

PRESS RELEASE

Bertelsmann increases Group profit by nearly ten percent in the first half of 2011

- **Group revenues rise to €7.2 billion**
- **Operating EBIT high again at €737 million**
- **Return on sales continues in double digits at 10.3 percent**
- **Group profit improves to €269 million**

Gütersloh, August 31, 2011 – In the first half of 2011, the international media company Bertelsmann built on the strong results of the previous year and further increased key indicators. For instance, the company increased its revenues and group profit once more and achieved a high level of operating profit again.

Group revenues from continuing operations increased by 1.9 percent to €7.2 billion after €7.0 billion in the comparable period last year. Excluding portfolio and currency effects, organic growth came to 2.4 percent; all divisions contributed to this. Operating EBIT was €737 million, down only slightly from last year's record figure of €754 million. Return on sales amounted to 10.3 percent (H1 2010: 10.7 percent), putting it in the double digits once again. The Group profit rose by €23 million or 9.3 percent, to €269 million. This was due primarily to Bertelsmann's content businesses. A further contributor was a substantially improved financial result that reflects lower interest charges in the wake of successful debt reduction and the discontinuation of negative income effects from the buyback of profit participation certificates in early 2010. The Bertelsmann Value Added (BVA), which measures the profit realized above and beyond the cost of capital, reached €88 million in the first half of 2011 (H1 2010: €82 million).

"We are very satisfied with developments in the first half," says Bertelsmann CEO Hartmut Ostrowski. "We improved our revenues and Group profit as well as our central performance indicator, the BVA, a benchmark of value creation. For only the second time ever, return on sales reached double-digit figures in a half-year reporting period. This gives us the necessary impetus to resolutely move forward with our growth strategy. We have already made good progress in the past few months."

The revenue growth was fueled by the ad-sales-driven divisions – RTL Group and Gruner + Jahr – and the outsourcing service provider Arvato. In terms of earnings, the positive impulses came mostly from the television business and Random House's book publishing business. During the reporting period, RTL Group benefited from good business in its core markets of Germany, France and the Netherlands, while at Random House the U.S. business and the digital operations performed especially well. The magazine publisher Gruner + Jahr generated higher advertising and circulation revenues and optimized its publishing and editorial structures. Arvato increased its revenues noticeably, but higher prices for energy and paper as well as start-up costs for new projects led to a decline in operating EBIT.

Cash flow from operating activities continued high in the first half of the year. Cash and cash equivalents exceeded €1.6 billion at 30 June 2011. Net financial debt was €2.0 billion at mid-year after over €1.9 billion at 31 December 2010 and was thus marginally higher due to seasonal effects (dividend payments in the first half of the year). Net financial debt was reduced by €764 million year-on-year. Bertelsmann's economic debt was reduced to €4.86 billion at 30 June 2011 (31 December 2010: €4.91 billion), down by €1.16 billion year on year. At 2.3, the leverage factor was below the internal limit of 2.5.

"Bertelsmann is in a very sound financial position," says Bertelsmann CFO Thomas Rabe. "We have a good business profile and a comfortable cash position. The leading rating agencies recently acknowledged this by each upgrading our long-term credit ratings one notch. We are cautiously optimistic for business in the second half of the year, although there has been a marked increase in economic uncertainties. Against this backdrop, we continue to expect moderate growth in Group revenues and a return on sales of over 10 percent for the 2011 fiscal year. Operating EBIT will likely be slightly down year on year, partly due to costs for new projects and higher energy costs, while Group net income will be above last year's value thanks to lower one-time effects."

At 30 June 2011, Bertelsmann employed 100,012 employees worldwide (December 31, 2010: 97,528).

Divisions:

RTL Group

Highlights

- *Record operating EBIT and ROS for the first half year*
- *RTL Group online platforms generated over 928 million video calls in six months – up 30 percent*
- *Expansion into Asia: Two English-language pay TV channels are being set up in India in conjunction with Reliance Broadcast*

Europe's leading entertainment network increased its revenue and operating EBIT, with revenues reaching €2.8 billion (H1 2010: €2.7 billion) and operating EBIT €545 million (H1 2010: €533 million). While advertising markets in France, the Netherlands, and Belgium grew during the period under review, the German TV advertising market stagnated. Southern and Eastern Europe recorded declining market revenues. The RTL Group families of channels outperformed the market and in some cases achieved significantly higher contributions to operating EBIT in Germany, France, and the Netherlands. RTL Group improved its leading positions in audience markets in key countries. The audience market share of Mediengruppe RTL Deutschland for 14- to 49-year-olds increased to a record 35.7 percent in the first half year (H1 2010: 34.8 percent). In France, M6 was the only full-program provider to gain audience market share, and it improved its position in the advertising-relevant target group to 17.1 percent (H1 2010: 16.3 percent). The Dutch family of channels RTL 4 greatly increased its prime time market share and was able to translate this into significantly higher advertising revenues. The production subsidiary Fremantle Media posted higher revenues thanks to portfolio effects and strong business development in North America. Operating EBIT fell, however, due to continuing high pressure on margins and production volumes.

Random House

Highlights

- *Random House profits rise substantially driven by U.S.*
- *Triple-digit percentage sales growth in e-books*
- *Digital revenue potential strengthened through acquisition of digital media agency Smashing Ideas*

The world's largest trade book publisher significantly increased its operating EBIT in the first half, while recording a slight dip in revenues due to unfavorable exchange-rate effects. Revenues reached €787 million (H1 2010: €791 million) and operating EBIT €69 million (H1 2010: €40 million). The Random House operating EBIT benefited from a strong U.S. performance despite insolvencies and ongoing consolidations in book retail. Overall gains were driven by an outstanding portfolio of titles worldwide, with several million-copy print bestsellers, and the continued rapid growth in e-book sales across all territories. In the U.S., digital sales accounted for more than 20 percent of all revenues. At the reporting date, Random House imprints had more than 27,000 e-books available worldwide. Random House placed 145 titles on the "New York Times" U.S. bestseller lists in the first six months of the year, including the

#1 bestselling “Unbroken” by Laura Hillenbrand, and sold nearly four million copies of U.S. author George R.R. Martin’s epic fantasy series “A Song of Ice and Fire.” Random House Group UK increased its year-on-year sales and profits and published more than a quarter of all “Sunday Times” bestsellers. In Germany, Verlagsgruppe Random House improved its revenues and market share in a difficult overall market, and Random House Mondadori also outperformed the market in Spain. During the period under review, Random House, Inc. author Jennifer Egan won a Fiction Pulitzer Prize for “A Visit from the Goon Squad,” and Philip Roth won the Man Booker International Prize.

Gruner + Jahr

Highlights

- *Strong expansion at Corporate Publishing within Germany and internationally: 34 new customers and projects in the first half year 2011 alone*
- *G+J EMS is again achieving significant growth in mobile marketing, making it the undisputed market leader in Germany*
- *Quality portfolio in Germany increased, e. g. by adding children’s and youth magazine “Yuno,” “Grazia” and “Women’s Health”*

Europe’s leading magazine publisher increased its revenue in the period under review, while its operating EBIT remained high and virtually stable. Revenues reached €1.3 billion (H1 2010: €1.2 billion) and operating EBIT €125 million (H1 2010: €130 million). This development can be attributed to ongoing efficiency improvements in the publishing and editorial structures as well as a good market performance, which offset increases in the price of paper and in other areas. Advertising and circulation revenues increased slightly. In the advertising business Gruner + Jahr profited from its portfolio in the premium segment in Germany and, once again, was able to improve advertising revenues and gain market share. The digital marketing of G+J EMS and the continued internationalization of the EMS subsidiary Ligatus led to significant revenue growth in this strategic expansion area. In terms of international business, Gruner + Jahr performed particularly well in France, achieving good revenue growth and an increased operating EBIT, which was bolstered by structural measures. The Spanish market continued to be plagued by problems, notably in terms of circulation, while the advertising business of the title families was just below the previous year’s level. In Austria revenues were largely stable, while China continued to show significant growth. In the print business, revenues increased slightly at Prinovis and Brown Printing, although operating EBIT declined. As in previous years, the Dresdner Druck- und Verlagshaus continued to perform well.

Arvato

Highlights

- *Expansion of archiving and digitization services: Arvato secures stocks from Grundy UFA and Schweizer Radio und Fernsehen (SRF)*
- *Nationwide logistics network in China with 42 locations now fully established*
- *Successful completion of one of the most complex outsourcing transitions in Microsoft's history: Arvato is now a partner for all "contract to invoice" services for four lines of business, across four continents*

The internationally networked outsourcing services provider Arvato increased its revenues during the first half of the year; meanwhile, operating EBIT was below the previous year's level, partly due to increases in the price of energy and raw materials as well as start-up costs. Revenues reached €2.4 billion (H1 2010: €2.3 billion), operating EBIT was €66 million (H1 2010: €99 million). The reorganization of Arvato into strategic business units that was initiated at the start of the year has now been successfully completed. These individual business units now target specifically defined markets and, thanks to this reorganization, some major customer contracts have been won. As a result of Arvato's strategy of offering integrated service chains in all segments, the production-oriented divisions are increasingly becoming service businesses. During the period under review the growth drivers were again the businesses in France and the business units Arvato Infoscore and Arvato Systems. However, the development of Arvato's business activities in Southern Europe and the U.S. was difficult. Revenues generated from customers in the entertainment sector declined in the U.S. in particular, but also in Europe. The direct marketing activities bundled at Inmediaone also experienced difficulty. Arvato expanded its investment activities year on year and increased the number of employees.

Corporate

The Corporate division, which includes the Bertelsmann Corporate Center and Corporate Investments, reported a higher year-on-year operating loss of €-67 million in the first half year (H1 2010: €-50 million). The BMG music rights business operated jointly with KKR continued to build up its operations in the first half year. BMG successfully completed the takeover of the long-established UK music publisher Chrysalis and new contracts were signed with a number of well-known artists. The BDMI and BAI funds, which are part of Corporate Investments, had a total of 32 holdings at the closing date. The division also acquired shares in various European venture capital funds as well as holdings in three digital firms in China. Following the sale of the Direct Group businesses in France, which was completed at the end of May, Direct Group was dissolved as an independent segment of the Bertelsmann Group, effective June 30, 2011. The remaining club and direct marketing businesses in Germany and Spain have since been transferred to Corporate Investments.

Overview of figures (in € millions)

| | January 1, 2011 – June 30, 2011 | January 1, 2010 – June 30, 2010 |
|--|------------------------------------|------------------------------------|
| Consolidated revenues (from continuing operations) | 7,160 | 7,028 |
| Operating EBIT by division | 805 | 802 |
| Corporate/consolidation | (68) | (48) |
| Operating EBIT (from continuing operations) | 737 | 754 |
| Special items | (60) | (30) |
| EBIT | 677 | 724 |
| Financial result | (195) | (315) |
| Earnings before taxes from continuing operations | 482 | 409 |
| Income taxes | (108) | (108) |
| Earnings after taxes from continuing operations | 374 | 301 |
| Earnings after taxes from discontinued operations | (105) | (55) |
| Group profit or loss | 269 | 246 |
| attributable to: Earnings attributable to Bertelsmann shareholders | 183 | 170 |
| attributable to: Earnings attributable to non-controlling interests | 86 | 76 |

| | | |
|--|-----|-----|
| Investments | 367 | 365 |
| attributable to: operational Investments | 327 | 208 |

| | Balance as of June 30, 2011 | Balance as of December 31, 2010 |
|---|--|--|
| Net financial debt | 2,018 | 1,913 |
| Economic debt* | 4,856 | 4,915 |
| Employees (headcount) (from continuing operations) | 100,012 | 97,528 |

The corresponding figures for the previous period have been adjusted in accordance with IFRS 5.

*Net financial debt plus provisions for pensions, profit participation capital and present value of operating leases (continuing operations).

| Division* | Revenues | | Operating EBIT | |
|-------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | January 1 – June 30, 2011 | January 1 – June 30, 2010 | January 1 – June 30, 2011 | January 1 – June 30, 2010 |
| RTL Group | 2,751 | 2,661 | 545 | 533 |
| Random House | 787 | 791 | 69 | 40 |
| Gruner + Jahr | 1,250 | 1,217 | 125 | 130 |
| Arvato | 2,395 | 2,312 | 66 | 99 |
| Total Divisions | 7,183 | 6,981 | 805 | 802 |
| Corporate/Consolidation | (23) | 47 | (68) | (48) |
| Total Group | 7,160 | 7,028 | 737 | 754 |

* continuing operations

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 outsourcing services (Arvato) in 50 countries. In 2010, the company's businesses, with their 100,000 employees, generated revenues of €15.8 billion. Bertelsmann stands for a distinctive 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.

For further questions, please contact:

Andreas Grafemeyer
Senior Vice President Media Relations
Phone: +49 – 52 41 / 80 24 66
andreas.grafemeyer@bertelsmann.de