelsmann CFO Judith Hartmann said: “Bertelsmann looks back on a good financial year, with a strong operating performance and organic growth. Our company is very profitable and enjoys a solid financial position.”

Employees will participate in this success and will receive profit participation totaling €92 million for the last business year.

For the 2001 Profit Participation Certificates, 15 percent of the basic amount will be paid out on May 7, 2013 in accordance with the participation certificates' terms and conditions. The payout for the “old” participation certificates from 1992 will amount to 7.39 percent (previous year: 7.37 percent).

With a view to the current business year, Bertelsmann CEO Thomas Rabe declared: “Bertelsmann had a solid start to the new year.” He said Bertelsmann was confident of obtaining the necessary regulatory approvals for both Penguin Random House and BMG in the next few weeks and months.

Excluding these transactions, given the low overall economic growth in the euro region, a normalized business development at Random House, and increased investment in reshaping the Group, Bertelsmann expects a stable or slightly declining business performance in 2013, with return on sales remaining in the double digits.

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 €364 million in the reporting year after €359 million in the prior year – thus Bertelsmann's return on invested capital well exceeded its cost of capital.

Special items

Special items in financial 2012 increased to €-405 million after €-322 million during the prior year. The structurally declining print, replication and direct-marketing businesses, along with the Southern European media businesses, were responsible for most of this, in the amount of €-312 million (previous year: €-332 million). The partial closure of the business media publishing division at Gruner + Jahr resulted in special items of €-47 million. Impairments primarily concerned Gruner + Jahr's Spanish operations and the Spanish TV channel Antena 3.

Cash flow

During the reporting period cash flow generated from operating activities amounted to €1,876 million (previous year: €1,791 million). Long-term operating free cash flow, adjusted for non-recurring items, amounted to €1,861 million after €1,728 million in 2011. The cash conversion rate of 107 percent (previous year: 100 percent) was well above the target range.

Total assets

Total assets at December 31, 2012 increased to €18.9 billion (previous year: €18.1 billion). The increase is mainly due to higher cash and cash equivalents at €2.7 billion (previous year: €1.8 billion). Equity was on par with the prior year at €6.1 billion. The equity ratio declined slightly from 33.9 percent in the prior year to 32.2 percent in 2012, mostly due to the increase in total assets.

Investments

As expected, total investments of €655 million in financial 2012 were below the previous year's high level (€956 million). Most of it was accounted for by investments in tangible assets at Arvato, the acquisition of film rights by RTL Group, and the purchase of full ownership of Random House Mondadori.

Employees

At the end of the financial year, the Group employed 104,286 employees worldwide (previous year: 102,752). The increase of 1,534 employees is attributable to organic growth and acquisitions. In financial 2012, 1,254 people completed vocational training at Bertelsmann companies in Germany (previous year: 1,284).

Divisions:

RTL Group

The leading European entertainment network faced a challenging economic environment in 2012. With the exception of Germany, TV advertising markets declined in almost every European country. RTL Group increased its revenues, while operating EBIT was slightly down year on year. Revenues increased by 3.2 percent to €6.0 billion in the reporting period (previous year: €5.8 billion), while operating EBIT declined by 5.0 percent to €1.1 billion (previous year: €1.1 billion). Return on sales was 17.7 percent (previous year: 19.3 percent). At year-end, RTL Group had 11,931 employees (December 31, 2011: 12,184). The Group underwent a change in leadership: Anke Schäferkordt and Guillaume de Posch have led RTL Group as co-CEOs since mid-April 2012.

The increase in revenues was primarily driven by the production arm Fremantle Media and a strong performance by Mediengruppe RTL Deutschland. Germany's record operating EBIT was offset by the effects of decreasing advertising markets in all other territories. RTL Group maintained its leading position in the audience markets despite increasing fragmentation and the broadcast of sporting events such as soccer's European Championships and the Summer Olympics on competing channels. Advertising market shares were added in Germany and France.

Mediengruppe RTL Deutschland had its best business year ever, increasing its revenues as well as – and especially – its operating profit. The flagship company RTL Television maintained its market leadership in its main target demographic for the 20th consecutive year, retaining a significant lead over the competition. In April 2012, the unit successfully launched free-to-air digital channel RTL Nitro. In France, decreasing advertising sales impacted Groupe M6 revenues and earnings. Operating EBIT was also impacted by higher program costs for soccer's European Championships. Meanwhile, the main channel, M6, increased its total audience share. In December, Groupe M6 launched the new digital channel 6ter. At RTL Nederland, reported lower revenues, and operating EBIT declined due to its exit from the radio business. The Dutch family of channels with the flagship RTL 4 maintained its clear market leadership among young viewers.

At Fremantle Media, a positive business performance, particularly in North America, and exchange rate effects led to increasing revenues, while operating EBIT declined slightly. Fremantle Media's show formats achieved high ratings in all major television markets. The company has been under the leadership of Cécile Frot-Coutaz since July.

RTL Group's online platforms and mobile applications recorded steep growth and high traffic figures. The Group's channels also launched a number of new digital offerings. Fremantle Media developed several YouTube special-interest channels with professionally produced video content. In February, the sale of RTL Group shares in Greece's Alpha Media Group was completed. In Spain, Grupo Antena 3 merged with its competitor La Sexta in October.

Random House

The world's leading trade publishing group harnessed the power of its content portfolio, most notably the "Fifty Shades" trilogy, to achieve a record financial year in 2012. Revenues increased 22.5 percent to €2.1 billion (previous year: €1.7 billion), and operating EBIT rose significantly by 75.7 percent to €325 million (previous year: €185 million). Return on sales was 15.2 percent after 10.6 percent in the previous year. At year-end 2012, Random House had 5,712 employees (December 31, 2011: 5,343). In late October, Bertelsmann and Pearson announced the future combination of their trade book publishers, Random House and Penguin. Pending antitrust approvals, the transaction is scheduled to close in the second half of 2013.

During the reporting period, Random House posted year-on-year increases in revenue and operating EBIT across all its territories. Growth was driven primarily by numerous bigselling titles, with cost management, a lower returns rate, and currency effects impacting favorably on the results. From March to December 2012, Random House's English- German- and Spanish-language publishing divisions sold more than 70 million print, audio, and e-book editions of E L James's "Fifty Shades" trilogy, making it the fastest-selling series in the company's history.

The James novels were the year's biggest sellers in the United States, the world's largest book market, where Random House placed 252 titles on the 2012 "New York Times" bestseller lists, including 33 at number one. Among other top US titles were "Gone Girl" by Gillian Flynn; "Thomas Jefferson" by Jon Meacham; and John Grisham's "The Racketeer." Random House Group UK contributed 28 number one bestsellers and almost one-quarter of all titles on the "Sunday Times" bestseller lists, led by the "Fifty Shades" trilogy; "A Wanted Man" by Lee Child; Rod Stewart's autobiography "Rod"; and "Private Games" by James Patterson. Germany's Verlagsgruppe Random House recorded growth in a flat book market; results were lifted by paperback and e-book sales revenues. In the Spanish-language markets, Random House Mondadori also improved its revenues and operating EBIT despite the ongoing economic crisis in Spain. The publishing company has been wholly owned by Random House since December 2012: Bertelsmann acquired Mondadori's 50 percent stake in the company in order to expand Random House's position in Spain, as well as its access to the growing book markets of Latin America.

Random House further underscored its cutting-edge role in the transformation to digital with the expansion of its e-book catalogue to over 47,000 titles, the launch of author portals, new apps, and the increasing integration of social media in its book marketing. Random House authors won numerous prestigious awards in 2012, including a U.S. National Book Award for Katherine Boo's "Behind the Beautiful Forevers."

Gruner + Jahr

In 2012, the magazine publishing company Gruner + Jahr recorded a moderate drop in revenues and a marked fall in operating profit as the advertising markets declined. Revenues came to €2.2 billion after €2.3 billion in the previous year (-3.0 percent). Operating EBIT fell by 27.9 percent to €168 million (previous year: €233 million), also because of increased investment in the transformation to digital, new businesses, and structural adjustments. Return on sales was 7.6 percent (previous year: 10.2 percent). At year-end, Gruner + Jahr employed 11,585 people (December 31, 2011: 11,822). In September 2012 a change of leadership took place at Gruner + Jahr, and the company has since been jointly run by Julia Jäkel, Torsten-Jörn Klein, and Achim Twardy.

G+J Germany did not match the previous year's record results. While sales revenues were largely stable, the advertising business declined. The positive advertising and sales performance of several G+J titles and successful new launches such as "Couch" and "Women's Health" only partially offset this. Due to a lack of economic prospects, the business paper "Financial Times Deutschland" was discontinued in December. The associated high one-time expenses are included under special items. The titles "Impulse" and "Börse Online" were subsequently sold. The business magazine "Capital" will be continued in Berlin with a new editorial concept. The "Agenda" and "Life" publishing groups were restructured during the reporting period.

Gruner + Jahr's digital marketing agency EMS and the performance marketer Ligatus recorded dynamic growth; Ligatus also advanced its internationalization by entering the market in Turkey. Gruner + Jahr continued to work intensively on making its content and marketing offers available on all digital channels.

In France, Gruner + Jahr gained advertising and reader market shares in a tough economic environment. The transformation to digital was driven forward with several acquisitions and organic expansion. Against the backdrop of a structural decline in sales revenues, Prisma Média's revenues and earnings were slightly below the previous year's level. Verlagsgruppe News in Austria saw an advertising sales-related fall in revenues and earnings, and operations in Southern and Eastern Europe developed negatively in light of the continuing poor economic conditions. G+J Uitgevers in the Netherlands reported a solid revenue performance and strengthened its position in the fashion and beauty segment with the launch of the magazine "Vogue." Gruner + Jahr performed well in Asia and further expanded its operations in India by acquiring the online and mobile marketers Networkplay and Seventynine. In China, the publishing group significantly expanded its corporate publishing business and achieved a record result overall.

Dresdner Druck- und Verlagshaus once again reached a high level of revenues and earnings by successfully developing new business. The Brown Printing Company in the United States grew its revenues and earnings due to currency effects. Numerous G+J journalists and authors won awards for their work during the reporting period.

Arvato

Arvato, the global business process outsourcing service provider, recorded dynamic revenue growth and a decline in operating EBIT in 2012. During the reporting period, the company's operations were reorganized to reinforce Arvato's focus on the high-growth services sector. The gravure printing operations and the international printers were spun off as of January 1, 2012, and now form the new Be Printers division. All figures, including those of the previous year, have been adjusted accordingly. Arvato is concentrating on the establishment and expansion of its businesses in the core European countries, as well as on global high-tech and Internet customers, e-commerce services, financial services, and emerging markets, particularly China. In November 2012, a change in leadership was announced: Rolf Buch left the company at year-end. Achim Berg will replace him as head of Arvato on April 1, 2013.

In 2012, Arvato's revenues increased by 5.9 percent to €4.4 billion (previous year: €4.2 billion). Operating EBIT fell by 10.4 percent to €241 million (previous year: €269 million). Return on sales was 5.4 percent after 6.4 percent the previous year. Arvato employed 63,818 people at year-end (December 31, 2011: 61,257). Growth was mainly driven by IT services at Arvato Systems, Arvato Infoscore's integrated financial services in Europe, and the services business in North America and China. As expected, revenues from storage media replication continued to decline. Among other things, the operating EBIT reflects start-up losses in connection with the expansion of new businesses, including in the area of e-commerce.

Arvato significantly improved its position in key growth markets and industries in 2012. In China, the company significantly expanded its in-house logistics network, and its services business developed dynamically. In India, too, it expanded existing business relationships and acquired new customers. In the core European markets, Arvato recorded a satisfactory business performance given the difficult economic situation, particularly in Southern Europe. Revenues from customers in the North American IT and high-tech industry increased significantly. For instance, Arvato took over the entire digital distribution process of the new operating system, Windows 8, for Microsoft. In the field of government services, Arvato entered into another major public-private partnership project with Slough Borough Council in the UK, and in France innovative solutions were realized for public sector businesses and institutions. In the financial services segment, Arvato recorded profitable growth, among other things from new products such as online payment solutions, as well as through the establishment and development of innovative services for companies in the energy and utility industries.

Be Printers

Be Printers was established in 2012 when major printing activities were spun off from the Arvato division, and it has bundled the Group's gravure operations (including Prinovis) in Germany, the UK, and Southern Europe, as well as Bertelsmann's offset printing plants in Southern Europe, the United States, and Colombia. Bertram Stausberg has simultaneously managed Be Printers and Prinovis since May 2012. The division recorded largely stable revenues and a decline in operating profit in a difficult market. All figures for the previous year are presented on a comparable basis. Revenues for the financial year amounted to €1.2 billion, 2.1 percent less than in the previous year (€1.2 billion). Operating EBIT declined by 16.7 percent to €60 million (previous year: €72 million). Return on sales amounted to 5.1 percent (previous year: 6.0 percent). At year-end Be Printers employed 6,380 people (December 31, 2011: 7,068).

In the period under review, the Be Printers printing businesses were significantly affected by a fall in demand due to the increasing redistribution of advertising budgets to digital channels and declining print runs, as well as by continued price erosion due to high excess capacity. In the UK, upheavals faced by a major customer had a further negative effect. In Southern Europe, the repercussions of the local economic crisis also impacted the printers.

Be Printers responded by initiating programs to boost efficiency and reduce costs; expanding its range; and leveraging synergies. Also, a new digital press at OPM in the United States and more efficient rotary presses at German Prinovis locations served to increase competitiveness. The reduction of useful life for property, plant and equipment had a negative impact on earnings. The Prinovis gravure group cushioned the negative market effects with cost management, improved sales activities, and the development of new products and services. The increasing market adjustment also had a positive impact on sales. Overall, however, Prinovis saw a decline of its revenues and earnings. The Southern European printers also operated in a challenging market environment. In the reporting period a new management structure was introduced to create synergies and sales advantages. While the Spanish printers held their own comparatively well, the Italian offset printing firm

Arti Grafiche and the Arti Grafiche Johnson calendar business were under considerable pressure. There were staff cuts in the offset sector. Printer Portuguesa was sold during the reporting period. In the United States, Be Printers was able to win major new customers; however, the business showed a decline after adjustments for exchange rates. The concentration of machines and staff at the Berryville site generated positive cost effects.

Corporate Investments/Corporate Center

In 2012 the Corporate Investments division, which encompasses Bertelsmann's remaining operating activities, recorded revenues of €471 million (previous year: €507 million) and an operating EBIT of €-38 million (previous year: €-47 million).

The music rights company BMG, jointly operated by Bertelsmann and KKR, further expanded its market position through organic growth and acquisitions. BMG integrated the music publisher Bug Music in the reporting period, and acquired the publishers R2M and Dreyfus Music. In December 2012, the takeover of Universal/EMI's Mute catalog (recorded music), and Sony/EMI's Virgin/Famous catalog (music publishing) was agreed, subject to regulatory approval. Strategically, BMG increased its focus on the master rights business, and signed new contracts with many international and national artists.

At the beginning of the year, Bertelsmann entered the growth market of education. The Group joined other prominent investors in setting up the University Ventures Fund to launch innovative degree and continuing-education programs in Europe and the United States. Investments were made in the American education provider University Now, as well as in companies that offer online degree programs in partnership with accredited universities or that are developing customized – in some cases bilingual – degree programs for target groups such as Hispanics or physicians.

The Bertelsmann Digital Media Investments (BDMI) and Bertelsmann Asia Investments (BAI) funds further expanded their portfolios to a total of 61 shareholdings at the reporting date. For example, BDMI invested in the Spanish online marketing specialists "Whisbi" and in the New York-based Web publisher "Food52," while BAI invested in the leading Chinese used-car portal "UXP" and the popular mobile health platform "Chunyu." In both India and Brazil two investments were made in leading VC funds.

The club and direct-marketing operations continued to decline in 2012. Revenues fell significantly. The businesses' results stabilized, but high restructuring costs were incurred. At the German clubs, the focus was on branch closures, cost measures, and the expansion of digital activities. The direct sales company Inmediaone recorded a decline in orders. The Eastern European subsidiaries remain in the Group and were reincorporated under continued operations.

The Corporate Center supervised important strategic processes and provided assistance in the planned combination of Bertelsmann and Pearson's book publishing businesses as the new Penguin Random House group. The Corporate Center also actively supported the establishment of the Group Management Committee (GMC) and of a new Executive Board department for Corporate Development and New Businesses led by Thomas Hesse, as well as the appointment of Judith Hartmann as the Group's new CFO. During the year, the Corporate Center also managed the Group's change of legal form from Aktiengesellschaft (stock corporation) to SE & Co. KGaA (partnership limited by shares). In 2012 Bertelsmann opened two more Corporate Centers in India and Brazil to support the expansion of business activities there.

Overview of figures (in € millions)

	2012	2011
Consolidated revenues	16,065	15,368
Operating EBIT divisions	1,821	1,833
Corporate Center/consolidation	(86)	(78)
Operating EBIT continuing operations	1,735	1,755
Special items	(405)	(322)
EBIT	1,330	1,433
Financial result	(315)	(398)
Earnings before taxes from continuing operations	1,015	1,035
Income taxes	(396)	(316)
Earnings after taxes from continuing operations	619	719
Earnings after taxes from discontinued operations	-	(107)
Group profit	619	612
of which: Share of profit of Bertelsmann shareholders	484	465
of which: Non-controlling shareholders	135	147

Investments	655	956
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	Balance as of 12/31/2012	Balance as of 12/31/2011
Net financial debt	1,218	1,809
Economic debt	4,778	4,913
Employees (in absolute numbers)	104,286	102,752

The comparative figures for the previous period have been adjusted.

Division	Revenues		Operating EBIT		
	(in € millions)	2012	2011	2012	2011
RTL Group		6,002	5,814	1,065	1,121
Random House		2,142	1,749	325	185
Gruner + Jahr		2,218	2,287	168	233
Arvato		4,449	4,201	241	269
Be Printers		1,174	1,199	60	72
Corporate Investments		471	507	(38)	(47)
Total divisions		16,456	15,757	1,821	1,833
Corporate Center/ consolidation		(391)	(389)	(86)	(78)
Total Group		16,065	15,368	1,735	1,755

About Bertelsmann

Bertelsmann is an international media company whose core divisions encompass television (RTL Group), book publishing (Random House), magazine publishing (Gruner + Jahr), services (Arvato), and printing (Be Printers) in some 50 countries. In 2012, the company's businesses, with their more than 100,000 employees, generated revenues of €16.1 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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