

The graphic consists of several overlapping squares of various sizes and orientations. The central square is solid grey and contains the text 'Annual Report 2011'. Other squares feature different patterns: a grid of small dots, wavy lines, vertical lines, horizontal lines, and diagonal lines. The squares are arranged in a layered, geometric composition.

Annual Report 2011

Bertelsmann

At a Glance

Key Figures (IFRS)

in € millions	2011	2010	2009	2008	2007
Business Development					
Consolidated revenues	15,253	15,065	15,364	16,118	18,758
Operating EBIT	1,746	1,825	1,424	1,568	1,811
Operating EBITDA	2,234	2,355	2,003	2,130	2,467
Return on sales in percent ¹⁾	11.4	12.1	9.3	9.7	9.7
Bertelsmann Value Added (BVA) ²⁾	356	378	26	88	133
Group profit	612	656	35	270	405
Investments	956	753	662	1,095	1,032
Consolidated Balance Sheet					
Equity	6,149	6,486	5,980	6,231	6,124
Equity ratio in percent	33.9	34.7	30.9	31.0	28.1
Total assets	18,148	18,702	19,378	20,132	21,776
Net financial debt	1,809	1,913	2,793	3,445	4,282
Economic debt ³⁾	4,913	4,915	6,024	6,627	7,720
Leverage factor	2.4	2.3	3.2	3.2	3.1
Employees (in absolute numbers)					
Germany	37,519	36,462	36,930	38,421	36,832
Other countries	63,107	61,066	66,053	67,662	65,565
Total	100,626	97,528	102,983	106,083	102,397
Dividends to shareholders of Bertelsmann AG	180	180	60	120	120
Distribution on profit participation certificates	44	44	75	76	76
Employee profit sharing	107	108	65	75	82

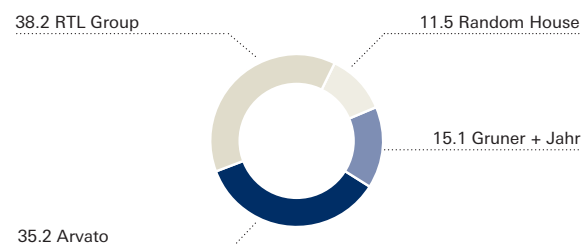
Figures adjusted for the fiscal year 2010; figures before 2010 as reported in the respective fiscal year.

¹⁾ Based on operating EBIT.

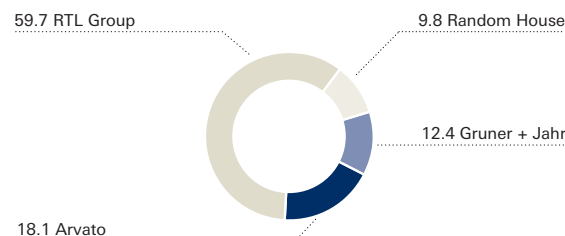
²⁾ Bertelsmann uses the BVA as a key performance indicator to evaluate the profitability of the operating business and the return on investment.

³⁾ Net financial debt plus pension provisions (in accordance with IAS 19.93A), profit participation capital, and net present value of operating leases.

Total Revenues by Division in percent*



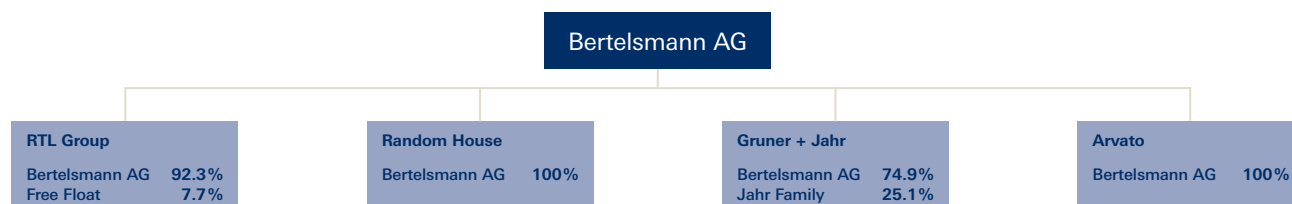
Operating EBIT by Divisions in percent*



* Based on total from divisions not including Corporate/Consolidation.

Corporate Divisions

At a Glance



RTL Group

in € millions	2011	2010	2009	2008	2007
Revenues	5,814	5,591	5,410	5,774	5,707
Operating EBIT	1,121	1,102	793	927	978
Employees (in absolute numbers)	12,184	12,339	12,520	12,360	11,392



Random House

in € millions	2011	2010	2009	2008	2007
Revenues	1,749	1,828	1,723	1,721	1,837
Operating EBIT	185	173	137	137	173
Employees (in absolute numbers)	5,343	5,264	5,432	5,779	5,764



Gruner + Jahr

in € millions	2011	2010	2009	2008	2007
Revenues	2,287	2,259	2,508	2,769	2,831
Operating EBIT	233	260	203	225	264
Employees (in absolute numbers)	11,822	11,637	13,571	14,941	14,448



Arvato

in € millions	2011	2010	2009	2008	2007
Revenues	5,357	5,225	4,826	4,993	4,917
Operating EBIT	341	347	345	369	366
Employees (in absolute numbers)	68,325	65,182	60,323	62,591	51,846

Figures adjusted for the fiscal year 2010;
figures before 2010 as reported in the respective fiscal year.

BERTELSMANN

The Annual Report App

Our report is available as a free app on the Apple App Store or Android Market. This gives you convenient mobile access to all key figures and other information from fiscal year 2011, including the current structure of the Group.



The app works with iPad tablet computers, iPhone mobile digital devices versions iOS 4.2 and up, and Android devices versions 2.2 and up (such as HTC Desire).



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.

BERTELSMANN

RTL Group

RTL Group is the leading European entertainment network. The portfolio of Europe's largest broadcaster includes interests in 45 TV channels and 29 radio stations in nine countries. Its content production arm, Fremantle Media, is one of the largest international producers outside the United States. Each year, it produces 9,500 hours of programming across 54 countries. Bertelsmann owns an approximately 92 percent interest in RTL Group, making it the principal shareholder of the listed company.

www.rtl-group.com

Random House

Random House is the world's largest print and digital trade book publisher, comprised of 200 editorially independent imprints in 15 countries, publishing around 10,000 new books a year, and selling close to 400 million print, audio, and electronic books annually. Random House is a wholly owned subsidiary of Bertelsmann.

www.randomhouse.com

Gruner + Jahr

The printing and publishing house Gruner + Jahr is Europe's leading magazine publisher, with around 11,800 employees and more than 500 magazines, digital, and other media offerings that reach readers and users in over 30 countries. Bertelsmann AG owns 74.9 percent of Gruner + Jahr; the Jahr publishing family in Hamburg owns 25.1 percent.

www.guj.com

Arvato

As a global services provider Arvato supports business customers all over the world in successfully shaping their customer relationships. More than 68,000 employees design and implement customized solutions for business processes across integrated service chains. Arvato AG is a wholly owned subsidiary of Bertelsmann AG.

www.arvato.com



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Dr. Thomas Rabe

Chairman and CEO,
Bertelsmann AG

Dear Readers, Dear Friends of Bertelsmann,

This Annual Report looks back at what Bertelsmann has achieved during the past year – and looks ahead to what we will be focusing on during the years ahead.

Overall, we had a satisfactory business year in 2011. Despite a restrained overall economic performance, our revenues grew organically by nearly two percent to 15.3 billion euros. In particular, this growth was fueled by our advertising-driven businesses, TV production, burgeoning e-book sales, and services.

At 1.75 billion euros, operating EBIT was slightly below prior year, impacted by structural changes in several markets, as well as investment in new businesses. An 11.4 percent return on sales confirms Bertelsmann's high bottom-line profitability.

Group profit was slightly lower than forecast due to special items. Nevertheless, at 612 million euros we generated a respectable net profit once again.

Our finances are solid: net financial debt was reduced to 1.8 billion euros, and liquidity was further improved thanks to the renewal of the 1.2 billion euros syndicated loan. The rating agencies raised our long-term rating to "BBB+/Baa1," thereby restoring Bertelsmann to its target rating.

We also continued to strengthen our portfolio in 2011. RTL Group increased its shares in TV channels in the Netherlands, Hungary, and Croatia, and took over full control of seven cable channels in Hungary. In the United States, Random House bought the digital media agency Smashing Ideas. Gruner + Jahr entered the Indian market by acquiring the Maxposure Media Group. Arvato improved its competitive position in a number of markets with an even more targeted range of integrated services, and added new customers. BMG acquired Chrysalis and Bug Music. We also divested some declining businesses over the past year, such as our club and bookselling operations in France.

All in all, Bertelsmann is in a good position as we are preparing for further transformation in the media industry in the years ahead. This will open up new opportunities for us. To seize these opportunities, together with more than 100,000 colleagues – that is the welcome assignment I took on when I became Chairman and CEO of Bertelsmann on January 1, 2012.

And that is why I initiated a Group-wide dialog shortly after my appointment. Together with executives and employee representatives from all corporate divisions and the major markets, I discuss our company's future direction and our necessary requisites for our path. We plan to accelerate Bertelsmann's growth and make the company more international, digital, and diverse. To do this, we first will push forward the digital transformation of our existing activities – television, books, magazines, and services; second, build new businesses; and third, gain a stronger foothold in the world's growth regions.

Our core businesses have been changing for a number of years with the increasing transformation to digital and changes in media usage. We are actively involved in shaping this evolution – and we are taking advantage of the opportunities that it offers: non-linear television on all devices and channels, nearly 40,000 e-book titles in German, English, and Spanish, apps, e-mags, and portals tying into strong magazine brands, and digital value chains in the services business. In other words, Bertelsmann is reinventing itself in many areas and thereby tapping into new customer groups. We already work with some of the most exciting innovators of our industry via our Bertelsmann Digital Media Investments and Bertelsmann Asia Investments funds.

Over the next few years we will also devote a considerable proportion of our investments to establishing new businesses. The criteria are clear: we will concentrate on businesses that offer high global growth potential with low cyclicity, have a proven digital business model, and are scalable. We are in the process of defining ten to twelve such businesses.

Letter from the CEO
Executive Board
Group Management Committee

Some are already up and running – and successfully so. BMG, for example, has quickly developed into a global player in the music rights business – thanks to an experienced management team, a compelling business model, and a fruitful collaboration with a financially strong partner. With University Ventures we recently entered the education market, which offers excellent prospects, especially on an international level.

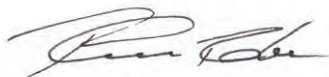
We will significantly expand our presence in the world's growth regions, and not just in education. Many of our businesses already have operations in China, India, and Latin America, and have plans for future development. They can count on the support of our Corporate Centers. At the beginning of 2012 we opened a new Corporate Center in New Delhi – our fourth after Gütersloh, New York, and Beijing. And we are already planning to open a fifth – in São Paulo, Brazil.

To put these plans into action, we have made some initial organizational changes over the last few months. We have pooled our print operations and our direct-to-customer businesses and focused Arvato more intensively on the growing services businesses. We have also created a new Executive Board department for Corporate Development and New Businesses, led by Thomas Hesse as of February 1, 2012. And we have set up a Group Management Committee (GMC) that will advise and support the Executive Board on all major business development matters.

The composition of the GMC underscores our commitment to diversity: four women and seven nationalities are represented in the group. I firmly believe that teams of mixed age, gender, and background generate better results. The media industry in particular thrives on diversity, which is why we want to offer women in particular more opportunities to take on greater responsibilities throughout Bertelsmann.

I would like to thank you for your interest in our company and invite you to accompany Bertelsmann on its future path – a dynamic, cosmopolitan company that sets trends. One that strives to be the first port of call for media and services entrepreneurs looking for a partner who can help them put their ideas and plans into practice.

Yours sincerely,



Thomas Rabe

Bertelsmann Executive Board



Rolf Buch

Member of the Bertelsmann AG Executive Board since January 1, 2008, Chairman of the Arvato AG Executive Board, Gütersloh. Born April 2, 1965 in Weidenau/Siegen (Germany).

Dr. Bernd Buchholz

Member of the Bertelsmann AG Executive Board since July 17, 2009, Chief Executive Officer of Gruner + Jahr AG, Hamburg. Born November 2, 1961 in Berlin (Germany).

Dr. Thomas Rabe

Member of the Bertelsmann AG Executive Board since January 1, 2006, Chairman and Chief Executive Officer of Bertelsmann AG, Gütersloh, since January 1, 2012. Born August 6, 1965 in Luxembourg.



Markus Dohle

Member of the Bertelsmann AG Executive Board since June 1, 2008, Chairman and Chief Executive Officer of Random House, New York. Born June 28, 1968 in Arnsberg (Germany).

Gerhard Zeiler

Member of the Bertelsmann AG Executive Board since October 1, 2005, Chief Executive Officer of RTL Group, Luxembourg.¹⁾ Born July 20, 1955 in Vienna (Austria).

Dr. Thomas Hesse

Member of the Bertelsmann AG Executive Board since February 1, 2012, Executive Board member for Corporate Development and New Businesses of Bertelsmann AG, Gütersloh. Born October 21, 1966 in Brussels (Belgium).

¹⁾ until April 18, 2012

Anke Schäferkordt succeeded him on the Bertelsmann AG Executive Board with effect from April 19, 2012.



Dr. Immanuel Hermreck
Executive Vice President Human Resources
of Bertelsmann AG

Gerhard Zeiler
Chief Executive Officer of RTL Group¹⁾

Fernando Carro
CEO Clubs and Direct Marketing of Bertelsmann AG

Annabelle Yu Long
Chief Executive Bertelsmann China Corporate Center and
Managing Director Bertelsmann Asia Investments

Rolf Buch
Chairman of the Arvato AG Executive Board

Anke Schäferkordt²⁾
Chief Executive Officer of Mediengruppe RTL Deutschland

Dr. Thomas Rabe
Chairman and Chief Executive Officer of Bertelsmann AG



Markus Dohle

Chairman and Chief Executive Officer of Random House

Karin Schlautmann

Executive Vice President Corporate Communications
of Bertelsmann AG

Dr. Bernd Buchholz

Chief Executive Officer of Gruner + Jahr AG

Gail Rebuck

Chairman and CEO of Random House Group UK

Dr. Thomas Hesse

Executive Board member for Corporate Development
and New Businesses

Nicolas de Tavernost

CEO and Chairman of the Board of Directors of M6

Guillaume de Posch²⁾

Chief Operating Officer of RTL Group

¹⁾ until April 18, 2012

²⁾ CEO of RTL Group since April 18, 2012

The Bertelsmann Group Management Committee

The new Group Management Committee (GMC) is a mirror of Bertelsmann's diversity, internationality, and key markets. The main task of this expanded management committee, formed by Thomas Rabe upon taking office, is to assist the Executive Board on matters of corporate strategy and corporate development. "We want to use the knowledge and expertise of our best managers, and include their advice even more in key strategic and business decisions," says Rabe.

The idea is that the more diverse the backgrounds and perspectives of the individual members, the more multifaceted their discussion of important issues – and the stronger the basis for the Executive Board's decisions will be. By involving key executives in Bertelsmann's further development even more strongly from now on, the GMC is not only an embodiment of the corporate culture as conceived by Reinhard Mohn, but also helps the Executive Board to better implement decisions at the individual Group companies.

In addition to the Bertelsmann Executive Board members, the GMC consists of eight top-notch managers from six different countries: RTL Germany CEO **Anke Schäferkordt**¹⁾, Random House Group UK CEO **Gail Rebuck** and Groupe M6 CEO **Nicolas de Tavernost** represent Bertelsmann's key core markets – Germany, the UK, and France – on the GMC. **Guillaume de Posch**²⁾, Chief Operating Officer of RTL Group, represents the international TV business. **Fernando Carro**, CEO of the club and direct marketing businesses and in charge of new business opportunities in Latin America, and **Annabelle Yu Long**, Head of Bertelsmann Corporate Center in China and the Bertelsmann Asia Investments fund, ensure that key growth regions for Bertelsmann are represented in the Group's senior management. Group HR Chief **Immanuel Hermreck** and **Karin Schlautmann**, Head of Corporate Communications at Bertelsmann, also sit on the committee. What all GMC members have in common is that they either possess sound operational management experience in important sectors and regions for Bertelsmann, or are proven experts in Group-wide roles such as communications and human resources.

¹⁾ until April 18, 2012

²⁾ CEO of RTL Group since April 18, 2012

Letter from the CEO
 Executive Board
 Group Management Committee

Chairman and CEO

Thomas Rabe has a clear vision: "I'd like to position Bertelsmann for stronger growth, make it more international and more digital," says Bertelsmann's Chairman and CEO. To achieve this, Rabe is banking on new structures – and on diversity. Both are reflected in the appointment of the GMC; the establishment of a new Executive Board seat for Corporate Development and New Businesses; and the dialog that Bertelsmann's CEO is cultivating with executives and employees worldwide. "I firmly believe that diverse opinions and expertise lead to better results," says Rabe. "The time has come for new ideas, new businesses – and to actively shape our future."



CEO of RTL Group¹⁾

Gerhard Zeiler sees RTL Group well on its way for continued growth. The group, for instance, looks carefully into potential investments in growth markets such as Asia. Apart from this geographical expansion, the TV business also benefits greatly from the digital transformation: "TV anytime, anywhere, and on whatever kind of device the audience wants: the transition from analog to digital makes television even stronger. In tomorrow's world there will be more television than ever before," says Zeiler. "RTL Group is in an excellent position here: we've invested in our channels and in our production business; this opens up a lot of opportunities for RTL on both sides."



Chairman and CEO of Random House

Markus Dohle cannot imagine a more exciting time to be in book publishing: “The digital transformation of our business is an extremely entrepreneurial endeavor with huge opportunities for growth.” The Chairman and CEO of Random House is not just referring to the rapidly expanding e-book business – the group’s various imprints worldwide now have nearly 40,000 titles available in digital formats. He notes, “Digital has made it much easier to expand into new markets and further internationalize the reach of our content. English-language literature is becoming ever more popular around the world.” Technical progress fuels growth as well: “Enhanced e-books and apps are enjoying growing popularity,” explains Dohle, while adding, “The ongoing digital transformation gives us the opportunity to attract the next generation of readers by reinventing the reading experience of the future.”

CEO of Gruner + Jahr AG

It is hard to imagine a more vivid illustration of the transformation of classic media businesses to digital: more and more of G+J’s magazines are now available in electronic, mobile, or app versions, or linked to online portals. The importance of quality journalism becomes increasingly clear: “The more information that can be found in the digital world, the greater the need for journalism to sort the information and put it in context, either offline or online: that’s our core business,” says **Bernd Buchholz**, CEO of G+J. “At the moment, we are mainly working on further expanding our businesses in growth markets such as China, India, and South America.”



Letter from the CEO
 Executive Board
 Group Management Committee



CEO of Arvato AG

“Digitization, demographic change, and globalization – Arvato helps its customers benefit from these megatrends,” says **Rolf Buch**, summing up his company’s business model. “Thanks to the variety of services we offer, we are highly sought-after experts when it comes to adapting processes to the realities of the digital world.” Arvato also has expertise in successfully building businesses in growth regions such as Asia: “For example, we’ve been in China for over ten years now – and we are seeing growth rates of over 70 percent a year in some parts.”



Executive Board Member for Corporate Development and New Businesses

Thomas Hesse feels two things are particularly important for Bertelsmann’s successful development: “For one, at Bertelsmann, we possess fantastic content, strong brands and enormous creative and entrepreneurial expertise. It’s up to us to transfer these strengths and skills to the digital era. If we make the right strategic decisions now, Bertelsmann will be very successful.” And second, the newly appointed Executive Board member for Corporate Development and New Businesses wants to move forward into areas where Bertelsmann has not been active to date: “We are currently reviewing a whole slew of clearly defined potential growth platforms,” says Hesse. They are to complement the established businesses and help Bertelsmann accelerate its growth rate.



Core Market UK

Gail Rebeck has been publishing books in the UK for more than 30 years, and knows the market well – a key one for Bertelsmann. “There are topics that concern virtually all of Bertelsmann’s businesses here, for example the transformation of traditional media businesses in the digital world.” Rebeck has done an exemplary job mastering this challenge with her publishing companies having consistently topped the bestseller lists with traditional printed books and having grown the contribution of e-books by more than 400 percent compared with 2010. Unlocking the value of publishing-led content in non-traditional sectors is also a key strategic focus for the Random House Group. “Diversifying into new markets is allowing us to form strategic creative partnerships with the potential for strong future growth.”



Core Market Germany

“Germany is still the most important market for Bertelsmann,” says **Anke Schäferkordt**¹⁾ – Bertelsmann generates about a third of its revenues there. Schäferkordt herself is responsible for large parts of this success story. As a TV manager, the CEO of Mediengruppe RTL Deutschland knows about the different target groups – viewers on one side and advertisers on the other. Schäferkordt sees great potential for the German TV market in the future, too: “Digitization enables us to grow even in mature markets and build new businesses – particularly in television.”



¹⁾ CEO of RTL Group since April 18, 2012

Letter from the CEO
 Executive Board
 Group Management Committee



Core Market France

Groupe M6, RTL Radio, Prisma Média, Arvato France: Bertelsmann does more business in France than anywhere else, apart from Germany. **Nicolas de Tavernost**, CEO of Groupe M6, is an expert on the country's particular features. "The French market is unique. There are, for example, many laws that exist only here." The M6 CEO and his company show just how Bertelsmann can continue to grow in this important market: "We're banking on the digital market. Our channel W9 has developed into the most popular digital channel in France," says de Tavernost. And the business is set to continue on this path: "Our group is showing dynamic growth in non-linear TV."



International TV Business

"More channels, more content, more choice for viewers": For **Guillaume de Posch**¹⁾, Chief Operating Officer of RTL Group, the Group's increasing transformation to digital holds great advantages. Successful formats can be marketed worldwide on all available channels – an experience de Posch would like to share with his colleagues on the GMC, who often face similar challenges. And he hopes for impetus for his own work: "The GMC members bring in a lot of know-how I can profit from, too. I would be very pleased if we could create as many tangible synergies as possible between Bertelsmann's various businesses."

South American Growth Market

When **Fernando Carro** looks at South America, in many countries he sees a spend-happy middle class, emerging economies, a great hunger for education – and “a lot of new business opportunities for Bertelsmann.” He has his eye on Brazil in particular: “Many entrepreneurs and investors there are just waiting to work with Bertelsmann,” says Carro. “I am firmly convinced that the greatest opportunities for Bertelsmann lie beyond our current core markets.” Carro’s role is to explore these opportunities, in addition to his tasks as CEO of Bertelsmann’s club and direct marketing businesses. The Spaniard will also apply his knowledge from this area to his role: “Bertelsmann is a content producer. In times of digitization, the customers’ perspective will play an increasingly important role in our work.”



Asian Growth Market

“As one of the highest growth media markets in the world, China is of major importance to an international company like Bertelsmann,” says **Annabelle Yu Long**, Head of China Corporate Center and Bertelsmann Asia Investments fund. “Our size, diverse services, rich product portfolio, global network, Fortune 500 ranking, and 177 years of history are highly respected in this new and booming economy.” Long describes the environment in China as extremely open to new technologies, services and media. Concurrently, Asia as a whole is increasingly becoming an important source of innovation in areas like mobile Internet. According to Long, “There are immense opportunities in the region for a company like Bertelsmann where entrepreneurship and creativity are core values for our current offerings, and in new business such as education.”



Letter from the CEO
 Executive Board
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Corporate Culture

Immanuel Hermreck's work is dedicated to the people who work at Bertelsmann: "It is my job to offer them an attractive working environment throughout the whole Group, to recruit diverse and talented employees, and to foster the implementation and further development of our corporate culture. The Bertelsmann Essentials 'creativity, entrepreneurship, partnership, and citizenship' which are based on Reinhard Mohn's values and beliefs connect us across company, country, and cultural borders. They are our guiding principles." For Hermreck, commitment and motivation of the more than 100,000 employees are crucial for the overall success of Bertelsmann's corporate strategy in a global and interconnected world.



Corporate Communications

As Head of Corporate Communications at Bertelsmann, **Karin Schlautmann** is in close daily contact with external observers from around the world. She knows that "in an age of Internet, smartphones, and a steady stream of new communication channels it is no longer enough to simply make the right decisions. You also have to explain your decisions to partners, customers, employees, and the public." Accordingly, this is an exciting time for the communications expert: "Today, communication is more international and diverse than ever before. We have to adapt to this – and that is exactly where great opportunities lie for a media company like Bertelsmann."

Strategic Focus

Guidelines for Bertelsmann's Future Development

Following his appointment as Bertelsmann's new Chairman and CEO, Thomas Rabe launched a Group-wide dialog to discuss strategic guidelines with the company's key managers and employee representatives from all of Bertelsmann's key businesses and markets. The focus is on the strategic priorities outlined as follows: consolidation, digital transformation, growth platforms, and regional expansion.

The Bertelsmann Executive Board's overriding goal is to accelerate the company's growth, and make the Group more international and more digital. To this end Bertelsmann will increasingly enter into global and digital lines of business. They will complement the original core businesses of television, books, magazines, and services and ensure a broader overall revenue structure.

The new strategy will be presented at a Management Meeting in fall 2012 and then be implemented throughout the Group.

Consolidation

Reviewing the portfolio is one of the most important ongoing tasks of the Executive Board. In terms of consolidation, Bertelsmann has in recent years made important strategic decisions. For instance, the company divested from the recorded music business and has built up a new music rights business – BMG. The club and direct marketing business has been scaled back globally; TV stations were sold in the UK and Greece; and major parts of the printing business have been moved into a separate unit so that Arvato can focus on the rapidly growing services sector. Bertelsmann wants to continue to be an active player in the consolidation of the media market and secure its leading positions.

Transformation to Digital

Bertelsmann's core businesses are changing due to increasing digitization and changing media usage. All of the Group's divisions are actively shaping these changes, always in line with consumer demand. Non-linear television on all available devices, almost 40,000 electronically available books in German, English, and Spanish; apps, e-mags, and portals based on strong magazine brands; and digital value chains in the services business: Bertelsmann is reinventing itself in many fields as it opens up new customer groups and distribution channels. A successful transformation of the core businesses is a long-term task of vital importance to the future of Bertelsmann.

Growth Platforms

Bertelsmann will broaden its portfolio in the next few years and complement the established businesses with new, high-growth fields. There are clear guidelines for these new businesses: they must have strong long-term growth potential with low cyclicalities; they must be global, preferably with growth opportunities in emerging markets; they should have a proven digital business model and be scalable. And they should offer consolidation opportunities. Bertelsmann is currently looking at ten to twelve potential growth platforms that meet these criteria, some of which have already been initiated, for example the music rights business BMG, which Bertelsmann has developed into a global player within just a few years together with KKR, or the fast-growing education segment.

Regional Expansion

A look at the demographics in the company's core markets makes one thing clear: for future growth Bertelsmann must and will step up its expansion into regions that have growing populations and therefore provide attractive prospects regarding economic activity, purchasing power, and media usage. Bertelsmann is already active in this respect with numerous businesses, but will greatly expand its footprint over the next few years. To support this, Bertelsmann is expanding its network of Corporate Centers. In early 2012 the Group's fourth Corporate Center after Gütersloh, New York, and Beijing was opened in New Delhi. A fifth in São Paulo, Brazil, is already planned.

Bertelsmann Essentials

The Bertelsmann Essentials convey the goals and basic values of our company's employees, executives, and shareholders and are based on the Corporate Constitution. It is the responsibility of our executives to spread and exemplify these values and to serve as role models. The Bertelsmann Essentials reflect the common understanding of our corporate culture and are subject to constant review, revision, and improvement.

Partnership

Our corporate culture is based on a mutually beneficial partnership between our employees and the company. Motivated individuals who identify with the company and its values are the driving force behind quality, efficiency, innovation, and growth within our corporation. The hallmarks of our participatory leadership approach are mutual trust and respect as well as the principle of delegation of responsibilities. Our employees enjoy autonomy to the greatest extent possible. They receive comprehensive information and participate in decision-making and our financial success. We are committed to the professional development of our employees and seek to provide long-term employment.

Our Core Values

Creativity

We provide a home for artists, authors, and creative talents in all of our fields of business, promoting their creative development and commercial success. We strive for the protection of intellectual property on a worldwide basis. We promote artistic freedom and freedom of thought, the protection of democracy and human rights, and the respect of traditions and cultural values. Consequently, the content we provide reflects a wide range of viewpoints and opinions. Continuous innovation and improvement, guided by customer needs and interests, are the cornerstones of our success.

Our Mission

Bertelsmann is an international media corporation. We provide information, entertainment, and media services to inspire people's daily lives. We aspire to make a valuable contribution to society. We strive to be leaders in our markets and achieve returns on capital that guarantee the growth and continuity of our corporation. Our joint efforts focus on creative content and customer relations. We seek to provide working conditions that are equitable and motivating for our employees. We commit ourselves to ensuring the continuity and ongoing progress of our corporation.

Entrepreneurship

The principle of decentralization is at the heart of Bertelsmann's management philosophy. It enables our employees to act with flexibility, responsibility, efficiency, and entrepreneurial freedom. Our operating businesses are run by managers who act as entrepreneurs: they enjoy considerable independence and bear full responsibility for the performance of their companies. Our executives act not only in the best interests of their individual businesses, but are also obligated to the interests of the group as a whole.

Citizenship

The continuity and development of Bertelsmann as an independent entity is ensured by the Bertelsmann Verwaltungsgesellschaft's (Bertelsmann Management Company) control of the majority of voting rights. In the view of our shareholders, the possession of property creates an obligation to the community. They believe that, in a market economy, a corporation derives its legitimacy from making a valuable contribution to society. The work of the Bertelsmann Stiftung – to which the majority of Bertelsmann shares has been contributed – is also guided by this principle. Our businesses are managed in accordance with the spirit and the letter of the law. They maintain high standards of ethical conduct and act responsibly toward society and the environment.

Our Commitment

We expect everyone at Bertelsmann to adhere to this mission and these core values.

Corporate Responsibility

Responsibility is Part of Our Identity

As one of the four Bertelsmann Essentials, citizenship – also known as corporate responsibility – has always been deeply rooted in Bertelsmann’s corporate culture and therefore in our business as well. Bertelsmann considers itself to be a part of – and partner to – its community. But when we refer to corporate responsibility, we are talking about more than a responsibility to society or to the community in a strict sense. We want to act responsibly long-term – especially wherever our value creation and our stakeholders’ expectations intersect: in our business environment, toward our employees, in our community, and in our treatment of the environment.

Our Business Responsibility

Growth and corporate continuity form the basis of our corporate responsibility. This means generating profits and securing a return on capital that ensure such growth and continuity. Only in this way can we secure and create jobs, thereby contributing to prosperity in the countries and cities in which we operate. Our entrepreneurial actions follow the principles of good corporate management and are guided by ethical values.

Our Responsibility to Employees

The idea of partnership between employees and their company guides our thoughts and actions – to the benefit of everyone involved: Bertelsmann’s shareholders, management, and employee representatives share the basic understanding that a spirit of partnership not only promotes everyone’s satisfaction and identification with the company and their personal jobs, but is also one of the key requirements for business success. For this reason, responsibility toward our employees has always been a special priority for us.

Our Responsibility to Society

Media are more than simply commodities. Media content is an economic as well as a cultural asset. This implies a special responsibility for us as media makers: we seek to contribute to a diverse media landscape by providing a wide variety of creative entertainment and information offerings. Responsible business conduct governs our daily business as a services company as well. Our goal is to reconcile economics and ecology in cooperation with our customers and to make all processes sustainable. Above and beyond this, we systematically target important societal issues, thereby building people's awareness and increasing public attention on these issues. We comport ourselves as a good citizen and work actively and supportively to promote a livable environment and against social ills in the communities in which we do business. We are also committed to promoting literacy and media skills and next-generation talent in the media industry.

Our Responsibility to the Environment

As an internationally operating media and services company we face a particular responsibility towards our natural resources. The premise to deal responsibly with the environment affects all aspects of our value chain: it is important when printing and publishing books and magazines, but also needs to be considered when producing in the area of film and TV as well as Blu-Rays, DVDs, or CDs, and when offering media services. Environmental and climate protection is not only part of our corporate responsibility; it is also a key factor for success. Our commitment to environmental and climate protection is reflected in, and strategically positioned through, our "be green" team, an international committee comprised of representatives of all our divisions.

Taking Action

Bertelsmann's Corporate Responsibility Report 2010/2011

In January 2012, Bertelsmann published its Corporate Responsibility Report 2010/2011. The report, entitled "Taking Action," illustrates the ways in which the international media company takes responsibility along its value chains. Bertelsmann also sponsors a wide range of socially relevant projects, either initiated by the company itself or in cooperation with other partners. This is Bertelsmann's first CR report written to comply with the guidelines issued by the Global Reporting Initiative (GRI), which has awarded the company a grade of "B+."

You can order your personal copy of our CR report or read it online at:
www.bertelsmann.com/responsibility

School of Freedom

Intajour, the International Academy of Journalism, was set up to promote independent journalism around the world.

The Gift of Learning to Read

One in four people in Germany never read books. An initiative sets out to change this.

Seeing, Feeling, Learning

Big help for the little ones: Bertelsmann employees support local students in China.

Anna's House

A pilot project unique to Germany readies teens for the job market.

The Sofa's Mother

The "Leipzig liest" literary festival and the "Blue Sofa" have a lot in common, above all: compelling stories.



Too Important to Keep Quiet About

Executives support the families of terminally ill children – thanks to G+J Commitment.

Forests for Life

Gruner + Jahr compensates for its business air travel with a multifaceted climate protection project – that benefits farmers in Nepal among others.

Free from Heteronomous Motives

What does editorial independence mean for business media publications? A conversation with Editor-in-Chief Steffen Klusmann.

Handicraft and Principles

Linguistic precision and in-depth research: The Henri Nannen School trains journalists for quality media.



Our Commitment



Green Light for Environmental Thinking

Environmental protection is an important topic for RTL Group – for its employees and viewers.

News You Can Use

RTL Television is fully committed to its duty to inform – and no one embodies its commitment to news better than Peter Kloeppe, Germany’s most popular news anchor, and Antonia Rados.

A Force for Good

RTL Group’s TV channels raise millions for social projects.

The Protection of Minors is on Everyone’s Mind

Everything that goes out on the air on Super RTL is subject to certain rules. Managing Director Claude Schmit explains exactly which ones.

The Story Publisher

The contents of books are now published on paper and digitally – an opportunity for publishers and authors, says Bill Scott-Kerr.

A Certified Book-Publishing Trailblazer

Verlagsgruppe Random House in Germany prints its books on environmentally friendly paper. A success story.

Everybody Wins

For a group of Random House, Inc. employees, reading aloud has become a passion that benefits many.



Resource Conservation

Arvato companies explore many paths in their quest for environmentally compatible printing.

Rescuers Need Help, Too

AZ Fundraising Services supports relief organizations in their fundraising.

Get Out of Debt

More and more Germans are slipping into insolvency: Arvato Infoscore has joined forces with the Diakonie Baden-Baden to help.

Divisions

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BERTELSMANN
CORPORATE



RTL Group is the leading European entertainment network, with interests in 45 TV channels and 29 radio stations in nine countries and content production throughout the world. The TV portfolio of Europe's largest broadcaster includes RTL Television in Germany, M6 in France, the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia, and Hungary, and Antena 3 in Spain. RTL Group's flagship radio station is RTL in France, and it also owns or has interests in other stations in France, Germany, Belgium, the Netherlands, Spain, and Luxembourg. RTL Group's content production arm, Fremantle Media, is one of the largest international producers outside the United States. Each year, it produces 9,500 hours of programming across 54 countries.

€5,814
million revenues

€1,121
million operating EBIT

12,184
employees worldwide

»TV is the true social medium. Whether viewers are sharing fun and excitement or leaning back and relaxing: television provides food for thought and conversation, increases traffic to search engines, and is widely discussed in the social networks, often while the show is being broadcast. TV is an engine of the digital media world and remains the focal point of the living room.«

Gerhard Zeiler, Chief Executive Officer, RTL Group¹⁾

¹⁾ until April 18, 2012

RTL Group
Random House
Gruner + Jahr
Arvato
Corporate

Highlights 2011



Outstanding Audience Figures in Key Markets

Strong audience shares are fundamental to success in the TV industry: advertisers want to reach mass audiences quickly, and all distribution platforms need the broadcasters' content to gain new customers. RTL Group's flagship channels underlined their popularity impressively in 2011: in Germany, RTL Television remained young viewers' number one choice by a large margin, and for the 19th consecutive year. With an 18.4 percent audience share among viewers aged 14 to 49, the channel achieved its best full-year ratings since 1997. In France, M6 was the only major broadcaster to increase its ratings, and is now the third most popular channel. RTL Nederland's four free-to-air channels attracted 35.2 percent of prime time 20- to 49-year-old viewers – the best results in 14 years, driven by the market leader RTL 4. And in Belgium, RTL-TVI remains the country's top channel by an impressive margin.

Counter-Programming Success

The continuous growth of the humorous fiction series, "Scènes de Ménage," has prompted French newspapers to suggest M6 is challenging the competing channels' 8 p.m. evening news ratings – six days a week. The concept is simple, but addictive: portraying everyday scenes in the lives of four couples in sketches lasting three-and-a-half minutes. Following a strong access prime time schedule, its first season drew an average 2.2 million viewers. Its second drew an average of 2.9 million, with a high point of over 4 million viewers in March. But series three took ratings to another level – drawing an astonishing 5.2 million viewers on the first day of November, and then breaking its own record in January 2012 with 5.9 million.

Commitment to Quality Children's TV

Fremantle Media announced in October 2011 that it would double its investment in kids' content, following the success of projects such as "My Babysitter's a Vampire" (photo) – launched on the Disney Channel in the United States. This pledge will mean additional projects, including "Black Dawn," the first project to come out of Fremantle Media Enterprises and Animation Collective's new partnership, and "Grojband," a new animated musical comedy series for 6- to 11-year-olds. The extra investment will expand four key areas of kids' programming: pre-school, kids' comedies, boys' action adventures, and teen/tween projects.

Family Building

RTL Group has acquired a portfolio of seven Hungarian cable channels, plus the remaining shares in the country's market-leading channel RTL Klub. The Hungarian market leader is now wholly owned by RTL Group. The new portfolio – which includes strong brands Film Plus and Cool TV – provides the ideal platform on which to build a complementary family of channels and maintain leadership in Hungary, a highly competitive market with more than 100 channels in the local language.



RANDOM HOUSE
BERTELSMANN

Random House is the world's trade-book market leader, a commercial and literary powerhouse publishing around 10,000 new hardcovers, paperbacks, audio, and electronic books annually in the local languages of 15 countries, and selling close to 400 million books a year. Almost 40,000 English-, German-, and Spanish-language titles are available as Random House e-books. Random House is home to many of the world's most popular and culturally admired adult and children's authors, including Nobel laureates and international leaders. It is a company of people working together to share their love of books as passionate supporters of their authors, booksellers, and readers.

€1,749
million revenues

€185
million operating EBIT

5,343
employees worldwide

»Random House's leadership in the digital transformation of book publishing continues to generate unprecedented creative and entrepreneurial opportunities for our authors' content across all formats, marketplaces, and audiences. We are proud to be carrying forward our unique literary heritage to the next generation of readers.«

Markus Dohle, Chairman and CEO, Random House

RTL Group
 Random House
 Gruner + Jahr
 Arvato
 Corporate

Highlights 2011



Paolini's Grand "Inheritance" Finale

Christopher Paolini's "Inheritance" cycle, one of this century's most popular fiction series, reached its glorious conclusion in November 2011 with its fourth and final epic volume, "Inheritance." In the first eight weeks, the novel sold a record 3 million copies in its Random House English and German print, audio, and e-book editions. Publication rights to the series, available in 125 countries and 49 languages, are licensed by Random House Children's Books, US, who took a chance on the unknown young author a decade ago and have helped him sell 33 million books worldwide.

Steve Jobs: Random House's German and Spanish Mega-Seller

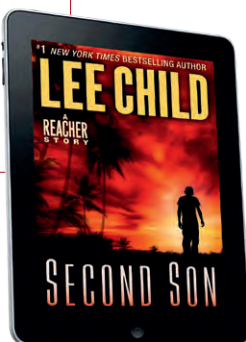
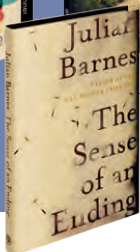
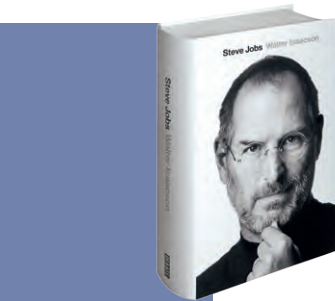
The worldwide publishing phenomenon of "Steve Jobs," Walter Isaacson's definitive biography of the Apple icon, was enhanced with the publication of the German and Spanish editions by Random House imprints. The C. Bertelsmann Verlag hardcover is Germany's number one 2011 nonfiction print title, and is also a runaway audio and e-book success. The Debate edition has sold 250,000 copies with retailers in Spain and Latin America, where it is also generating record online sales. In the United States, the Vintage Español publication, with six printings, was the fall's bestselling Spanish title nationwide.

Random House's 2011 Top Literary Prize Winners

Random House titles and authors were again honored in 2011, winning many prestigious literary awards. In the United States, "A Visit from the Goon Squad" by Jennifer Egan won the Fiction Pulitzer Prize, and Claire Vanderpool's "Moon Over Manifest" was awarded the Newbery Medal, the top Children's Literature accolade. "The Sense of an Ending" by Julian Barnes won the renowned UK Man Booker Prize, with "Mordecai" by Charles Foran receiving Canada's coveted Governor General's Nonfiction Award. Spain's National Translation Prize was awarded to Olivia de Miguel for translating Marianne Moore's poetry, published by RH Mondadori.

Random House Now Offering Nearly 40,000 E-Books

Amidst the surge in popularity of digital reading with e-book readers and tablet computers, Random House broadened the scope of its cross-divisional digital transformation. Every division maintained triple-digit percentage growth in terms of digital publishing revenue, increasing the company's overall e-book portfolio to almost 40,000 titles. Random House has diversified its digital content and increased its technological capabilities with the acquisition of US digital media agency Smashing Ideas. Its app development is thriving, and is publishing many e-book exclusives, including short fiction by Lee Child and Karin Slaughter, breaking-news essays, and instant-book political analysis.





The Gruner + Jahr printing and publishing company is Europe's leading magazine publisher, with approximately 11,800 employees and over 500 magazines, digital, and other media offerings that reach readers and users in more than 30 countries. Gruner + Jahr publications include "Stern," "Brigitte," "Geo," "Capital," "Gala," and "Eltern" magazines, "P.M.," the "Financial Times Deutschland," "Essen & Trinken," and "National Geographic." With foreign revenues accounting for 56 percent of its income, Gruner + Jahr is one of the most international publishing companies in the world. Bertelsmann AG owns 74.9 percent of Gruner + Jahr, the Jahr publishing family of Hamburg owns 25.1 percent.

€2,287
million revenues

€233
million operating EBIT

11,822
employees worldwide

»Change creates opportunities, and we continued to invest in the future during 2011. Through acquisitions, digital expansion projects, new digital products, and an international transformation project we are building Gruner + Jahr's digital future and developing appropriate business models. Our successful entry into India has laid the foundations for further growth in Asia.«

Dr. Bernd Buchholz, Chief Executive Officer, Gruner + Jahr AG

RTL Group
Random House
Gruner + Jahr
Arvato
Corporate



MaXposure Media Group



Highlights 2011

Gruner + Jahr Expands Within India

India is booming – and the successful market entry of “Geo” in India in 2008 has inspired G+J to expand further. G+J International President Torsten-Jörn Klein and his team (photo) traveled the country for several months, and after visiting countless businesses finally found what they were looking for in Delhi: the Maxposure Media Group India, a medium-sized, highly profitable publisher with strong premium brands in print and online journalism, a broad corporate publishing portfolio, high growth rates, and excellent marketing. In July 2011, G+J International acquired a 78.75 percent stake in Maxposure Media Group India Pvt. Ltd.

Investments in the Future of Journalism

G+J launched and acquired more than 20 new titles worldwide in 2011. One of them is “Grazia.” As an international premium fashion weekly, the German edition of “Grazia” offers young fashion-conscious women a mix of trends, people news, and socio-political articles. Now published worldwide in 18 countries including France, the UK, China, and Australia, “Grazia” was founded in Italy in 1938 by the Milan-based publisher Arnoldo Mondadori SPA, which is also the licensor of the German edition. With its positioning as a fashion and news weekly, “Grazia” is a perfect addition to the G+J portfolio. “Grazia” strengthens the publisher’s position in the premium segment of women’s magazines.



Success in Digital Communities

After acquiring Europe’s leading food community Chefkoch.de, in 2011 Gruner + Jahr also took over Urbia.de, an ad-financed online portal for young parents, aspiring parents, and pregnant women. The website offers users extensive editorial content with over 1,000 articles and 17 interactive services. With around five million posts per year, Urbia.de is Germany’s biggest family community. The parenting portal is the clear market leader for parenting and family portals in Germany, attracting an average of 2.03 million unique users per month in 2011. With Urbia.de and its brands “Eltern,” “Eltern family,” “Eltern Specials,” Eltern.de, and “Eltern Ratgeber,” G+J is significantly enhancing its leading position in the parenting segment.



Actively Shaping Transformation / House of Content

In 2011 the House of Content workshop opened its doors in Hamburg. As part of a national project, G+J is working on the conditions necessary for the digital transformation of journalistic content, and on new formats and products related to this. The aim is to explore new ways of compiling individually tailored content for different brands and channels. For G+J this means maintaining the company’s high journalistic standards and at the same time being able to quickly and accurately satisfy a wide range of user demands on any type of channel, e.g. mobile, print, or as an app.



arvato

BERTELSMANN

As a global services provider Arvato supports business customers all over the world in successfully shaping their customer relationships. More than 68,000 employees design and implement customized solutions for business processes through integrated service chains. These include all services related to the creation and distribution of printed material and digital storage media, as well as data management, customer care, CRM services, supply chain management, digital distribution, financial services, and expert, individually tailored IT services.

€5,357
million revenues

€341
million operating EBIT

68,325
employees worldwide

»Social commerce, electronic software distribution, and smart meters: wherever you look, new trends, technologies, and market developments are continually transforming service businesses. Our innovative and holistic solutions help our business customers to successfully conduct their customer relationships.«

Rolf Buch, Chairman of the Executive Board, Arvato AG

Highlights 2011

A Network for the World's Largest Market

In December 2008, Arvato formed a joint venture with two Chinese mobile-phone distributors and opened a first warehouse in Shenzhen in order to grow its logistics business in China. This was the start of an expansion project that was completed in mid-2011. Today, Arvato's logistics network comprises 55 sites and nearly 1,000 employees, and covers the whole of China apart from two provinces. It currently generates most of its revenue through the distribution of mobile devices, but eventually plans to develop new business in the high-tech sector – computers, laptops, digital cameras, etc.



IT Services for Tennet

Since mid-2011, Arvato Systems has been a strategic outsourcing partner and preferred IT service provider of Tennet TSO, an operator of electricity transmission systems. Arvato Systems provides services for almost all aspects of Tennet's IT infrastructure. As well as data center services and network operations, the contract also covers telecommunications services, user help desk services, and system integration. Tennet TSO is responsible for the operation, maintenance, and further development of the electricity transmission network in large parts of Germany.



Arvato Infoscore Helps the Insurance Industry

Every year, the German insurance industry loses an estimated 4 billion euros through insurance fraud. The most effective tool available to the German insurance industry in reducing these losses is the so-called reference and information system (HIS). This year, the German Insurance Association (GDV) commissioned informa Insurance Risk and Fraud Prevention GmbH to operate and maintain this major online information system on its behalf. Insurance companies access the HIS to report abnormalities in insurance claims and can view information to help them assess risk in the applications department, or review specific cases in the claims department.



Growth in France

In France, Arvato systematically expanded its high added-value integrated service offers in 2011, ventured into new strategic areas of development and gained new customers in these market segments. These include Pôle Emploi, DGFIP, and URSSAF in the public sector, Abbott, Olympus, and KCI in the health sector, BNP Paribas and Société Générale in the banking sector, and Vente Privée, Fnac.com, Photobox, and Toys R Us in e-commerce. The figures confirm this growth: revenues increased by more than 12 percent. Arvato also opened two additional customer centers and developed a new location serving the health sector.



BERTELSMANN CORPORATE

Bertelsmann Corporate uses its creativity and entrepreneurship to develop key emerging businesses. These include the BMG music rights company, as well as the two venture capital funds BDMI and BAI, which invest in fast-growing start-ups in the United States, Europe, and Asia. Bertelsmann participates in innovative education services via its University Ventures Fund. Bertelsmann Corporate also includes Bertelsmann's club and direct marketing businesses.

€382
million revenues

€-125
million operating EBIT

2,952
employees worldwide

»Bertelsmann stands for strong brands and captivating content. Digitization opens up a multitude of new environments and distribution channels for step-by-step as well as radical innovation. Herein lie great opportunities, which we will take advantage of with creativity and the entrepreneurial spirit that is typical for our company.«

Dr. Thomas Hesse, President Corporate Development and New Businesses, Bertelsmann AG

RTL Group
Random House
Gruner + Jahr
Arvato
Corporate

Highlights 2011



BMG Has a Million Titles in Its Catalog

From Johnny Cash to Peter Dinklage: BMG now owns the rights to around one million titles, making Bertelsmann and KKR's music rights company the industry's number five worldwide – and the biggest service provider not dependent on a label. With the acquisition of the independent music publishers Chrysalis and Bug Music, BMG acquired the rights to such timeless hits as "Summer in the City" and "What a Wonderful World." Internationally popular artists including Yusuf Islam (Cat Stevens), Bruno Mars, Gavin Rossdale (Bush), Iggy Pop, and Kings of Leon (photo) have entrusted their rights management to BMG.

BDMI Holdings on Track for Growth

Many of the holdings funded by Bertelsmann Digital Media Investments showed strong growth in 2011. Some even tripled their revenue, including the mobile advertising network "Mojiva" and the reward-shopping platform Deal United. The US video games company Trion World, in which BDMI has owned a stake since 2007, has generated more than 100 million US dollars alone since the launch of its online role-playing game "Rift" in spring 2011. Overall, the fund, which serves as Bertelsmann's trend scout in the digital sector, added ten new investments to its portfolio in 2011 and owned shareholdings in 28 companies at year-end.



BAI Expands Its Portfolio

Bertelsmann Asia Investments (BAI) continued to capture tremendous growth in the Asian markets in order to expand Bertelsmann's business scope, explore innovation, and enhance the Bertelsmann brand as a home for entrepreneurs and creativity in Asia. In 2011, BAI made ten new investments, including social shopping gateway "Mogujie" and leading online marketing company "iClick." In May, BAI's portfolio company Phoenix New Media Limited had a successful IPO at NYSE. BAI's portfolio consisted of 12 companies and four fund of fund investments at the end of 2011. BAI was again ranked among the top 50 foreign VCs in China by the industry authority.

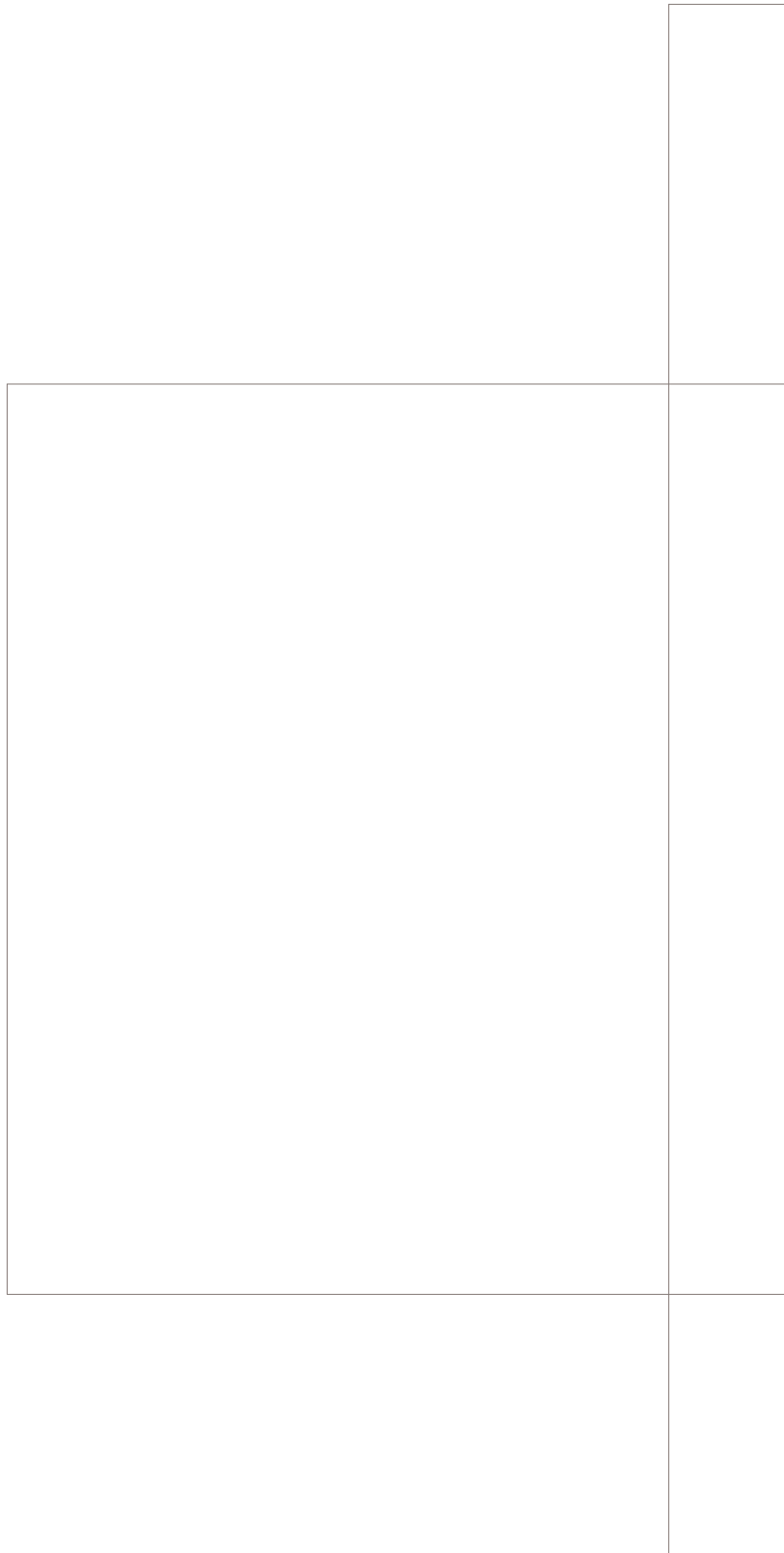


All Products for All Customers in All Stores

As of July 1, Der Club Bertelsmann opened all its stores to all customers, and simultaneously introduced its "one book, two prices" concept. This concept, which is unique in the book market, is being rolled out across Germany. Regular customers receive a discount of up to 25 percent on selected books at all Zeilenreich and Der Club branches, while all other customers pay the fixed retail price. The 60 newly opened Zeilenreich stores in prime downtown locations are specifically designed to appeal to walk-in customers. In this way the company is aiming to broaden its customer base based on its core competencies: recommendation and price.



Financial Information



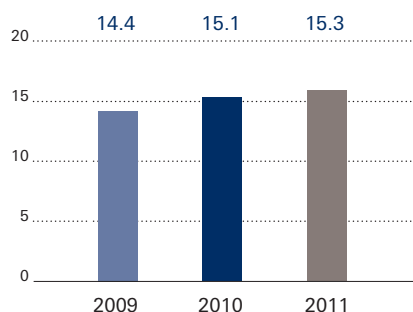
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Group Management Report

Fiscal Year 2011 in Review

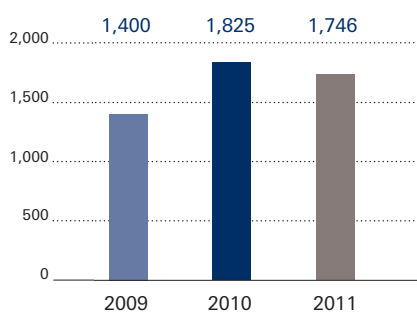
Bertelsmann achieved slightly higher revenues and solid operating earnings in fiscal year 2011. Group revenues from continuing operations rose to €15.3 billion (previous year: €15.1 billion). Organic growth adjusted for portfolio and exchange rate effects was 1.7 percent, in line with overall economic development in the geographic core markets. Operating EBIT came to €1,746 million, from €1,825 million in the previous year. Operating EBITDA was €2,234 million (previous year: €2,355 million). A good performance in advertising-driven business and dynamic growth in e-book sales were offset by planned start-up losses, weak business in some printing units, and declines in the replication and direct marketing businesses. Income remains strong with a return on sales of 11.4 percent. Group profit fell to €612 million (previous year: €656 million) as a result of high special items. The development of operating free cash flow of €1,728 million (previous year: €2,075 million) was characterized by stronger investment activities. For fiscal year 2012, Bertelsmann expects moderate business development amid a difficult economic environment.

Revenues in € billions*



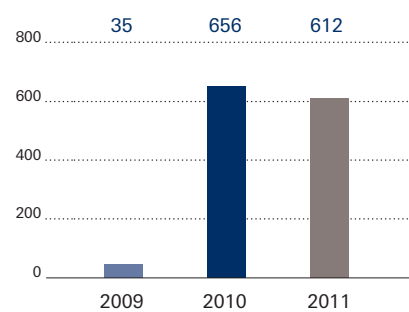
- Group revenues up 1.2 percent; up 1.7 percent when adjusted for exchange rate and portfolio effects
- Growth indicators in some advertising businesses, TV production, and services; replication and direct marketing businesses down
- Rising e-book sales at Random House

Operating EBIT in € millions*



- Operating EBIT at €1,746 million, from €1,825 million in the previous year
- Declines due to the costs of establishing new businesses and structural changes in the printing, replication, and direct marketing businesses
- Return on sales of 11.4 percent confirms high level of profitability

Group Profit in € millions



- Group profit down to €612 million as a result of special items
- Financial result improved by €131 million from previous year
- Earnings from discontinued operations of €-121 million through portfolio optimization

* Fiscal 2009 figures adjusted for discontinued operations.

Business and Economic Conditions

Description of Business and Organizational Structure

Bertelsmann operates in 50 countries with a focus on media content and media-related production and services. Alongside its geographic core markets in Western Europe (especially Germany, France, the United Kingdom, and Spain) and the United States, Bertelsmann is strengthening its presence in growth markets such as China, India, and Brazil. The Bertelsmann divisions are RTL Group with television, radio, and television production operations; the book publishing group Random House; the magazine publisher Gruner + Jahr; and the business process outsourcer Arvato.

Bertelsmann AG is a capital-market-oriented but unlisted stock corporation. It serves as a management holding company and exercises central corporate functions such as the development of Group strategy, capital allocation, financing, and management development. Internal corporate management and reporting follow the Group's organizational structure, which consists of the four operating divisions of RTL Group, Random House, Gruner + Jahr, and Arvato, plus Corporate.

RTL Group is the leading European entertainment network, with interests in 45 television channels and 29 radio stations in nine countries and content production throughout the world. The television portfolio of Europe's largest broadcaster includes RTL Television in Germany; M6 in France; the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia, and Hungary; and Antena 3 in Spain. With its subsidiary Fremantle Media, RTL Group is also among the key global players in the production, licensing, and distribution of TV content. RTL Group S.A. is a listed company in Brussels and Luxembourg.

The book publishing group Random House is comprised of nearly 200 independent imprints, including such illustrious names as Alfred A. Knopf and Doubleday in the United States, Ebury and Transworld in the United Kingdom, Plaza & Janés in Spain, and Goldmann in Germany. Random House publishes 10,000 titles each year in 15 countries in hardcover, paperback, electronic, and audiobook formats with sales of 400 million copies annually. Random House's e-book catalog now includes almost 40,000 titles in English, German, and Spanish.

Printing and publishing giant Gruner + Jahr, with over 500 media activities, magazines, and digital communications, is one of the leading magazine publishers in Europe. Gruner + Jahr has a presence in over 30 countries, including Austria, China, Italy, the Netherlands, Poland, and Spain. Gruner + Jahr's largest foreign company is Prisma Média, the second-largest magazine publisher in France.

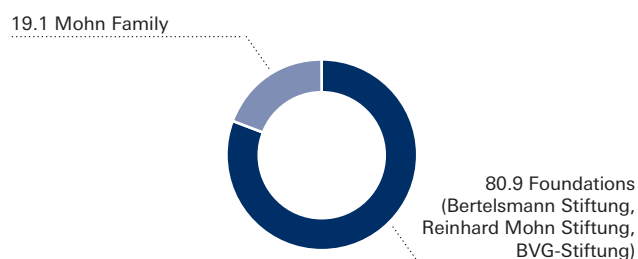
Business process outsourcer Arvato supports its business clients around the world to successfully manage their end-customer relationships. Arvato develops and implements custom solutions for business processes along integrated service chains. These include comprehensive design and distribution services for printed products and digital storage media as well as data management, customer care, and CRM. A full line of supply chain management products, digital distribution, financial services, and qualified and customized IT services completes the portfolio.

Corporate includes the Corporate Center and Corporate Investments. The Corporate Center based in Gütersloh and the regional centers in New York, Beijing, and now New Delhi support the Executive Board of Bertelsmann AG in managing the Group and support the divisions in managing and developing business operations. Corporate Investments includes the music rights company BMG, the education-related activities, and the club and direct marketing businesses in Germany and Spain, including the direct marketing company Inmediaone formerly assigned to Arvato. Bertelsmann Digital Media Investments (BDMI) and Bertelsmann Asia Investments (BAI), the funds for digital media, are also allocated to Corporate Investments.

Shareholder Structure

Foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG Stiftung) indirectly hold 80.9 percent of Bertelsmann AG shares, with the other 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the Bertelsmann AG Annual General Meeting.

Ownership Structure – Shares in percent



Strategy

Bertelsmann is a global media enterprise occupying leading market positions in its core sectors of television, books, newspapers, and outsourcing services. Bertelsmann develops media and communication offerings that excite people around the world and provide customers with innovative solutions. Bertelsmann's overriding objective is continuous growth of the company's value through a sustained increase in profitability. Bertelsmann Value Added (BVA) is used as a central performance indicator for assessing the profitability from operations and return on invested capital. BVA measures the profit realized above and beyond the appropriate return on invested capital.

Thomas Rabe, who took over as Chairman and CEO of Bertelsmann on January 1, 2012, began by convening a Group-wide dialog with executives and employee representatives from all key Bertelsmann markets and sectors to discuss the state of the company, the future orientation, and the overall conditions this requires. The new strategy will be presented at a management meeting in the fall of 2012.

The importance of strategy at Bertelsmann is underscored with the creation of the new Executive Board function for Corporate Development and New Businesses, which was assigned to Thomas Hesse effective February 1, 2012. The Executive Board will also receive support with issues of corporate strategy and development from the newly established Group Management Committee (GMC), composed of executives representing key businesses, countries, regions, and selected enterprise-wide functions. The international and comple-

mentary composition of the GMC will enable a great diversity of input, which is intended to ensure effective corporate development and support with the digital transformation of the operations.

The Executive Board seeks to put Bertelsmann on a path of stronger growth with a greater focus on international markets and to drive the digital transformation forward. This means an increasing emphasis on penetrating international and digital business segments. These should complement the traditional businesses and provide a broader-based revenue structure.

The music rights business, launched in 2008, was further expanded both organically and through acquisitions in 2011. In 2011, Bertelsmann also became the anchor investor in the University Ventures Fund, thereby entering the promising education market. Other potential growth platforms in areas such as information services are currently being explored.

Bertelsmann's core markets currently lie in Western Europe and the United States. Increased investments in the growth regions of China, India, and Brazil are intended to broaden the base of the company geographically. Random House, Gruner + Jahr, and RTL Group expanded their presence in India over the last fiscal year, for example, and Arvato expanded its operations in both Brazil and China.

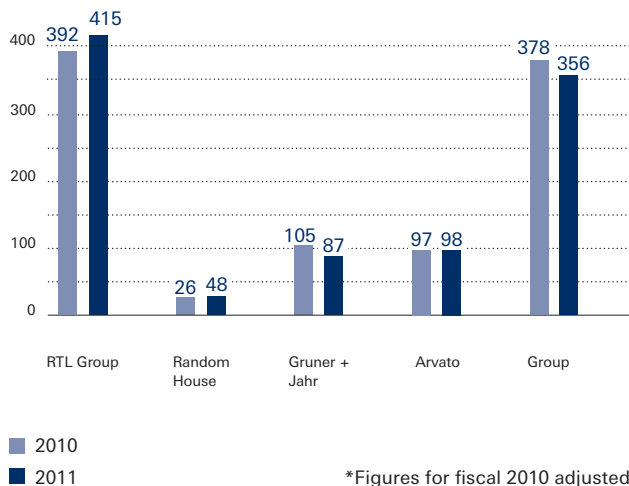
Bertelsmann aims to achieve full ownership of its businesses. Partnerships may be practical or necessary in justified exceptions such as the establishment of new businesses. The general objective is to reduce existing shares of non-controlling interests unless there is a strategic reason not to do so. In fiscal 2011, for example, RTL Group acquired all remaining shares in the Hungarian subsidiary M-RTL, the Croatian television company RTL Hrvatska, and RTL Nederland.

Value-Oriented Management System

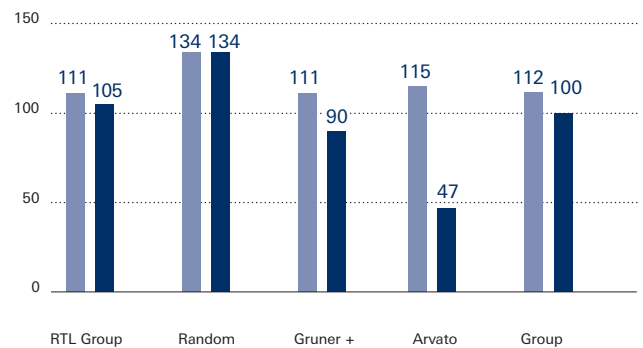
The central performance indicator for assessing the profitability from operations and return on invested capital is Bertelsmann Value Added (BVA). BVA measures the profit realized above and beyond the appropriate return on invested capital. This form of value orientation is reflected in strategic investment and portfolio planning and the management of Group operations and is the basis for management compensation.

BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated as operating EBIT less a standard tax rate of 33 percent. Cost of capital is the product of the weighted

BVA in € millions*



Cash Conversion Rate in percent*



*Figures for fiscal 2010 adjusted.

average cost of capital and the level of capital invested. The uniform weighted average cost of capital after taxes is 8 percent. Invested capital is calculated on the basis of the Group's operating assets less non-interest-bearing operating liabilities. The present value of operating leases is also taken into account when calculating the invested capital. BVA in fiscal 2011 was €356 million, below the previous year's figure of €378 million. The year-on-year decline was the result – despite a reduction in invested capital – of a lower operating EBIT.

Operating EBIT not only affects BVA through NOPAT but is a relevant performance indicator in its own right. Operating EBIT is calculated before net interest expenses and taxes and adjusted for special items. This procedure yields a normalized, sustainable performance indicator that helps to improve predictability and comparability. Operating EBIT came to €1,746 million (previous year: €1,825 million) in the year under review.

Operating free cash flow, as measured through the cash conversion rate, also warrants attention alongside BVA and operating EBIT. This is calculated as the ratio of operating free cash flow to operating EBIT and serves as a measure of cash generated from business activities. Operating free cash flow does not reflect interest, tax, or dividend payments, and is already adjusted for replacement and expansion investments. Both operating EBIT and operating free cash flow are adjusted for special items. The Group aims to maintain a cash conversion rate of 95 to 100 percent as a long-term average. The cash conversion rate in fiscal 2011 was 100 percent (previous year: 112 percent) and thus within the target corridor. The decline can be attributed to stronger operating investment activities.

Bertelsmann's management and controlling system also includes the internal financial targets outlined under "Net Assets and Financial Position."

Overall Economic Developments

Following a strong start, global economic growth slackened toward the end of the reporting period. According to initial estimates from the Institute for the World Economy (IfW) at the University of Kiel, global economic output rose 3.8 percent in 2011. This follows a rise of 5.1 percent in the real global gross domestic product (GDP) in the previous year. As in previous years, the emerging economies generated most of this growth, but the growth dynamics slowed for the first time as global demand cooled off. Increases in energy and commodity prices coupled with the aftereffects of the natural disaster in Japan dampened global economic growth. When the European sovereign debt crisis escalated in midyear, the effect on the financial markets was profound. Global uncertainty surrounding the debt crisis has had increasingly negative effects on the real economy. The European Central Bank (ECB) estimates that the current structural problems of the advanced economies will impede a global recovery.

Preliminary IfW estimates show real GDP in the United States rising at a mere 1.7 percent in 2011. The weaker economic development conceals a slowdown in private consumer spending attributable to less disposable income. High unemployment and higher rates of inflation continue to dampen consumption. An upward trend emerged toward the end of the year, however, as the US economy began to gather steam again.

The positive core dynamics of the euro zone economy in the first quarter weakened as the year went on, with the trend varying greatly among the various member states. While the

German economy above all was able to distance itself from the overall European trend, the peripheral countries that are considered to be at risk reported stagnating or in some cases declining figures. The IfW reports that real GDP in the euro zone rose 1.5 percent overall in 2011. The euro showed extraordinarily high volatility in an environment characterized by uncertainty. As doubts about the European currency linger, the focus has moved beyond the currently troubled states to include other countries in the euro zone. The euro zone's greatest risk lies in an escalation of the sovereign debt crisis developing into a severe crisis of confidence in the financial sector with an impact on the real economy.

The Federal Statistical Office reports that the German real gross domestic product grew 3.0 percent in 2011, down from 3.7 percent in 2010. The positive growth was fueled primarily by foreign trade, a positive trend in the building sector, and stronger private consumer spending at home. The German economy began the year on a very strong note but was not able to escape the global downward trend. As uncertainty grew, the economy lost more and more momentum toward the end of the year and ultimately contracted in the last quarter. Austerity programs led to decreased demand in many key European sales markets.

Developments in Relevant Markets

The slowdown of the global economic dynamics and uncertain economic climate affect the markets relevant to Bertelsmann to varying degrees. Some of Bertelsmann's operating segments and businesses hold leading positions in a variety of markets and regions. The following market trend analysis pertains only to markets and regions of a sufficiently critical size if their trend can be adequately aggregated and is important for the business development of Bertelsmann companies.

Following a strong recovery in 2010, European TV advertising markets showed an uneven performance in 2011. The TV advertising market was stable in France and posted gains in the Netherlands and Belgium, while the German TV market dipped slightly. TV advertising markets in Southern and Eastern Europe declined sharply.

The overall trend of the book markets in the United States, United Kingdom, and Germany was largely stable. The trend toward online distribution channels continued, especially in the United States. The decline in physical book sales in the United States accelerated sharply in 2011 but was offset by the rapidly growing e-book business. Digital book sales in the United Kingdom also grew sharply in 2011, reaching a significant magnitude as physical book sales declined. Declines in bricks-and-mortar bookstore sales in Germany were not entirely compensated for by the positive signs of growth in online and digital sales.

The magazine advertising markets in 2011 were characterized by a slight growth of advertising revenues in Germany but a downward trend in France and Spain, due primarily to the general economic conditions. Magazine sales in Germany, France, and Spain posted low single-digit declines due to a continued downward trend in circulations.

The service business profited from positive market development thanks to the ongoing trend toward outsourcing. The global market for replication, on the other hand, reported steep declines. The print markets for magazines, catalogs, and promotional materials in Germany made a modest recovery in 2011, but the market in Europe as a whole continued to shrink. The market remains characterized by price and volume pressures and higher material costs.

Regulatory Environment

Bertelsmann has radio and television operations in several European countries that are subject to regulation. In Germany, for example, media are subject to oversight by the Commission on Concentration in the Media. Bertelsmann Group companies occupy leading market positions in many lines of business and may therefore have limited potential for growth through acquisition due to antitrust legislation. Because its profit participation certificates and bonds are publicly listed, Bertelsmann is required to comply in full with capital market regulations applicable to publicly traded companies.

Significant Events in the Fiscal Year

Arvato carried out an extensive reorganization in the first half of 2011. The new organizational structure reflects Arvato's strategic orientation as a business process outsourcing service provider and is geared to the strategic market units that will offer integrated solutions for individual markets and industries.

Direct Group France, which includes both the French-speaking club business and the bookstore chain Chapitre.com, was sold to the US private equity firm Najafi Companies effective May 31, 2011. Direct Group was dissolved as an independent segment of the Bertelsmann Group. The remaining club and direct marketing businesses in Germany and Spain are no longer controlled separately by the Group management and are organized for reporting purposes under Corporate. Implementation of the sales plan for the book clubs in Russia and Ukraine as well as in the Czech Republic and Slovakia has progressed well. For information on the effects of these sales and planned sales on the net assets, financial position, and results of operation, please see page 85 of the notes.

In June 2011, Bertelsmann AG renewed a syndicated loan of €1.2 billion due to expire in 2012 for five years until 2016, at which time there are two more options to extend until 2018.

In the second half of 2011, RTL Group acquired full ownership of its subsidiaries in Hungary and Croatia and at RTL Nederland. RTL Group also took over 100 percent of the shares in a group of seven Hungarian cable channels.

On October 10, 2011, the Bertelsmann AG Supervisory Board named CFO Thomas Rabe as the new Chairman and CEO. He succeeded former Chairman and CEO Hartmut Ostrowski on January 1, 2012.

On November 29, 2011, the Supervisory Board appointed Thomas Hesse to the Bertelsmann AG Executive Board. Effective February 1, 2012, Mr. Hesse took over as the head of

Corporate Development and New Businesses, where he will support the digital transformation of core operations. In this role, he is responsible for the growth platforms Bertelsmann Digital Media Investments (BDMI) and Bertelsmann Asia Investments (BAI), for the education segment, and for the music rights company BMG.

Also in November 2011 came the announcement that Arvato was acquiring the share in the Prinovis gravure printing business previously held by Gruner + Jahr. Arvato now holds 74.9 percent of Prinovis, with Axel Springer AG still holding the remaining 25.1 percent.

On December 5, 2011, Bertelsmann announced the establishment of a Group Management Committee (GMC) effective January 1, 2012. The GMC advises and supports the Executive Board on important issues of corporate strategy and development and other enterprise-wide topics. The GMC is composed of the members of the Bertelsmann Executive Board and selected executives from the Bertelsmann Group under the direction of Thomas Rabe.

Results of Operations

Results of Continuing Operations

The following analysis relates to continuing operations as of December 31, 2011. The previous year's figures have been adjusted for discontinued operations in accordance with IFRS 5. These separately reported operations include the discontinued club and bookstore operations of the former Direct Group. Please refer to the section entitled "Corporate Divisions" for a more detailed picture of the earnings situation.

Revenues by Division

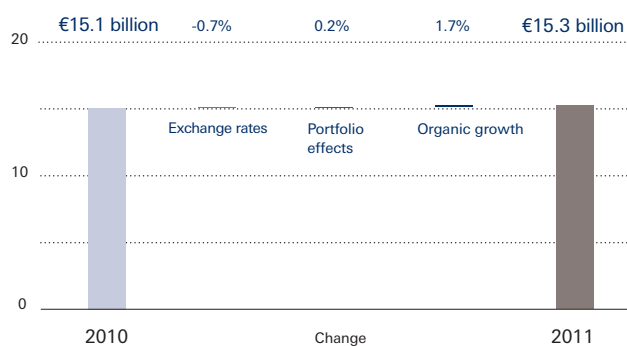
in € millions			2011			2010		
	Germany	International	Total	Germany	International	Total		
RTL Group	2,013	3,801	5,814	1,985	3,606	5,591		
Random House	276	1,473	1,749	276	1,552	1,828		
Gruner + Jahr	1,015	1,272	2,287	1,012	1,247	2,259		
Arvato	2,250	3,107	5,357	2,117	3,108	5,225		
Total revenues by division	5,554	9,653	15,207	5,390	9,513	14,903		
Corporate/Consolidation	66	(20)	46	119	43	162		
Continuing operations	5,620	9,633	15,253	5,509	9,556	15,065		

Revenue Development

Group revenues in fiscal 2011 rose 1.2 percent to €15.3 billion despite weaker economic development in some core European markets. Signs of growth came from advertising-driven businesses, which outperformed the market, particularly in TV. Growth was also observed in TV production, e-book sales, and services. This was offset by declining business in markets undergoing structural changes. Organic growth in the Group was 1.7 percent when adjusted for portfolio and exchange rate effects. Exchange rate effects amounted to -0.7 percent and portfolio effects to 0.2 percent.

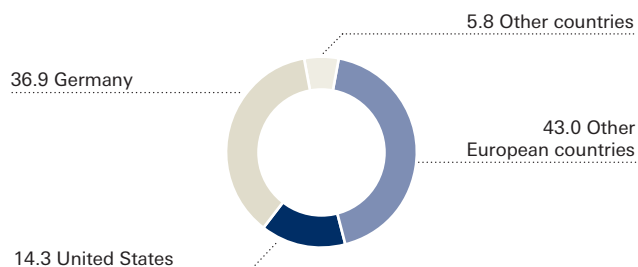
RTL Group revenues rose 4.0 percent in fiscal 2011 to €5,814 million (previous year: €5,591 million) driven largely by Fremantle Media and RTL Nederland. Revenues declined for Random House due primarily to exchange rate effects and lower physical book sales by 4.3 percent to €1,749 million. Revenues at Gruner + Jahr were up 1.2 percent year on year to €2,287 million (previous year: €2,259 million) thanks primarily to a positive performance in Germany. Arvato's revenues came to €5,357 million, up 2.5 percent from the previous year (€5,225 million). Declines in printing and replication were offset above all by the positive trend of IT, financial, and customer care services.

Revenue Breakdown

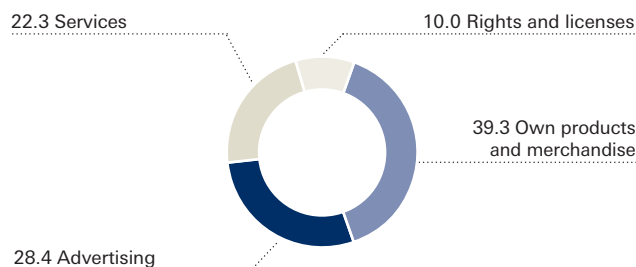


There were minor changes in the geographical breakdown of revenues from continuing operations compared to fiscal year 2010. While the share of revenues from Germany was up slightly to 36.9 percent from 36.6 percent in the previous year, the revenue share generated by other European countries fell to 43.0 percent (previous year: 43.8 percent). At the same time, the US share of total revenues rose from 14.0 percent to 14.3 percent. The share from other countries was 5.8 percent (previous year: 5.6 percent). This means that the proportion of total revenues attributable to countries other than Germany remained nearly unchanged at 63.1 percent (previous year: 63.4 percent). The ratio of the four revenue streams (own products and merchandise, advertising, services, rights, and licenses) to overall revenue remained largely constant compared to fiscal 2010.

Consolidated Revenues by Region in percent



Revenues by Category in percent



Results Breakdown

in € millions	2011	2010
Operating EBIT by division		
RTL Group	1,121	1,102
Random House	185	173
Gruner + Jahr	233	260
Arvato	341	347
Total operating EBIT by division	1,880	1,882
Corporate/Consolidation	(134)	(57)
Operating EBIT continuing operations	1,746	1,825
Special items	(303)	(196)
EBIT (earnings before interest and taxes)	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 or loss	612	656
– of which: Share of profit of Bertelsmann shareholders	465	478
– of which: Non-controlling shareholders	147	178

Operating EBIT and Operating EBITDA

Bertelsmann achieved an operating EBIT of €1,746 million in fiscal 2011 (previous year: €1,825 million). A strong performance in advertising-driven businesses and the dynamic growth in e-book sales were countered by planned start-up losses for the development of new growth platforms and a weak performance in some print and replication businesses. The return on sales remained high at 11.4 percent (previous year: 12.1 percent).

With an operating EBIT of €1,121 million (previous year: €1,102 million), RTL Group earnings remained largely stable in an inconsistent market environment. The highest increases were registered in the TV business in the Netherlands and France. Random House achieved an operating EBIT of €185 million after last year's €173 million. The rise can be attributed to continuing cost-cutting measures and lower return rates due to growing e-book sales. Gruner + Jahr's operating EBIT fell €27 million to €233 million due to a sharp increase in paper prices and declines in foreign business, especially in Austria and Spain. Arvato's operating EBIT was characterized by strong business in services but also by losses in print and replication. The operating EBIT of €341 million remained more or less stable compared to the previous year (€347 million) despite weaker business in South America and the United States and higher costs for energy and raw materials.

Operating EBITDA from continuing operations declined in fiscal 2011 to €2,234 million from €2,355 million in the previous year. The following table shows the breakdown of operating EBITDA by division:

Operating EBITDA by Division

in € millions	2011	2010
RTL Group	1,311	1,305
Random House	211	201
Gruner + Jahr	279	309
Arvato	545	572
Total operating EBITDA by division	2,346	2,387
Corporate/Consolidation	(112)	(32)
Operating EBITDA from continuing operations	2,234	2,355

Special Items

Special items came to €-303 million in the past fiscal year, from €-196 million in the previous year. They consisted of impairment losses totaling €-135 million, net capital gains and losses of €102 million, restructuring expenses, and other special items in the sum of €-270 million. The largest impairment losses were taken at the Greek TV and radio provider Alpha Media Group, in services at Arvato Spain, and in Germany's direct marketing operations. Capital gains of €112 million, primarily from RTL Nederland stemming from the sale of radio stations to Talpa Media, were offset by capital losses totaling €-10 million. The sources of restructuring and other special items included Arvato's print and replication businesses, especially Prinovis, Gruner + Jahr's US printing operations, and the reorganization of club and direct marketing operations at Corporate. Random House had one-time special expenses of €-32 million for a building use optimization project stemming from an onerous lease. (See "Notes" section 7, p. 100 for details on special items.)

EBIT

Adjusting the operating EBIT for special items of €-303 million (previous year: €-196 million) resulted in an EBIT of €1,443 million. The deviation of €-186 million from the previous year's figure of €1,629 million was attributable to the decline in operating EBIT and higher special items. The structure of expenses was not significantly different compared to the previous year.

Group Profit or Loss

The year-on-year financial result improved sharply by €131 million to €-397 million. The deviation is attributable largely to lower net interest expenses and the elimination of effects from the buyback of profit participation certificates in 2010 that had negatively impacted earnings. Tax expenses rose from €-249 million in the previous year to €-313 million. Last year's figure benefited from the reversal of valuation allowances on deferred tax assets above all in Germany, which resulted in a lower tax rate. This produced after-tax earnings from continuing operations of €733 million (previous year: €852 million). The after-tax earnings from discontinued operations is €-121 million (previous year: €-196 million).

Group profit of €612 million is down from last year's €656 million due to high special items. The share held by non-controlling interests was €147 million (previous year: €178 million). The share of group profit held by Bertelsmann shareholders was €465 million (previous year: €478 million). At the Bertelsmann AG Annual General Meeting, a dividend payout of €180 million will be proposed for fiscal 2011 (previous year: €180 million).

Results of Discontinued Operations

Discontinued operations in the period under review include the Direct Group activities in France, Poland, and the book retail business in Spain that were sold in 2011. Implementation of the plan to sell the Eastern European activities of the former Direct Group is ongoing. The previous year's figures also include the activities of the UK broadcasting group Five, which was sold by RTL Group on July 23, 2010.

Revenue from discontinued operations came to €328 million, from €879 million during the same period last year. Operating EBIT from discontinued operations was €-16 million, compared to €20 million in the previous year. Taking into account special items totaling €-73 million (previous year: €-199 million), this yielded an EBIT from discontinued operations of €-89 million (previous year: €-179 million). The after-tax earnings from discontinued operations was €-121 million (previous year: €-196 million).

Financial Targets

	Target	2011	2010
Leverage factor: Economic debt/operating EBITDA ¹⁾	< 2.5	2.4	2.3
Coverage ratio: Operating EBITDA/financial result ¹⁾	> 4.0	5.2	4.1
Equity ratio: Equity to total assets (in percent)	> 25.0	33.9	34.7

¹⁾ After modifications.

Net Assets and Financial Position

Financial Guidelines

The primary objective of Bertelsmann's financial policy is to achieve a balance between financial security, return on equity, and growth. For this, Bertelsmann bases its financing policy on the requirements of a "Baa1/BBB+" credit rating and the associated qualitative and quantitative criteria. Credit ratings and transparency are of great importance to the company's financial security and independence.

The Bertelsmann Group is centrally financed by Bertelsmann AG and its financing company Bertelsmann U.S. Finance LLC. Bertelsmann AG provides the Group companies with liquidity and manages the issuance of guarantees and letters of comfort for Group companies. The Group consists largely of a single financial unit, thereby optimizing capital procurement and investment opportunities.

Bertelsmann utilizes a financial control system employing quantitative financial targets concerning the Group's economic debt and, to a lesser extent, its capital structure. One key financial target is a dynamic leverage factor calculated as the ratio of economic debt to operating EBITDA and limited to a maximum of 2.5. Economic debt is defined as net financial debt plus provisions for pensions, profit participation capital, and the net present value of operating leases. Like the operating EBITDA, the economic debt may be modified for calculation purposes.

As of December 31, 2011, the Group had a leverage factor of 2.4 (December 31, 2010: 2.3). Despite increased investment activities, the net financial debt fell from €1,913 million to €1,809 million as of December 31, 2011. Economic debt of €4,913 million remained nearly unchanged from the previous year (€4,915 million). One factor to consider here is the rise in pension provisions, which grew from €1,565 million in the previous year to €1,738 million primarily as a result of a reduced discount interest rate.

Another key financial target is the coverage ratio, calculated as the ratio of operating EBITDA (after modifications) to financial result, which is supposed to be above 4.0. The coverage ratio rose in the past fiscal year to 5.2 (previous year: 4.1) thanks to an improved financial result. The Group's equity ratio of 33.9 percent was down slightly from the previous year's high level of 34.7 percent but well above the self-imposed minimum of 25 percent.

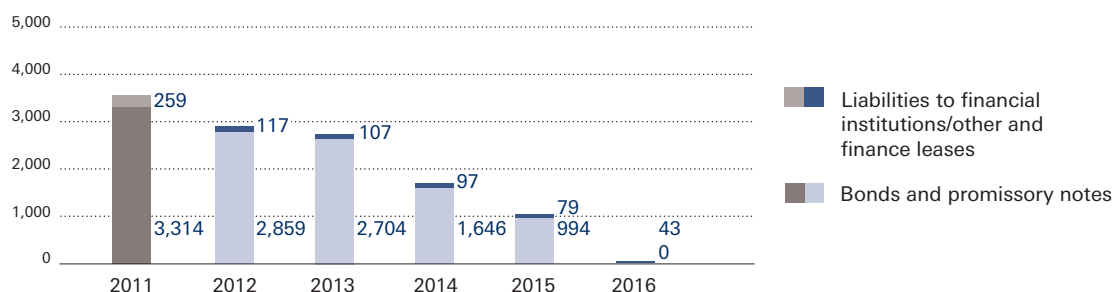
Financing Activities

Bertelsmann bought back its own promissory notes with a nominal value of €188 million and its own 2006/2012-issue bonds with a total nominal value of €21 million during fiscal 2011. There were no other material financing activities.

Rating

Bertelsmann has been rated by the rating agencies Moody's and Standard & Poor's (S&P) since June 2002. After an upgrade of one notch by the agencies in May and June 2011, respectively, Bertelsmann is now rated by Moody's as "Baa1" (outlook: stable) and by S&P as "BBB+" (outlook: stable). Both credit ratings are in the investment grade category, once again meeting Bertelsmann's target rating. Bertelsmann's short-term credit quality rating is "P-2" from Moody's and "A-2" from S&P. The agency ratings facilitate access to international capital markets and are a key element of Bertelsmann's financial security.

Maturity Structure of Financial Debt in € millions



Lines of Credit

The Bertelsmann Group has credit agreements in place with major international banks. These revolving lines of credit can be utilized at floating rates based on EURIBOR or LIBOR. In fiscal 2011, Bertelsmann AG renewed until 2016 a syndicated loan due to expire in 2012, at which time there are two more options to extend until 2018. This forms the backbone of the strategic credit reserve. Bertelsmann can utilize these to draw down up to €1.2 billion of revolving funds in euros, US dollars, and pounds sterling. As in the previous year, Bertelsmann did not utilize this line of credit during the fiscal year.

Cash Flow Statement

The total earnings before interest and taxes is the starting parameter for preparing the Bertelsmann cash flow statement. In the period under review, Bertelsmann generated net cash from operating activities of €1,791 million (previous year: €2,052 million). The Group's long-term operating free cash flow adjusted for non-recurring items was €1,728 million (previous year: €2,075 million), and the cash conversion rate of 100 percent (previous year: 112 percent) remained within the target corridor (see the section entitled "Controlling Systems"). The decline in operating free cash flow and the cash conversion rate is attributable to increased investment activities in fiscal 2011. The cash flow from investing activities came to €-903 million (previous year: €-149 million), including investments in intangible assets and fixed and financial assets of €-715 million (previous year: €-548 million). Proceeds from

the sale of subsidiaries and other business units and disposal of other fixed assets fell sharply year on year from €624 million to €76 million. The previous year figure includes proceeds of €384 million from exercising the put option to Canal Plus France. The purchase prices for consolidated investments (net of acquired cash and cash equivalents) amounted to €-241 million (previous year: €-205 million).

The cash flow from financing activities came to an outflow of €-1,137 million in the period under review (previous year: €-2,000 million). The high outflow of funds in the previous year stemmed primarily from due and premature repayments and the buyback of profit participation certificates. The line item "Change in shareholders' equity" includes the outflow of funds for additional acquired shares in companies already fully consolidated, which totaled €-177 million (previous year: €-58 million) and included RTL Group's purchase of the remaining shares in Hungarian and Croatian subsidiaries as well as M6 France's acquisition of its own shares. Dividends paid to the shareholders of Bertelsmann AG came to €-180 million (previous year: €-60 million). Dividends to non-controlling shareholders and other payments to shareholders came to €-272 million (previous year: €-289 million).

As of December 31, 2011, the Bertelsmann Group had cash and cash equivalents of €1.8 billion (previous year: €2.0 billion).

Cash Flow Statement (Summary)

in € millions	2011	2010
Cash flow from operating activities	1,791	2,052
Cash flow from investing activities	(903)	(149)
Cash flow from financing activities	(1,137)	(2,000)
Change in cash and cash equivalents	(249)	(97)
Currency effects and other changes in cash and cash equivalents	7	24
Cash and cash equivalents at the beginning of the year	2,020	2,093
Cash and cash equivalents at the end of the year	1,778	2,020
Less cash and cash equivalents of assets held for sale	(14)	(14)
Cash and cash equivalents at the end of the year (according to the Group balance sheet)	1,764	2,006

Bonds, Promissory Notes, US Private Placements

Nominal interest, issuer, maturity		Type	Effective interest rate in %	Issue volume in millions
4.375% Bertelsmann AG	09/26/2012	Bond	4.47	EUR 500
5.23% Bertelsmann U.S. Finance LLC	04/17/2013	US private placement	5.38	USD 200
7.875% Bertelsmann AG	01/16/2014	Bond	7.72	EUR 750
5.05% Bertelsmann AG	02/25/2014	Promissory note	5.17	EUR 500
6.00% Bertelsmann AG	03/24/2014	Promissory note	6.00	EUR 30
5.33% Bertelsmann U.S. Finance LLC	04/17/2015	US private placement	5.46	USD 200
3.625% Bertelsmann AG	10/06/2015	Bond	3.74	EUR 500
4.75% Bertelsmann AG	09/26/2016	Bond	4.89	EUR 1,000

Off-Balance-Sheet Liabilities

The off-balance-sheet liabilities include contingent liabilities and other financial commitments, almost all of which result from operating activities conducted by the divisions. Off-balance-sheet liabilities remained nearly unchanged year on year. The off-balance-sheet liabilities in place as of December 31, 2011, had no significant negative effects on the Group's net assets, financial position, and results of operation.

Investments

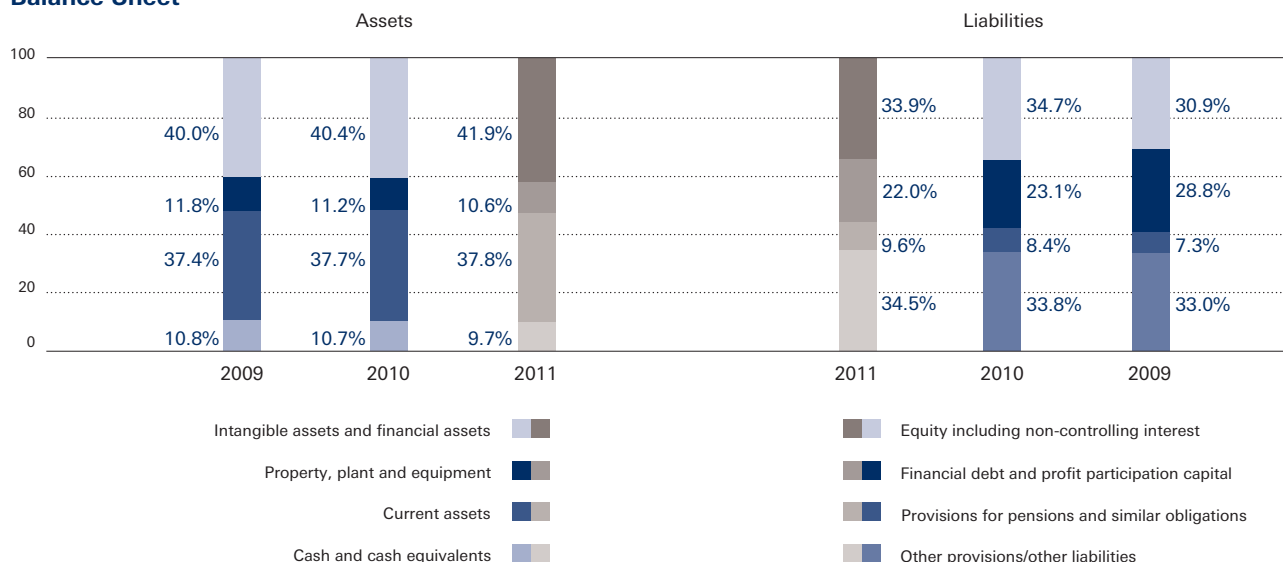
Total investments of €956 million in the cash flow statement during fiscal 2011 were up sharply from the previous year (€753 million). As in previous years, the majority of the €334 million investment in property, plant, and equipment (previous year: €249 million) stemmed from Arvato. Investments in intangible assets came to €173 million (previous year: €209 million). This stemmed primarily from RTL Group and involved investments in film rights. An amount of €208 million was invested in financial assets (previous year: €90 million). This included the capital increase at the BMG level to finance inorganic growth. Purchase prices for consolidated investments (net of acquired cash) increased to €241 million from €205 million in the previous year. This increase is attributable in part to the price paid by RTL Group to acquire cable channels in Hungary and to the payout for the premature exercising of a put option associated with the shares in the gravure printing company Prinovis.

Economic investments in fiscal 2011 came to €1,133 million (previous year: €811 million). This reflects purchase prices of €177 million (previous year: €58 million) for additional acquired shares in companies already fully consolidated, such as RTL Group's acquisition of the remaining shares in Hungarian and Croatian subsidiaries or M6 France's acquisition of its own shares. These payments for additional acquired shares must be classified as a change in shareholder equity in accordance with IAS 27.30 and allocated to the cash flow from financing activities. From the company's perspective, they are comparable economically to purchase prices for consolidated investments, giving them the character of investments.

Investments by Division

in € millions	2011	2010
RTL Group	371	285
Random House	28	16
Gruner + Jahr	55	50
Arvato	238	301
Total investments by division	692	652
Corporate/Other	264	101
Total	956	753
Less discontinued operations	17	32
Continuing operations	939	721

Balance Sheet



Consolidated Balance Sheet

Total assets came to €18.1 billion as of December 31, 2011 (previous year: €18.7 billion). The decline stems primarily from lower cash and cash equivalents and inventories, sales transactions, and payments for the acquisition of additional shares in companies already fully consolidated, which IFRS requires be set off directly against equity. The latter thereby caused equity to decline from €6.5 billion to €6.1 billion despite a positive Group profit. This constitutes an equity ratio of 33.9 percent (previous year: 34.7 percent). Equity attributable to Bertelsmann AG shareholders fell accordingly and reached €5.3 billion (previous year: €5.5 billion). Provisions for pensions and similar obligations increased from €1,565 million to €1,738 million. The primary reason for this increase was the lower long-term capital market interest rates that must be applied in discounting the obligations for which provisions must be set aside. Otherwise, the balance sheet structure remained largely unchanged from the previous year. Gross financial debt fell from €3,919 million to €3,573 million as of December 31, 2011, due primarily to the buybacks reported under "Financing Activities."

Profit Participation Capital

Profit participation capital had a nominal value of €301 million as of December 31, 2011, unchanged from the previous year. If the effective interest method is applied, the carrying amount of profit participation capital is €413 million as of December 31, 2011 (previous year: €413 million). The 2001 profit participation certificates (ISIN DE0005229942) account for 94 percent of notional profit participation capital, while the 1992 profit participation certificates (ISIN DE0005229900) account for the remaining 6 percent.

The 2001 profit participation certificates are officially listed for trading on the Regulated Market of the Frankfurt Stock Exchange. Their price is listed as a percentage of nominal value. The lowest closing rate of the 2001 profit participation certificates in fiscal 2011 was 186.00 percent in August, their highest was 231.50 percent in February.

Under the terms and conditions of the 2001 profit participation certificates, the payout for each full fiscal year is 15 percent of notional value, subject to the availability of sufficient Group net income and net income at the level of Bertelsmann AG. These conditions were met in the past fiscal year. Accordingly, a payout of 15 percent of the notional value of the 2001 profit participation certificates will be made for fiscal year 2011.

The 1992 profit participation certificates, approved for trading on the Regulated Market in Frankfurt, have only a limited cash trade due to their low volume. Payouts on the 1992 profit participation certificates are based on the Group's return on total assets, which is not used as an internal performance indicator. As the return on total assets for fiscal 2011 was 6.37 percent (previous year: 6.23 percent), the payout on the 1992 profit participation certificates for fiscal year 2011 will be 7.37 percent of their notional value (previous year: 7.23 percent).

The payout distribution date for both profit participation certificates is expected to be May 7, 2012. Under the terms and conditions of the profit participation certificates, the auditors appointed by Bertelsmann AG are responsible for verifying whether amounts to be distributed have been calculated correctly. The auditors of both profit participation certificates provide confirmation of this.

Corporate Divisions

RTL Group

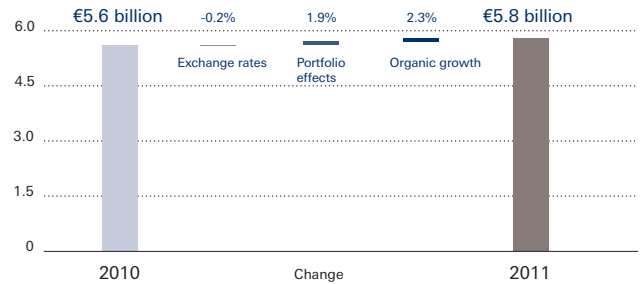
Europe's leading entertainment company increased its revenues in 2011 despite advertising markets that were mostly stagnant or in decline. Operating EBIT remained stable at a high level. Revenues for the reporting period rose by 4.0 percent to €5.8 billion (previous year: €5.6 billion). Operating EBIT 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.

Revenue Breakdown

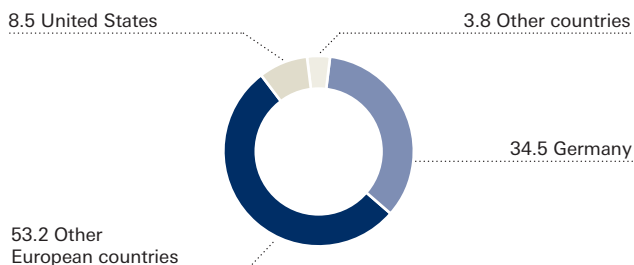


RTL Nederland recorded strong growth in both revenues and operating EBIT. The audience shares of the broadcasting group around RTL 4 reached peak levels, which were successfully converted into significantly higher advertising revenues. At Fremantle Media portfolio effects and a positive business performance 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.

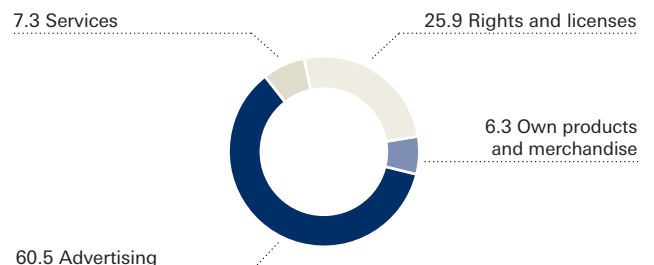
In Hungary, RTL Group acquired seven cable channels and the remaining shares in the market-leading channel RTL Klub during the reporting period. RTL Group also bought up the remaining 26 percent of the Croatian television company RTL Hrvatska with the channels RTL Televizija and RTL2. As part of the 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.

Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Random House

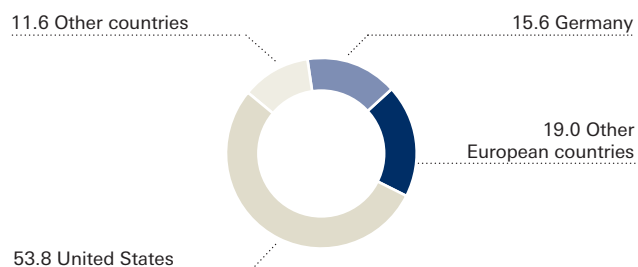
In 2011, the world's leading trade book publishing group benefited from a strong title lineup and considerable digital-publishing growth in a market challenged by restrained consumer spending and retailer insolvencies. Revenues were down slightly but the operating EBIT was higher year on year, especially 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).

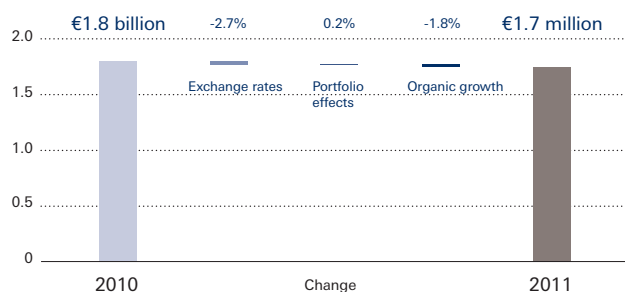
The increasing availability of lower-priced e-reading devices and tablets contributed to the surging demand for Random House e-books, enabling the company to record triple-digit-percentage digital revenue growth and counterbalancing decreased sales of print books, especially in the English-speaking territories. 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.

Revenues by Region in percent (without intercompany revenues)



Revenue Breakdown



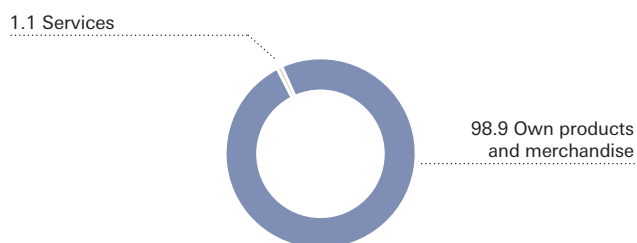
Martin's five-volume fantasy series "A Song of Ice and Fire" sold over eight million copies in North America in 2011.

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.

Revenues by Category in percent



Gruner + Jahr

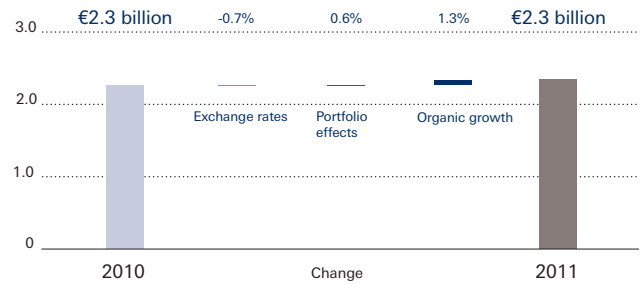
Europe's leading magazine publisher increased its revenues in 2011. Operating profit softened, but remained high. Gruner + Jahr's 37.45 percent shareholding in the Prinovis gravure printing group was sold to its Group sister company Arvato with effect from July 1, 2011. Prinovis is retroactively shown 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.

Revenue Breakdown

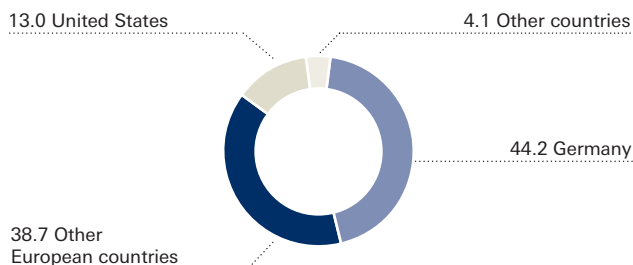


The transformation to digital was resolutely driven forward in 2011. For instance, as part of a multinational development project Gruner + Jahr worked on future ways, business models, and technologies to present journalistic content on digital platforms. G+J brands' digital offerings continued to develop 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.

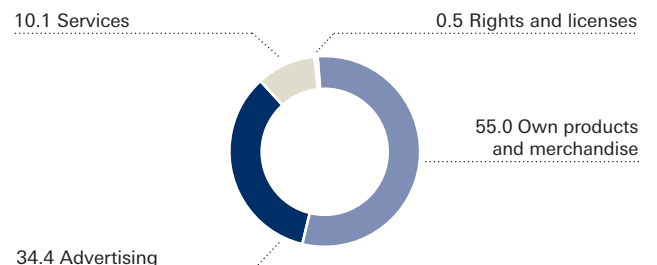
Dresdner Druck- und Verlagshaus increased its revenues slightly and remained highly profitable. In the United States, Brown Printing recorded increasing revenues in a persistently challenging market but was unable to maintain last year's earnings.

The work of numerous G+J journalists won many prizes and awards during the reporting period.

Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



Arvato

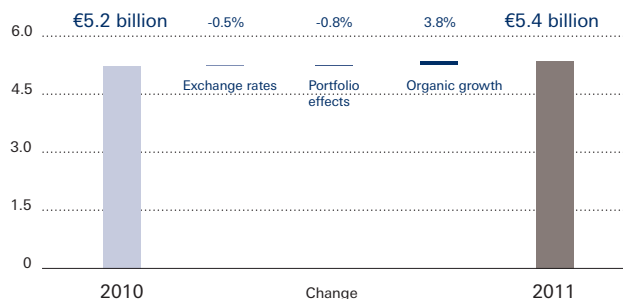
In 2011 the global BPO services provider Arvato grew its revenues thanks to thriving IT services, financial services, and customer care businesses in Europe. Operating profit remained stable despite weak performances by businesses in South America and the United States as well as higher costs for energy 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 solu-

Revenue Breakdown



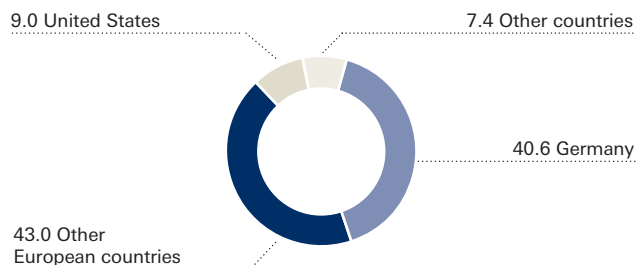
tions for digital business transactions and digital archiving. In financial services, Arvato won the German Insurers Association as a new major customer, while the e-commerce business grew with renewed new clients in the cosmetics, fashion and retail sectors. The DeutschlandCard multi-partner program expanded its network of acceptance points and had nearly ten 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.

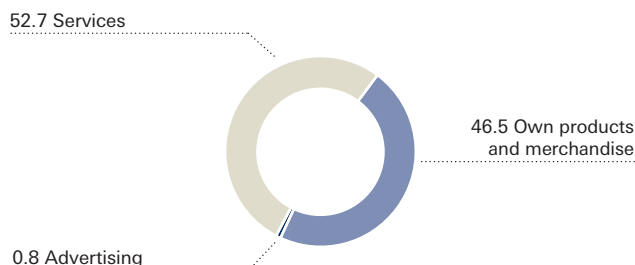
The printing operations showed a stable performance overall in a market environment that remains challenging, while the storage media business with clients in the entertainment industry declined.

Arvato's tailor-made customer solutions won numerous industry awards in Germany and other countries in 2011.

Revenues by Region in percent (without intercompany revenues)



Revenues by Category in percent



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.

General Statement by the Company Management on the Economic Situation

Overall, the development of Bertelsmann's business in the year under review was satisfactory. The Group benefited from good economic development in the first half year of 2011, but the rest of the year proved more difficult as the economy slowed.

Group revenues were up to €15.3 billion in 2011 (previous year: €15.1 billion) amid a subdued economic environment. Organic growth adjusted for portfolio and exchange rate effects was 1.7 percent, in line with overall economic development in the core markets. The operating EBIT came to €1,746 million, from €1,825 million in the previous year, due to the planned start-up losses associated with establishing new businesses. The Group achieved a return on sales of 11.4 percent. The expectation of achieving a higher year-on-year Group profit did not materialize due to numerous special items.

The work of the Executive Board in fiscal 2011 focused on further developing the Group portfolio. Bertelsmann also entered new business areas by expanding existing growth platforms and building up new ones. The further digitization of business operations was a focus in all divisions. In some cases, this approach was accompanied by smaller acquisitions. The Group's shareholder structure was tightened through the acquisition of shares held by non-controlling interests. RTL Group improved its position in the Eastern European TV market by acquiring all remaining shares in the Hungarian subsidiary M-RTL and the Croatian television company RTL Hrvatska and by purchasing seven Hungarian cable channels. In the growing music rights management business, BMG managed to expand its portfolio by buying music publishers Bug Music and Chrysalis. The portfolio was also adjusted through the sale of declining businesses such as Direct Group France. The entry into new growth markets was advanced by initiatives including the newly established University Ventures Fund in the education sector. Bertelsmann strengthened its presence in fast-growing regions in 2011. Random House, Gruner + Jahr, and RTL Group expanded their presence in India, for example, while Arvato expanded in Brazil and China. Some business units underwent restructuring to streamline their processes. Operating investments were up sharply as anticipated and are at a high level.

Bertelsmann's net assets and financial position remains balanced. Liquidity is at a comfortable level of €1.8 billion as of December 31, 2011. The credit ratings from Moody's and S&P, which are important for the capital market, were in the target investment grade category at "Baa1/BBB+," respectively. Overall, Bertelsmann was successful and on a solid financial footing at the end of fiscal 2011.

Significant Events after the Balance Sheet Date

On January 6, 2012, RTL Group announced plans to sell its shares in the Greek Alpha Media Group to the co-shareholder and exit the Greek broadcasting market.

At the end of the successful fundraising phase, Bertelsmann announced the launch of the education sector "University Ventures Fund I, L.P." on January 17, 2012. The fund will join other investors to form partnerships with leading universities to spearhead courses of study and continuing education programs in Europe and the United States.

Also in January 2012, Bertelsmann announced that it would consolidate the gravure printing activities and all of Arvato's international printing companies into a separate business unit outside of the Arvato division. This is intended to simplify Arvato's structure and focus the division more strongly on growth with an emphasis on services. A pro forma Arvato restructured to focus more closely on services would have generated revenues of €4.2 billion as of December 31, 2011 (previous year: €4.0 billion). The operating EBIT calculated on this basis would have been €269 million (previous year: €258 million). The former gravure printing activities and international printing companies consolidated in the new Print business unit would have pro forma revenues of €1.2 billion (previous year: €1.3 billion) and an operating EBIT of €72 million (previous year: €89 million).

In February 2012, RTL Group announced the departure of Gerhard Zeiler as CEO effective April 18, 2012. Zeiler will also leave the Bertelsmann Executive Board, where his anticipated successor will be Anke Schäferkordt, CEO of Mediengruppe RTL Deutschland.

Non-Financial Performance Indicators

Employees

At the end of the fiscal year, the Group had 100,626 employees worldwide (previous year: 97,528). The increase of 3,098 employees is attributable to both organic growth and acquisitions. At the end of the fiscal year, 1,284 young people (previous year: 1,339) were serving in trainee positions in Bertelsmann companies in Germany.

Bertelsmann considers a collaborative cooperation of the stakeholders within the company to be an important factor in its success. Implementing and developing this corporate culture is one of the top priorities of Human Resources at Bertelsmann. Fiscal 2011 saw a focus on the following topics:

The Group-wide continuing education and qualification program offered by the Bertelsmann Academy, which was founded in January 2011, has been very favorably received by employees. Already, more than 1,000 events have been held in Germany. In response to the demographic shift and to strengthen company health management, the program of seminars offered in 2012 will be expanded to include an emphasis on health care. In addition, a high-quality leadership program has been developed. The program is closely aligned with the Bertelsmann leadership competencies and directed at junior and senior executives at the team, project, and Group management levels.

A corporate-level department for diversity management was established in the summer of 2011. The initial focus was on women in management, including an international "Women in Leadership" conference in September 2011 featuring female entrepreneurs at Bertelsmann. The conference sought to develop a common understanding of gender diversity at Bertelsmann and concrete steps to improve the status quo. A plan of action is currently being developed that will address further dimensions of diversity and is scheduled for implementation in 2012.

In November 2011, Bertelsmann University invited over 150 executives and influential external business figures, researchers, and consultants to Istanbul to take part in the State of the Art forum entitled "Exploring the New Normal." The forum examined current trends in science and technology and discussed their impact on economic and social developments. Presentations of current, innovative, internal projects rounded off the event.

The Bertelsmann employee survey has long served as a tool through which employees can play an active role in the processes of change. It is a core component of our corporate culture, because partnership at Bertelsmann means above all working with our employees to shape the company. After the employee survey was conducted in 2010, the focus in 2011 turned toward the implementation of measures. These included a comprehensive communication of strategy at various levels and a review of aspects of the performance culture. Individual (executive) performance plays an even greater role in hiring decisions, and compensation at selected locations was compared to ensure that the material conditions are fair. Since the global employee survey is an important leadership tool at Bertelsmann, it was decided to move the next survey up to 2013. This will help ensure that the agreed plan of action is successful over the long term.

Bertelsmann AG has been a leader in the area of employee profit sharing since 1970. Thanks to the excellent business results, the over 18,100 employees in Germany received profit sharing in 2011 equal to 50 percent of one month's income. RTL Group, Gruner + Jahr, and many Bertelsmann companies outside Germany operate their own profit-sharing or profit-participation models.

Corporate Responsibility

Corporate responsibility is firmly established in the Bertelsmann corporate culture as one of the four Bertelsmann Essentials. Since 1974, the company has regularly published a Social Report, providing an account of our commitment and activities without relation to our financial performance targets. Bertelsmann published the Corporate Responsibility report 2010/2011 to meet the growing demands of its stakeholders. The report, entitled "Taking action," offers a detailed comprehensive picture of how the company assumes responsibility along its value chains, and also supports a spectrum of socially relevant initiatives. For the first time, the Bertelsmann AG Corporate Responsibility report follows the guidelines of the Global Reporting Initiative (GRI), which scored Bertelsmann's application with the grade of "B+." The report focuses on areas such as the collaborative relationship with employees, ethics and compliance, responsibility for media content, and the use of natural resources. Bertelsmann and its divisions are especially active in employee responsibility, promoting reading and media literacy, aid and donation campaigns through the media, responsibility for content, and environmental and climate protection with an emphasis on paper procurement.

Bertelsmann AG's "be green" environmental initiative stands for social responsibility, optimized resource efficiency, and green growth potential in a leading international media and services enterprise. For fiscal 2010, Bertelsmann had its Group-wide carbon footprint calculated for the second time based on the global standards of the GHG Protocol. PricewaterhouseCoopers AG WPG conducted a formal audit to obtain a limited assurance engagement of selected environmental indicators. The carbon footprint and environmental impact report is an important component in the process of learning as a company to use resources even more efficiently and remain competitive over the long term. The "be green" environmental day was held in 2011 for the second time to help employees identify with these values. Employees at 45 locations in 15 countries around the world took part in the event – up 30 percent from the previous year.

Innovations

Businesses traditionally invest in the research and development (R&D) of new products in order to ensure their long-term competitiveness. The media sector has a similar imperative to create innovative media content and media-related products and services in a rapidly changing environment. This means that for Bertelsmann, the key to success lies not only in traditional R&D activities but in its unique power of innovation. Long-term commercial success depends heavily on using flexible business models, investing in growth mar-

kets, and integrating new technologies. Innovative expertise is also an important driver of Bertelsmann's organic growth, so it is very important for the Group.

Bertelsmann relies on innovation and growth in core operations and new business fields. The key factors of Bertelsmann's innovation management include continuously following cross-industry trends and observing new markets. At a Group level, the Bertelsmann Corporate Network works with the divisions to continuously identify and implement innovative business strategies. Alongside the market-oriented activities, support is given to Group-wide initiatives that actively promote knowledge transfer and collaboration among innovators. At regular innovation forums, executives meet with internal and external experts to examine relevant technological, economic, and social trends and develop alternatives for their own businesses. This form of collaboration, network-building, and organized collective knowledge transfer is essential to Bertelsmann to turn business ideas and innovations into business reality. This close link between centralized and decentralized elements of innovation management allows Bertelsmann to play an active role in shaping the rapidly transforming media business and ensure long-term success.

RTL Group's innovation efforts are focused on developing and acquiring new, high-quality TV formats, exploring new distribution means, and working more closely and flexibly with its advertising customers. Especially expanding non-linear and mobile TV services is of great importance at RTL Group. This includes a growing range of catch-up services, video on demand (VoD), and mobile offerings such as RTL Nederland's interactive "RTL Nieuws 365" app as well as the N-TV app in Germany. The complementary use of TV and Internet offers RTL Group numerous opportunities to create an even closer bond between its viewers, programs, and advertisers. The acquisition of a majority stake in Radical Media paves the way for Fremantle Media to develop additional innovative "branded entertainment"-related B2B offers for the advertising industry. New offers for online games in social networks will also be developed. Beyond this, Fremantle Media distributes its content on third-party platforms and has introduced viewer voting in social networks.

Random House identifies and develops authors' new works, marketing them to the largest possible audience in every current and emerging format. The publisher maximizes the availability of its diverse digital content, offering almost 40,000 e-books worldwide while developing new digital business models and online services and creating innovative content formats. This initiative was accelerated in 2011 through the

acquisition of the US digital media agency Smashing Ideas, renowned for its strategic marketing solutions and for creating immersive, interactive content experiences. From direct-to-digital publishing and app development to direct-to-consumer marketing and social networking promotions, Random House continues to take every advantage of the shift to digital and the explosive boom in digital device reading.

Gruner + Jahr is expanding its publishing operations along all media platforms and value chains. This includes developing the quality of the existing portfolio, launching new titles, digitally transforming journalistic content into new digital channels, and optimizing its services – including through acquisitions. In 2011, new titles were brought to market in Germany and abroad, e-magazines and mobile apps were developed, and the corporate publishing business – both print and online – was expanded. The focus in advertising marketing was on gaining further market share, expanding performance marketing, and developing mobile advertising formats. Gruner + Jahr subsidiary DPV recruited new customers in 2011 and expanded its service portfolio for Gruner + Jahr and its clients.

One particular emphasis at Arvato is to push the continuous launch and development of integrated services, advancing new business models while tapping into new application fields and markets. An innovative service portfolio is being developed based on specific customer requirements.

Risks and Opportunities

Risk Management System

The purpose of the Bertelsmann risk management system (RMS) is the early identification, evaluation and control of internal and external risks. The internal control system (ICS), an integral component of the RMS, controls and monitors the risks that have been identified. The aim of the RMS is to identify, at an early stage, material risks to the Group so that countermeasures and controls can be implemented. Risks are potential internal and external developments that can negatively affect the achievement of strategic, operational, reporting-related and compliance-related objectives of the Group.

The risk management process complies with recognized national and international norms and is organized in sub-processes of identification, quantification, management, control, and monitoring. A major element of risk identification is the risk inventory that lists significant risks year by year, from the profit center level upward, and then aggregates them step by step at the division and Group level. This ensures that risks are registered where their impact would be felt. There is also a Group-wide reassessment of critical risks every six months and quarterly reporting with negative feedback. Ad hoc reporting requirements ensure that significant changes in the risk situation during the course of the year are brought to the attention of the Executive Board. Identified and quantified risks are compared against management and control measures to determine the so-called net risk. A three-year risk assessment horizon is applied to enable the timely implementation of risk management measures. Risk monitoring is conducted by Group management on an ongoing basis. The RMS, along with its component ICS, is constantly undergoing further development and is integrated into ongoing reporting to the Executive Board and Supervisory Board of Bertelsmann AG. Corporate risk management committees and divisional risk meetings are convened at regular intervals to ensure compliance with statutory and internal requirements.

Under section 91 (2) of Germany's Stock Corporation Act (AktG), the auditors inspect the risk early warning system for its capacity to identify developments early on that could threaten the existence of Bertelsmann AG, then report their findings to the Supervisory Board. Corporate Audit conducts ongoing reviews of the adequacy and functional capability of the RMS in the divisions of Random House, Arvato, and Corporate. The risk management systems of RTL Group and Gruner + Jahr are evaluated by the respective internal auditing departments of those divisions and by external auditors. Any problems that are identified are promptly remedied through appropriate measures. The Bertelsmann AG

Executive Board defined the scope and focus of the risk management system based on the specific circumstances of the company. However, even an appropriately designed and functional RMS cannot guarantee with absolute certainty that risks will be identified and controlled.

Accounting-Related Risk Management System and Internal Control System

The objectives of the accounting-related RMS and ICS are to ensure that external and internal accounting is proper and reliable in accordance with applicable laws and that information is made available without delay. Reporting should also present a true and fair view of Bertelsmann's net assets, financial position and results of operation. The following statements pertain to the consolidated financial statements (including the Notes and Group Management Report), interim reporting, and internal management reporting.

The ICS for the accounting process consists of the following areas: The Group's internal rules for accounting and the preparation of financial statements (among others IFRS manual, guidelines, circulars, Web-based information portal) are made available without delay to all employees involved in the accounting process. The consolidated financial statements are prepared in a reporting system that is uniform throughout the Group. Automatic system controls ensure the consistency of the data in the financial statements. The system is subject to ongoing development through a documented change process. Systematized processes for coordinating intercompany business operations serve to prepare the corresponding consolidation steps. Circumstances that could lead to significant misinformation in the consolidated financial statements are monitored centrally by employees of Bertelsmann AG and by RTL Group (for the preconsolidated subgroup), then verified by external experts as required. Central contacts from Bertelsmann AG and the divisions are also in continuous contact with the local subsidiaries to ensure IFRS-compliant representation of matters that are material to the Group and compliance with reporting deadlines and obligations. These preventive measures are supplemented by specific controls in the form of analyses by the Corporate Consolidation department and RTL Group in the preconsolidated subgroup. The purpose of such analyses is to quickly identify Group-level misrepresentations during the consolidation process. The Group- and division-level controlling departments are also integrated into the internal management reporting. Internal and external reporting are reconciled during the quarterly reporting process. The further aim in introducing a globally binding control framework for the decentralized accounting processes is to achieve a standardized ICS format at the level

of the local accounting departments of all fully consolidated Group companies. The findings of the external and internal auditors are promptly discussed with the affected companies, and solutions are developed. A Group-wide standardized questionnaire is used in an annual self-assessment to obtain a snapshot of the quality of the ICS in the key Group companies. The findings are discussed in Audit and Finance Committee meetings at the divisional level.

Corporate Audit and the internal auditing departments of RTL Group and Gruner + Jahr evaluate the accounting-related processes and the self-assessments submitted by the companies as part of their auditing work. As part of the auditing process, the Group auditor also reports to the Bertelsmann Supervisory Board Audit and Finance Committee about any significant vulnerabilities of the accounting-related internal control system that were identified during the audit and the findings regarding the risk early warning system.

Significant Risks to the Group

Bertelsmann is exposed to a variety of risks. The major risks to Bertelsmann identified in the risk reporting are outlined in the table below.

Given the diversity of fields in which Bertelsmann is active and the corresponding diversity of risks to which the various divisions are exposed, the key strategic and operational risks to the Group identified below are broken down by segment. This is followed by an outline of legal and regulatory risks and of financial market risks. These risks are largely managed at the corporate level.

Overview of Major Risks to the Group

Type of risk	Potential financial loss (expected value)
Strategic and operational risks	
Cyclical development of economy	Significant
Changes in market environment	Significant
Customer risks	Significant
Supplier risks	Significant
Pricing and discounting	Moderate
Employee-related risks	Moderate
Audience and market share	Low
Technological challenges	Low
Legal and regulatory risks	Moderate
Financial market risks	Low

Strategic and Operational Risks

The dynamics of the global economy slowed in the course of 2011. The general economic climate was especially troubled in the euro zone due to the European sovereign debt crisis, which was the dominant factor since mid-year. The economic slowdown in some core markets has an increasing impact on business. The uncertainty surrounding future economic development remains unchanged. For fiscal year 2012, Bertelsmann expects moderate business development amid a difficult economic environment. Cyclical developments of the economy present a significant risk to the Group. Other significant risks to Bertelsmann include the risks from changes in the market environment and customer and supplier risks. How these risks develop depends among others to a large extent on changes in customer behavior due to factors such as the digitization of media, the development and implementation of products and services by current and future competitors, bad debt losses, and default and interference along the production chains of individual business areas such as IT. Bertelsmann's exposure to risks from pricing and discounting and employee-related risks is moderate, while audience and market shares and technological challenges present low risks.

RTL Group is exposed to various risks. As a result of its dependence on the advertising market with its cyclical fluctuations, an economic downturn could impact both its revenues and profit margin. A decrease in audience shares could also have a negative impact on RTL Group's revenues. RTL Group actively monitors international market changes and program trends in the traditional TV market and in the digital world, where audiences generally have more choice, while market entry barriers are reduced. Higher competition in program acquisition, ongoing audience fragmentation, and expansion of platform operators may also impact RTL Group's ability to generate revenues. Moreover, the business can be impact-

ed by the risk of losing key suppliers and main customers. RTL Group's strategy is thus to diversify its business by establishing families of channels and utilizing the opportunities presented by digitization.

The changing book market, particularly the transition to digital and the shift to the agency model, is creating both challenges and opportunities for Random House, notably in terms of pricing structures. Random House is facing increased pressure on margins. Other risks arise from the entry of non-traditional publishers into the market, the decline in retail space in bricks-and-mortar bookstores, economic uncertainty in both Europe and the United States, and higher paper prices.

For Gruner + Jahr, the greatest risk comes from economic developments. A softening of the overall economic environment could shrink advertising and circulation revenues and lead to increased bad debt losses. There is also the risk of further losses in the overall advertising market share of its popular magazines. Given the increasing competition, there is a general threat of price declines in the advertising markets and in print. On the supplier side, there is a risk from rising paper prices that in some circumstances can only be passed along to customers to a limited extent.

The economy presents a significant risk to Arvato as well. Declining revenues lead to lower contribution margins and could necessitate cost-cutting measures and capacity downsizing. Some of the markets in which Arvato partially operates (primarily replication and print) are characterized by overcapacities and show sustained price pressure. In other areas, competitors are following Arvato's strategy by expanding their value chains. New competitors entering the market could intensify the competitive pressure and lead to lower

margins. On the procurement side is the risk that the procured intermediate products could be of inferior quality, leading to corresponding subsequent costs. Another risk is posed by rising procurement prices if an economic upturn on the commodity markets produces stronger overall demand for paper and polycarbonate and if such price changes can only be passed along to customers to a limited extent or at a later stage. Other risks include the loss of key customers and bad debt losses. The loss of key customers was a relatively minor risk in the past thanks to active key account management, long-term contracts, and integrated service elements. The ongoing trend toward digitization entails further risks for individual customer segments of Arvato, especially publishing. As a provider of business process outsourcing (BPO) services, Arvato could face further risks from noncompliance with the extensive contractual obligations inherent in BPO transactions.

The Corporate segment includes Corporate Investments and the centralized holding functions. In addition, since the liquidation of Direct Group, Corporate also includes the book club and direct marketing activities that remained in the Group. Other significant risks alongside economic risks include purchasing power, consumer behavior, customer activation and retention.

Finally, it should be noted that demographic change and its consequences – such as a shift in the age distribution of the workforce, challenges in recruiting qualified personnel, and the departure of top executives – place a greater emphasis on employee-related risks in the risk reporting. This applies to all segments.

Legal and Regulatory Risks

Bertelsmann, with its worldwide operations, is always exposed to a variety of legal and regulatory risks ranging from litigation to varying interpretations of tax assessment criteria.

RTL II filed, in November 2008, legal actions against IP Deutschland, a 100 percent subsidiary of RTL Group, and Seven One Media (“SOM”) as a result of the proceedings in 2007 of the German Federal Cartel Office against the discount scheme agreements (“share deals”) offered by IP Deutschland and SOM. MTV Networks (Viacom) filed a similar action against IP Deutschland in August 2009, while Tele München TV (Tele 5) filed an action on December 1, 2009. RTL II, Viacom, and Tele 5’s claims are currently limited to access to information on the basis of which the claimants want to evidence that they suffered damages from these discount schemes. Courts in Munich and Düsseldorf decided in first instance either to dismiss the claims or to order expert opinions. In addition, the German Federal Cartel Office searched in May 2010 the offices of Mediengruppe RTL Deutschland, in connection with an investigation for an alleged coordination with ProSiebenSat1 Media AG of its strategy towards platform operators concerning both the encryption of the free-TV signal and signal protection measures. It is expected that the Federal Cartel Office will raise allegations of coordination between Mediengruppe RTL Deutschland and ProSiebenSat1 Media AG and will take a decision before the end of 2012.

The upheavals in the e-book market led anti-trust authorities (EU Commission, British OFT, US Justice Department) to initiate industry-wide investigations for possible anti-competitive market practices in the way e-books are generally sold. It is not currently possible to predict the outcome of the investigations or any effects this may have on Bertelsmann.

Aside from the matters outlined above, no significant risks to Bertelsmann are apparent at this time.

Financial Market Risks

As an international corporation, Bertelsmann is exposed to various forms of financial market risk, especially interest rate and currency risks. These risks are largely controlled centrally by Corporate Treasury on the basis of guidelines established by the Executive Board. Derivative financial instruments are used solely for hedging purposes. Bertelsmann uses currency derivatives mainly to hedge recorded and future transactions involving foreign currency risk. Some firm commitments denominated in foreign currency are partially hedged when they are made, with the hedged amount increasing over time. A number of subsidiaries are based outside the euro zone. The resulting translation risk is managed based on

economic debt in relation to operating EBITDA (leverage factor). Bertelsmann's long-term focus is on the maximum leverage factor permitted for the Group. Foreign currency translation risks arising from net investments in foreign entities are not hedged. Interest rate derivatives are used centrally for the balanced management of interest rate risk. The cash flow risk from interest rate changes is centrally monitored and controlled as part of interest rate management. The aim is to achieve a balanced ratio of different fixed interest rates by selecting appropriate maturity periods for the originated financial assets and liabilities affecting liquidity, and through the ongoing use of interest rate derivatives. The liquidity risk is regularly monitored on the basis of the planning calculation. The renewed syndicated loan as well as appropriate liquidity provisions form a sufficient risk buffer for unplanned payments. Counterparty risks exist in the Group in invested cash and cash equivalents and in the default of a counterparty in derivatives transactions. Financial transactions and financial instruments are restricted to a firmly defined group of banks with an excellent credit rating. The guidelines for investing cash and cash equivalents is continuously reviewed and expanded to reflect current economic developments. The financial investments are generally made on a short-term basis so that the investment volume can be reduced if the credit rating changes (see also further explanatory remarks on "Risk Management" in section 25 of the "Notes").

Significant Changes Compared with the Previous Year

The overall risk position did not change significantly compared with the previous year. Utmost uncertainty still surrounds the larger economic picture. Thanks to the divestments that were carried out, the structural risks in the club businesses, compared with the previous year, no longer present a significant risk from the Group perspective.

Overall Risk

Thanks to the diversification of Group businesses, there are no concentration risks stemming from dependency on individual business partners or products in either procurement or sales. The Group's financial position is solid, with liquidity needs currently covered by ready cash and available lines of credit.

No risks endangering Bertelsmann's continued existence were identified in fiscal year 2011. Nor are there any substantial risks discernible from the current perspective that could threaten the continued existence of the Group.

Opportunities

Bertelsmann continually examines the technological opportunities and challenges in the markets for media content and media-related production and services. Ongoing investments in innovation at all levels help to identify, analyze, and advance potential areas of growth. Bertelsmann plans to focus its expansion in the growth regions of China, India, and Brazil. The cost-cutting measures and efficiency enhancements already initiated will bring Bertelsmann new opportunities for profitability and growth.

The following developments present opportunities for the Bertelsmann divisions: For RTL Group, the TV advertising markets in some core markets could develop better than expected. At Random House, successful debut publications, strong market growth, and higher e-book revenues offer opportunities. Gruner + Jahr has moderate opportunities in specific markets through additional digital offerings and increased advertising revenues and copy prices. At Arvato, the successful development of new businesses, particularly in the service sector and through the ongoing trend toward outsourcing, is creating additional opportunities.

The extent to which potential opportunities are leveraged depends strongly on future economic development. Thanks to its diversified portfolio and entrepreneurial potential, Bertelsmann also expects to be able to successfully convert business opportunities into profits for the Group over the medium to long term.

Outlook

Anticipated Overall Economic Development

Global economic growth is expected to be somewhat weaker in 2012. The Kiel Institute for the World Economy (IfW) estimates that global production will expand 3.4 percent, after 3.8 percent growth in 2011. The global economic outlook remains dampened by the ongoing structural problems in the advanced economies. Escalated rates of inflation also still hinder global demand. Global inflation is expected to fall slightly as a result of a weaker economy, however. The IfW experts predict that the global economy will recover in the course of 2012 and then grow 4 percent in 2013.

In the United States, the IfW expects moderate real growth of 1.9 percent in 2012 and 2.2 percent in 2013. It predicts that the euro zone will slip into recession, however, with the real economy shrinking 0.1 percent in 2012. One reason for the decline is the consolidation measures undertaken by the indebted states, which makes growth difficult. The heightened uncertainty of private households and businesses and the rising unemployment rates in some areas also threaten commerce. The euro zone is expected to once again show real growth of 1.2 percent in 2013. In the United Kingdom, the IfW expects real economic growth of 0.4 percent in 2012 and 1.3 percent in 2013. The IfW expects real economic development in Germany to weaken in the coming year to 0.5 percent, though it could recover over the course of the year. Germany's government still anticipates a positive development in the labor market, which will also support domestic consumption. But Germany remains highly dependent on future developments in the euro zone because of the strength of its exports. If the situation on the financial markets eases and a permanent solution to the sovereign debt crisis can be implemented, the German economy could experience real growth of 1.7 percent in 2013.

The economic outlook remains shaped by great uncertainty regarding the scope, duration, and effects of the European sovereign debt crisis. The IfW points out that an escalation of the current situation could threaten financial stability and lead to contagion among other euro states. This scenario would mean not only a recession for Europe but consequences for the global economy. This development would also have negative consequences for Bertelsmann.

Anticipated Development in Relevant Markets

The global media industry remains closely linked with the global economic trend and should continue to profit from any growth, however sluggish, of the global economy. The continued trend toward digitization of content and distribution channels and changes in media usage will continue to present risks and opportunities in the years to come. Stable advertising revenues are expected for 2012 in the traditional media markets in Bertelsmann's core markets, while online advertising revenues are expected to experience continued sharp growth. Overall, moderate growth is expected next year.

Through its businesses, Bertelsmann operates in a variety of different markets and regions whose developments are subject to a range of factors and do not respond in a linear fashion to overall economic tendencies. The following takes into account only those markets and regions large enough to be relevant for forecasting purposes and whose expected development can be appropriately aggregated and evaluated. The TV advertising markets in the three core markets of Germany, France, and the Netherlands are expected to experience uneven but generally stable development in 2012 and 2013. A generally stable development is also expected for the book markets in the United States, United Kingdom, and Germany; the shift to digital will continue and at least partially compensate for the decline in physical book sales. Largely stable advertising and circulation revenues are expected in the magazine business in Germany and France. Meanwhile, it is still too early to expect a recovery in the Spanish magazine market. According to our own estimates, the demand for business process outsourcing services should continue to grow thanks to the ongoing trend toward outsourcing. The printing market remains exposed to structural weaknesses due to the ongoing price and volume pressure and is expected to shrink. The replication market will shrink as a result of falling demand and increased digitization around the world.

Expected Trend of Revenue and Earnings

Given the volatile markets, forecasts for the coming year are fraught with significant risks. The following expectations are based on a normalization of the overall economic situation and assume that most of the predictions of the research institutions will be realized. The Executive Board has developed a contingency plan in case the economic conditions should significantly worsen.

If the economic expectations for the geographic core markets of Western Europe and the United States are accurate, Bertelsmann assumes a moderate overall increase in Group revenues and operating EBIT in fiscal years 2012 and 2013. The extent of the growth will be based on the expected overall economic development in each region. In the euro zone, where Bertelsmann expects to realize more than two-thirds of its revenues and operating EBIT, the IfW assumes nominal GDP growth of 1.5 percent in 2012 and 2.7 percent in 2013. The OECD predicts that nominal GDP in the euro zone will increase by 1.6 percent in 2012 and 2.6 percent in 2013. The return on sales should be above 10 percent in 2012 and 2013. The return on sales of 11.4 percent achieved in fiscal 2011 serves as an orientation point in 2012 and 2013 as well. Irrespective of the anticipated market trend, the objective remains an average Group-level return on sales of at least 10 percent throughout the economic cycle. Bertelsmann expects to realize a Group profit in fiscal 2012 above the €612 million profit from 2011. Investments in intangible assets and fixed and financial assets for fiscal 2012 are expected to fall slightly below the 2011 level (€715 million). Depending on how the economy develops, Bertelsmann does not currently anticipate interest rate changes to have any material impact on the average financing costs of medium- to long-term financing. The liquidity situation is expected to be appropriate in the forecast period.

RTL Group sees different developments in the various countries the company operates in. Looking at January and February 2012 it can be noted that the negative development many had feared, did not happen. If this macroeconomic development continues for the whole year, RTL Group expects a stable result for 2012. Random House expects book markets to be largely stable in fiscal 2012 and a stable development of the company's revenues and earnings. The e-book business will continue to grow. The decline of the physical book market is expected to be offset through the growing e-book sales. Gruner + Jahr expects business to be stable in 2012, with stable overall revenue and earnings trends. Arvato expects continued revenue growth in its businesses in fiscal 2012, attributable primarily to increased demand for business process

outsourcing. The operating EBIT in fiscal 2012 should be in line with that of the previous year. Further optimization and adjustment measures are planned in print and replication. The gravure printing activities and all international printing companies of Arvato will be spun off in fiscal 2012 and consolidated in a separate business unit outside Arvato.

If the economic expectations are not accurate, which cannot be excluded given the current situation on the financial markets and the possible consequences for the real economy, there is a risk that the actual development may vary greatly from the aforementioned expectations. For this reason, the Executive Board developed a contingency plan for a renewed recession based on the scope of the 2008/2009 crisis and assuming a 5 percent decline in organic revenues broken down according to the type of business. Given the experience from the last crisis and the fact that the divisions have prepared corresponding adjustments, it may be possible to absorb a major portion of the revenue decline through cost-cutting measures. In this scenario, the expected compensation rate (cost decline compared to revenue decline) would be over 50 percent and lead to a return on sales in the order of 9 to 10 percent. Thanks to Bertelsmann's solid financial basis and adequate liquidity, the materialization of this scenario would initially have only a slight negative effect on Bertelsmann's net assets and financial position. Depending on the scope and duration of the economic slowdown, however, the effects on Bertelsmann's business development could be expected to be more negative.

These forecasts are based on Bertelsmann's current business strategy as outlined in the "Business and Economic Conditions" section. In general, the forecasts reflect a careful consideration of risks and opportunities and are based on operational planning and the medium-term outlook for the corporate divisions. All statements concerning potential economic and business developments represent opinions advanced on the basis of the information that is currently available. Should underlying suppositions fail to apply and/or further risks arise, actual results may differ from those expected. Accordingly, no assurances can be provided concerning the accuracy of such statements.

Group Financial Statements

Group Income Statement

in € millions	Notes	2011	2010 (adjusted)
Revenues	1	15,253	15,065
Other operating income	2	548	491
Changes in inventories		217	119
Own costs capitalized		22	21
Cost of materials		(5,534)	(5,212)
Royalty and license fees		(894)	(865)
Personnel costs	3	(4,508)	(4,385)
Amortization, depreciation and impairment charges for intangible assets and property, plant and equipment	4	(646)	(636)
Other operating expenses	5	(3,143)	(3,013)
Results from investments accounted for using the equity method	6	28	46
Impairments on investments accounted for using the equity method	6	(6)	(4)
Income from other participations	6	4	3
Capital gains/losses		102	(1)
EBIT (earnings before interest and taxes)		1,443	1,629
Interest income	8	47	49
Interest expenses	8	(211)	(252)
Other financial income	9	101	65
Other financial expenses	9	(334)	(390)
Financial result		(397)	(528)
Earnings before taxes from continuing operations		1,046	1,101
Income taxes	10	(313)	(249)
Earnings after taxes from continuing operations		733	852
Earnings after taxes from discontinued operations		(121)	(196)
Group profit or loss		612	656
attributable to:			
Bertelsmann shareholders			
Earnings from continuing operations		586	657
Earnings from discontinued operations		(121)	(179)
Earnings attributable to Bertelsmann shareholders		465	478
Non-controlling interests			
Earnings from continuing operations		147	195
Earnings from discontinued operations		-	(17)
Earnings attributable to non-controlling interests		147	178

The figures from the previous year were adjusted. Further details are set out in the section "Discontinued Operations" on page 85 and in the section "Prior Year Information" on page 96 of the notes.

Group Statement of Comprehensive Income

in € millions	Notes	2011	2010
Group profit or loss		612	656
Currency translation differences			
- Changes recognized in equity		32	200
- Reclassification adjustments for gains (losses) included in profit or loss		(4)	12
Available-for-sale financial assets			
- Changes in fair value recognized in equity		(11)	2
- Reclassification adjustments for gains (losses) included in profit or loss		(8)	-
Cash flow hedges			
- Changes in fair value recognized in equity		36	23
- Reclassification adjustments for gains (losses) included in profit or loss		(5)	(5)
Actuarial gains/losses on defined benefit plans		(122)	(57)
Share of other comprehensive income of investments accounted for using the equity method		2	20
Other comprehensive income (after taxes)	18	(80)	195
Group total comprehensive income		532	851
attributable to:			
Bertelsmann shareholders		382	657
Non-controlling interests		150	194

Reconciliation to Operating EBIT (Continuing Operations)

in € millions	Notes	2011	2010 (adjusted)
EBIT from continuing operations		1,443	1,629
Special items	7		
Impairment on goodwill and other intangible assets with indefinite useful life		42	58
Impairment on assets held for sale		78	-
Impairment on other financial assets		9	8
Impairments on investments accounted for using the equity method		6	4
Capital gains/losses		(102)	1
Fair value remeasurement of investments		(4)	(2)
Restructuring and other special items		274	127
Operating EBIT from continuing operations		1,746	1,825
Operating EBITDA from continuing operations	28	2,234	2,355

The figures from the previous year were adjusted. Further details are set out in the section "Discontinued Operations" on page 85 and in the section "Prior Year Information" on page 96 of the notes.

Income Statement
Statement of Comprehensive Income
Balance Sheet
Cash Flow Statement
Statement of Changes in Equity
Notes

Supervisory
Board

Group Balance Sheet

in € millions	Notes	12/31/2011	12/31/2010
Assets			
Non-current assets			
Goodwill	11	6,020	6,068
Other intangible assets	11	584	629
Property, plant and equipment	12	1,932	2,086
Investments accounted for using the equity method	13	583	485
Other financial assets	14	410	378
Trade accounts receivable	16	10	7
Other accounts receivable and other assets	16	350	326
Deferred tax assets	10	1,148	1,155
		11,037	11,134
Current assets			
Inventories	15	1,444	1,468
Trade accounts receivable	16	2,581	2,673
Other accounts receivable and other assets	16	1,149	975
Other financial assets	14	7	77
Current income tax receivable		77	83
Cash and cash equivalents	17	1,764	2,006
		7,022	7,282
Assets held for sale		89	286
		18,148	18,702
Equity and Liabilities			
Equity			
	18		
Subscribed capital		1,000	1,000
Capital reserve		2,345	2,345
Retained earnings		1,962	2,107
Bertelsmann shareholders' equity		5,307	5,452
Non-controlling interests		842	1,034
		6,149	6,486
Non-current liabilities			
Provisions for pensions and similar obligations	19	1,738	1,565
Other provisions	20	97	110
Deferred tax liabilities	10	95	82
Profit participation capital	21	413	413
Financial debt	22	2,976	3,738
Trade accounts payable	23	155	120
Other liabilities	23	613	618
		6,087	6,646
Current liabilities			
Other provisions	20	443	378
Financial debt	22	597	181
Trade accounts payable	23	2,413	2,465
Other liabilities	23	2,244	2,196
Current income tax payable		134	159
		5,831	5,379
Liabilities related to assets held for sale		81	191
		18,148	18,702

Group Cash Flow Statement

in € millions	2011	2010 (adjusted)
Group earnings before interest and taxes	1,354	1,450
Taxes paid	(338)	(373)
Depreciation and write-ups of non-current assets	759	828
Capital gains/losses	(48)	40
Change in provisions for pensions and similar obligations	(58)	(65)
Change in other provisions	43	(66)
Change in net working capital	47	252
Other effects	32	(14)
Cash flow from operating activities	1,791	2,052
- thereof from discontinued operations	(23)	30
Investments in:		
- intangible assets	(173)	(209)
- property, plant and equipment	(334)	(249)
- financial assets	(208)	(90)
- purchase prices for consolidated investments (net of acquired cash)	(241)	(205)
Proceeds from disposal of subsidiaries and other business units	4	154
Proceeds from disposal of other fixed assets	72	470
Contribution to/withdrawals from pension plans	(23)	(20)
Cash flow from investing activities	(903)	(149)
- thereof from discontinued operations	(8)	83
Redemption of bonds and promissory notes	(222)	(917)
Redemption of buyback of profit participation certificates	-	(386)
Proceeds from/redemption of other financial debt	(71)	(15)
Interest paid	(262)	(313)
Interest received	43	38
Dividends to Bertelsmann shareholders	(180)	(60)
Dividends to non-controlling shareholders and payments to partners in partnerships (IAS 32.18b)	(272)	(289)
Change in shareholders' equity	(177)	(58)
Proceeds from release of interest swaps	4	-
Cash flow from financing activities	(1,137)	(2,000)
- thereof from discontinued operations	(4)	(9)
Change in cash and cash equivalents	(249)	(97)
Currency effects and other changes in cash and cash equivalents	7	24
Cash and cash equivalents 1/1	2,020	2,093
Cash and cash equivalents 12/31	1,778	2,020
Less cash and cash included with assets held for sale	(14)	(14)
Cash and cash equivalents 12/31 (according to the Group balance sheet)	1,764	2,006

The previous year's figures for discontinued operations have been adjusted according to IFRS 5. Details of the Cash Flow Statement are set out in note 26.

Changes in Net Financial Debt

in € millions	2011	2010
Net financial debt at 1/1	(1,913)	(2,793)
Cash flow from operating activities	1,791	2,052
Cash flow from investing activities	(903)	(149)
Interest, dividends and changes in equity, additional payments (IAS 32.18b)	(848)	(682)
Currency effects and other changes in net financial debt	64	(341)
Net financial debt at 12/31	(1,809)	(1,913)

Net financial debt is net of the balance sheet positions "cash and cash equivalents" and "financial debt."

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Group Statement of Changes in Equity

	Sub- scribed capital	Capital reserve	Retained earnings						Bertels- mann share- holders' equity	Non- con- trolling interests	Total
			Other retained earnings	Other comprehensive income ¹⁾							
			Currency transla- tion dif- ferences	Available- for-sale financial assets	Cash flow hedges	Actuarial gains/ losses on defined benefit plans	Share of other compre- hensive income of invest- ments accounted for using the equity method				
in € millions											
Balance as of 1/1/2010	1,000	2,345	2,149	(445)	43	1	(207)	(7)	4,879	1,101	5,980
Group profit or loss	-	-	478	-	-	-	-	-	478	178	656
Other compre- hensive income	-	-	(23)	221	2	17	(56)	18	179	16	195
Group total com- prehensive income	-	-	455	221	2	17	(56)	18	657	194	851
Dividend distribution	-	-	(60)	-	-	-	-	-	(60)	(234)	(294)
Changes in owner- ship interests in subsidiaries that do not result in a loss of control	-	-	(28)	-	-	-	-	-	(28)	(27)	(55)
Equity transactions with shareholders	-	-	(88)	-	-	-	-	-	(88)	(261)	(349)
Other changes	-	-	6	-	-	(2)	-	-	4	-	4
Balance as of 12/31/2010	1,000	2,345	2,522	(224)	45	16	(263)	11	5,452	1,034	6,486
Balance as of 1/1/2011	1,000	2,345	2,522	(224)	45	16	(263)	11	5,452	1,034	6,486
Group profit or loss	-	-	465	-	-	-	-	-	465	147	612
Other compre- hensive income	-	-	-	33	(25)	29	(122)	2	(83)	3	(80)
Group total com- prehensive income	-	-	465	33	(25)	29	(122)	2	382	150	532
Dividend distribution	-	-	(180)	-	-	-	-	-	(180)	(199)	(379)
Changes in owner- ship interests in subsidiaries that do not result in a loss of control	-	-	(343)	(1)	-	-	-	-	(344)	(120)	(464)
Equity transactions with shareholders	-	-	(523)	(1)	-	-	-	-	(524)	(319)	(843)
Other changes	-	-	(3)	-	-	-	-	-	(3)	(23)	(26)
Balance as of 12/31/2011	1,000	2,345	2,461	(192)	20	45	(385)	13	5,307	842	6,149

¹⁾ Of that, a total of €-3 million as of December 31, 2011 (previous year: €2 million) is attributable to assets classified as held for sale according to IFRS 5.

Notes to the Group Financial Statements

Segment Information (Continuing Operations)

in € millions	RTL Group		Random House		Gruner + Jahr		Arvato	
	2011	2010 (adjusted)	2011	2010 (adjusted)	2011	2010 (adjusted)	2011	2010 (adjusted)
Revenues from external customers	5,807	5,583	1,746	1,826	2,279	2,251	5,046	4,887
Intersegment revenues	7	8	3	2	8	8	311	338
Divisional revenues	5,814	5,591	1,749	1,828	2,287	2,259	5,357	5,225
Operating EBIT	1,121	1,102	185	173	233	260	341	347
Special items	4	(63)	(37)	(8)	(31)	(17)	(179)	(91)
EBIT	1,125	1,039	148	165	202	243	162	256
Return on sales ¹⁾	19.3%	19.7%	10.6%	9.5%	10.2%	11.5%	6.4%	6.6%
Scheduled depreciation and amortization	180	194	25	27	46	49	206	221
Impairments on intangible assets and property, plant and equipment ²⁾	14	58	15	1	27	9	98	52
- thereof in special items	4	49	14	-	27	9	100	48
Results from investments accounted for using the equity method	44	43	-	-	9	18	-	-
Segment assets ³⁾	6,436	6,596	1,652	1,703	1,395	1,431	3,178	3,146
Segment liabilities	2,453	2,311	701	653	541	579	1,600	1,541
Invested capital	3,983	4,285	951	1,050	854	852	1,578	1,605
Investments accounted for using the equity method	356	358	4	4	23	26	5	6
Additions to non-current assets ⁴⁾	339	303	32	13	50	38	233	170
Number of employees (closing date)	12,184	12,339	5,343	5,264	11,822	11,637	68,325	65,182
Number of employees (average)	12,300	11,876	5,302	5,264	11,747	11,604	67,586	62,867

The figures from the previous year were adjusted. Additional information on the adjustment of information previously published are set out in note 27.

¹⁾ Operating EBIT as a percentage of divisional revenues.

²⁾ Including write-ups.

³⁾ Including 66 percent of the net present value of the operating leases.

⁴⁾ Additions to property, plant and equipment and intangible assets (including goodwill).

Information by Geographical Areas (Continuing Operations)

in € millions	Germany		Other European countries ¹⁾		United States		Other countries		Continuing operations	
	2011	2010 (adjusted)	2011	2010 (adjusted)	2011	2010 (adjusted)	2011	2010 (adjusted)	2011	2010 (adjusted)
Revenues from external customers	5,620	5,509	6,560	6,604	2,186	2,105	887	847	15,253	15,065
Non-current assets ²⁾	4,704	4,750	2,664	2,849	944	971	224	213	8,536	8,783

¹⁾ Of the revenues from external customers and non-current assets, France accounts for €2,621 million (previous year: €2,638 million) or €1,087 million (previous year: €1,079 million), respectively.

²⁾ Non-current assets comprise property, plant and equipment as well as intangible assets (including goodwill). Details of segment information are set out in note 27.

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Total Divisions		Corporate		Consolidation/Other		Continuing operations	
2011	2010 (adjusted)	2011	2010 (adjusted)	2011	2010 (adjusted)	2011	2010 (adjusted)
14,878	14,547	375	518			15,253	15,065
329	356	7	6	(336)	(362)	-	-
15,207	14,903	382	524	(336)	(362)	15,253	15,065
1,880	1,882	(125)	(62)	(9)	5	1,746	1,825
(243)	(179)	(62)	(16)	2	(1)	(303)	(196)
1,637	1,703	(187)	(78)	(7)	4	1,443	1,629
12.4%	12.6%	-	-	-	-	11.4%	12.1%
457	491	22	25	(1)	-	478	516
154	120	13	1	1	(1)	168	120
145	106	13	1	-	(1)	158	106
53	61	(24)	(14)	(1)	(1)	28	46
12,661	12,876	2,851	2,753	(88)	(93)	15,424	15,536
5,295	5,084	281	214	(43)	(51)	5,533	5,247
7,366	7,792	2,570	2,539	(45)	(42)	9,891	10,289
388	394	196	93	(1)	(2)	583	485
654	524	7	16	(1)	(1)	660	539
97,674	94,422	2,952	3,106	-	-	100,626	97,528
96,935	91,611	3,013	3,326	-	-	99,948	94,937

Information on Revenue Sources (Continuing Operations)

in € millions	Own products and merchandise		Advertising		Services		Rights and licenses		Continuing operations	
	2011	2010 (adjusted)	2011	2010 (adjusted)	2011	2010 (adjusted)	2011	2010 (adjusted)	2011	2010 (adjusted)
Revenues from external customers	5,990	6,372	4,339	4,251	3,406	3,043	1,518	1,399	15,253	15,065

Details of segment information are set out in note 27.

General Principles

The Bertelsmann AG consolidated financial statements as of December 31, 2011, were prepared in accordance with International Financial Reporting Standards (IFRS) applicable in the European Union. The supplementary requirements set out in section 315a of the German Commercial Code (HGB) have been met.

The consolidated financial statements are prepared in euros; all amounts are stated in millions of euros (€ millions).

Impact of New Accounting Standards

The following pronouncements by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) were applicable in the Bertelsmann Group for the first time in fiscal year 2011:

- Revised version of IAS 24 Related Party Disclosures
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Improvements to IFRS (published in May 2010)

The revised standard IAS 24 includes changed definition criteria for related parties. Related parties now comprise subsidiaries and associated companies or joint ventures of the same investor. In the case of multi-stage group relationships, there is also clarification that the reference to an associate or a joint venture as part of the definition of related parties also, as a rule, includes these companies' subsidiaries. Accordingly, when defining related parties, the entire corporate group of the respective associated companies or joint ventures must be observed. In addition, the definition has been expanded to include the relationship between joint ventures and associates of the same investor or between joint ventures of the same investor with each other, so that in future these will also be regarded as related parties. Adjustments were also made to the definition of transactions (required to be disclosed). It was clarified that pending transactions (executory contracts) must also be disclosed. In addition, the description of significant voting rights has been removed from the standard, and disclosure requirements on government-related entities have been reduced. Minor changes at several junctures in the standard text rounded off the revision of this standard.

IFRIC 19 regulates accounting for so-called debt-equity-swap transactions with the debtor to the extent that the creditor is an independent third party. Debt-equity-swap transactions allow the debtor to fully or partially extinguish the financial liability by issuing own equity instruments in

For the sake of clarity, certain items in the income statement and balance sheet are combined. These items are disclosed in greater detail and explained in the notes.

Bertelsmann AG is a stock corporation domiciled in Gütersloh, Germany. The address of the company's registered headquarters is: Carl-Bertelsmann-Strasse 270, 33311 Gütersloh. The main activities of Bertelsmann AG and its subsidiaries are presented in detail in the Group Management Report.

the event that contractual conditions for a financial liability have been newly negotiated.

The improvements to IFRS (published in May 2010) are clarifications of or corrections to existing IFRSs or changes as a result of changes previously made to IFRSs, in some cases with a different date of first-time application.

In addition, the following revised standards and interpretations were applied for the first time:

- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
- Amendments to IFRS 1 First-time Adoption of IFRSs – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

First-time application of these requirements does not have a material impact on the Bertelsmann Group.

Effects from the Future Compulsory Application of Accounting Standards

The IASB and IFRIC have issued the following new or amended accounting standards and interpretations, the application of which is not yet compulsory for Bertelsmann's consolidated financial statements for fiscal year 2011.

- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- Revised version of IAS 27 Separate Financial Statements (revised in 2011)
- Revised version of IAS 28 Investments in Associates and Joint Ventures (revised in 2011)
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets
- Amendments to IAS 19 Employee Benefits
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IFRS 7 Financial Instruments: Disclosures – Transfer Transactions of Financial Assets
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRS 9 is only to be applied from 2015 and will replace IAS 39. This will have a far-reaching impact on the recognition and measurement of financial instruments. IFRS 10, IFRS 11, IFRS 12, and IAS 27 (revised 2011) as well as IAS 28 (revised 2011) are the result of the IASB's consolidation project and include new consolidation guidelines and disclosure requirements for the notes for group companies. The previous definition of control and the resulting assessment criteria were revised in IFRS 10. In addition, IFRS 10 replaces consolidation requirements in the previous IAS 27 and SIC-12, however the regulations on consolidation steps, the presentation of non-controlling interests, and accounting for changes in interests without a loss of control remain mostly unchanged. The renamed IAS 27 exclusively includes unchanged regulations to be applied to separate financial statements. The new IFRS 11 supersedes the currently applicable IAS 31, incorporates the current regulations in SIC-13 in the standard text, and removes proportionate consolidation for joint ventures with no

replacement. In future, accounting for joint ventures and the mandatory application of the equity method for joint ventures will be in line with the provisions of the renamed IAS 28 in the revised version. IFRS 12 summarizes all of the disclosure requirements for all interests in subsidiaries, joint ventures, and associates as well as structured entities in a single standard. Compared to the existing regulations, the disclosure requirements for consolidated and unconsolidated entities have been expanded significantly.

IFRS 13 Fair Value Measurement replaces existing regulations to measure fair value in the individual standards. The main changes compared to the existing regulations comprise the new definition of fair value, definition of the selling price as a valuation standard, and the measurement of debt using the transaction approach. In addition, IFRS 13 includes additional disclosure in connection with measurement at fair value.

IAS 1, which refers to presentation of the other comprehensive income, was changed such that sub-totals have to be formed for the items that can be recycled and those that cannot be recycled or recognized in other comprehensive income. The revised version of IAS 19 includes material changes compared to the current regulations in that actuarial gains and losses are to be recognized immediately in the other comprehensive income (removal of the so-called corridor method), presentation of pension expenses in three components, recognition of changes and reductions to plans, and identification of the financial result from pension commitments. In addition, for many companies increased disclosures will be required in the notes for employee benefits. The Bertelsmann Group is currently reviewing the impact of IFRS 10, IFRS 11, IFRS 12 and IFRS 13, which are only to be applied from 2013, and the impact of the amended IAS 19 and IAS 1 on the consolidated financial statements. There is no early adoption of these standards. The changes to IAS 12, IFRS 1, IFRS 7, IFRIC 20, and improvements to IFRS (2011) to be applied in future only relate to transactions in the Group to a minor extent, and are not expected to have any material impact.

The Bertelsmann Group has not opted for early adoption of any additional standards, interpretations, or changes that have been published but are not yet mandatory.

Consolidation

Principles of Consolidation

All subsidiaries that are controlled either directly or indirectly by Bertelsmann AG as defined by IAS 27 and conduct business operations are included in the consolidated financial statements. Control exists when Bertelsmann AG has the possibility or the actual ability, either directly or indirectly, to determine the financial and business policy of an entity in such a way as to obtain benefits from its activities. Total comprehensive income is allocated to the owners of the parent company and the non-controlling interests, even though this results in the non-controlling interests having a negative balance.

Material jointly controlled companies within the meaning of IAS 31 are proportionately consolidated. Material associates as defined by IAS 28 are included using the equity method. This is generally the case for voting rights between 20 and 50 percent. Smaller shareholdings are accounted for using the equity method if there is a significant influence in accordance with IAS 28.7. Accounting and measurement policies are applied uniformly for all consolidated financial statements within the Bertelsmann Group. The Bertelsmann Group recognizes immaterial participations at cost taking IAS 39 into account.

In accordance with IFRS 3, business combinations are accounted for using the acquisition method. The consideration transferred as part of a business combination (previously: acquisition costs) is offset against the fair value of equity on the date of the acquisition. As a rule, acquisition-related costs are recognized in profit or loss. If applicable, contingent consideration is measured at the fair value that applies on the date of acquisition. If the consideration transferred exceeds the fair values of the acquirer's interest in the assets acquired and liabilities assumed, this difference is recognized in the balance sheet as goodwill. Negative goodwill is reflected as income in the period in which the acquisition is made. Deferred taxes from assets acquired and liabilities assumed in a corporate acquisition are carried and measured according to IAS 12. Subsequent measurement of the acquired assets and the liabilities taken over or entered into is performed in line with the other applicable IFRSs. Non-controlling interests are also measured at the proportionate fair value of the assets and liabilities. If the transferred consideration for the business combination or the fair values to be allocated to the identifiable assets and liabilities of the company acquired on the date of initial accounting can only be provisionally identified, the business combination is carried using these provisional values. Initial accounting is completed in line with IFRS 3.45, taking into account the one-year measurement period. Comparative

information for reporting periods prior to the completion of initial accounting are presented as if they had already been completed on the date of acquisition. Investments in proportionately consolidated companies are measured using the same principles.

Investments in associated companies recognized using the equity method are accounted for the proportionate equity share of the investment measured at fair value at the acquisition date. The same method used for fully consolidated subsidiaries is applied when accounting for difference between the acquisition cost at the time of acquisition and the share of net assets acquired. Losses at associates that exceed their carrying amounts are not recognized unless there is an obligation to make additional contributions.

All intercompany profits, losses, revenues, expenses, income, receivables, liabilities, and provisions falling within the scope of consolidation are eliminated. Deferred taxes are recognized on temporary differences arising on consolidation in accordance with IAS 12. Proportionate consolidation is performed on a pro-rata basis using the same principles. The Group's share of unrealized gains or losses on intercompany transactions between fully consolidated Group companies and associated companies is eliminated. Changes in the parent's ownership interest in a subsidiary which do not lead to a loss of control are accounted for as equity transactions.

After the loss of control of a subsidiary it is deconsolidated according to the requirements of IAS 27. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for in accordance with other IFRSs from the date when control is lost.

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Scope of Consolidation

Including Bertelsmann AG, the Group consists of 847 companies (previous year: 894). Of these, 773 (previous year: 821) are fully consolidated, 40 (previous year: 41) joint ventures are proportionally consolidated, 34 associated companies are consolidated using the equity method (previous year: 32). A total of 225 (previous year: 222) affiliated companies without significant business operations were excluded from consolidation due to their negligible importance for the financial position, performance, and changes in the financial position of the Group. These include 35 (previous year: 39) companies that would have been consolidated using the equity method.

The complete list of the Bertelsmann Group's shareholdings will be published in the electronic Bundesanzeiger (Federal Gazette) as an annex to these annual financial statements in accordance with section 313 (2) of the German Commercial Code and are presented at the Annual General Meeting. The interests held by associated companies are not included in the list of shareholdings. Those subsidiaries disclosed in note 31 have elected to be exempted from the preparation, audit, and publication of financial statements in the year under review as set out in sections 264 (3) and 264b of the German Commercial Code and according to foreign regulations.

Please refer to the table below for changes made during the past fiscal year to the companies included in the consolidated financial statements.

Changes in Scope of Consolidation

	Domestic	Foreign	Total
Consolidated as of December 31, 2010	323	571	894
Additions	16	28	44
Disposals	27	64	91
Consolidated as of December 31, 2011	312	535	847

Acquisitions and Disposals

The consideration paid for acquisitions in fiscal year 2011 less cash and cash equivalents acquired amounted to €241 million (previous year: €205 million). The consideration transferred for these acquisitions in the sense of IFRS 3 totaled €164 million (previous year: €108 million).

On July 25, 2011, RTL Group acquired the remaining 26 percent of the share capital of RTL Croatia from the non-controlling shareholders for an amount of €15 million. This transaction resulted in a cash-out in 2011 of €13 million and to an impact on equity attributable to Bertelsmann shareholders of €12 million.

On July 28, 2011, RTL Group signed with IKO and certain other entities an agreement for acquiring its stake of 31 percent in M-RTL and the full control of a portfolio of seven Hungarian-language cable channels. The transactions were completed on December 20, 2011 once the approval of the Hungarian Competition Office was received. The acquisitions provide the opportunity for RTL Group to build a family of channels in the very fragmented Hungarian market and to develop synergies for reducing the cost base. The final purchase price is contingent on working capital adjustments. In addition, the acquisition agreement provides for certain warranties and indemnities in favour of RTL Group.

On August 31, 2011, RTL Group paid €6 million for 100 percent of KOS Beteiligungs- und Verwaltungsgesellschaft mbH ("KOS") holding a 2 percent economic ownership and 20 percent voting rights in M-RTL. The acquisitions of KOS and of the 31 percent stake in M-RTL from IKO are accounted for as equity transactions. The related consideration amounts to €64 million. In this context, RTL Group also reimbursed a loan payable for an amount of €6 million. The excess of consideration relating to the acquired non-controlling interests amounts to €-39 million. The transactions related to the seven cable channels qualify as a business combination. The related purchase consideration, net of cash acquired, amounts to €91 million, resulting in the recognition of a provisional goodwill of €87 million. The goodwill is not expected to be tax deductible. The acquisition-related costs of €1 million, mainly consisting of legal fees and due diligence costs, have been recognized in "Other operating expenses." As the gain of control of the cable channels occurred at the end of the year, the impact on revenue and profit included for the acquired operations is not significant. Had the business combination occurred on January 1, 2011, the contribution to the consolidated revenue and to the Group profit or loss would have been €17 million and €2 million, respectively.

The Group also made several other acquisitions in 2011, none of which were material. The impact on the Group's financial

position and results of operations was also minor. The other acquisitions resulted in goodwill totaling €52 million.

The acquisitions impacted the assets and liabilities in the Bertelsmann Group as follows on their date of initial consolidation:

Effects of Acquisitions

in € millions	Hungarian cable channels		Other		Total	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets						
Goodwill	–	87	–	52	–	139
Other intangible assets	3	3	–	14	3	17
Property, plant and equipment	–	–	1	1	1	1
Other non-current assets	–	–	1	2	1	2
Current assets						
Inventories	4	4	1	2	5	6
Other current assets	4	4	11	11	15	15
Cash and cash equivalents	1	1	5	5	6	6
Liabilities						
Financial debt	–	–	2	2	2	2
Other liabilities	7	7	12	13	19	20

The fair values of the acquired identifiable assets, liabilities and contingent liabilities are measured according to IFRS 3, and primarily using the market-price oriented method. In this method, assets and liabilities are measured at prices observed in active markets. If measurement using the market price-oriented method is not feasible, the capitalized value-oriented method is to be applied. Accordingly, the fair value of an asset or a liability is the present value of the future cash inflows or outflows (cash flows).

Since initial consolidation, total new acquisitions have contributed €15 million to revenues and €-3 million to group profit or loss. If consolidated as of January 1, 2011, they would have contributed €71 million to revenues and €-6 million to group profit or loss. Goodwill arising from acquisitions reflects synergy potential.

After considering the cash and cash equivalents disposed of, the Group received payments totaling €4 million from disposals that were carried out (previous year: €154 million). Direct Group France, which includes the French-speaking club business and the Chapitre.com bookstore chain, was sold to the US private equity firm Najafi Companies at the end of May

2011 as part of the scale-back in Direct Group. The consideration for the interest sold and financial liabilities transferred totaled €81 million. After deducting the cash and cash equivalents disposed of totaling €30 million, the actual cash inflow was €4 million. The sale of Direct Group France resulted in a capital loss of €-47 million. Direct Group also sold some other businesses, including the Librerías Bertrand bookstores in Spain to a subsidiary of the Spanish media company Grupo Planeta as well as club businesses in Poland.

On July 28, 2011, RTL Group exercised its put option towards Talpa Media Nederland to get back Talpa Media's 26.3 percent non-controlling shareholding in RTL Nederland (mainly Dutch TV operations) in exchange for its interests held in the Dutch radios Radio 538, Radio 10 Gold, and Slam!FM. The exchange of the respective shareholdings was initially set to take place in 2012. RTL Group and Talpa Media agreed on September 1, 2011 to accelerate the transfer of shares before December 31, 2011. On December 29, 2011, RTL Group and Talpa Media agreed on the final completion of the asset swap and the related payments. The acquisition of the remaining non-controlling interest

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in RTL Nederland is accounted for as an equity transaction. The fair value of the 26.3 percent of RTL Nederland amounts to €290 million. The valuation was based on discounted cash flow approach and an analysis of comparable trading and transactions multiples. The equity transaction results in a decrease in equity attributable to Bertelsmann shareholders of €-222 million. RTL Group recognized a capital gain on the disposal of the Dutch radios for an amount of €107 million derived from the measurement at fair value of 26.3 percent of RTL Nederland included in the consideration received. The terms of the agreement include the payment to Talpa of the put option cash settlement amount, net of

representations and warranties received by Talpa (€-7 million), the reimbursement to Talpa Media of its contribution paid in 2007 (€-74 million), the reimbursement to RTL Group of the loan granted in 2007 (€74 million), and the payment to RTL Group of the purchase price following the acquisition of Radio 10 Gold and Slam!FM (€7 million). The disposal results therefore in an outflow, net of cash held by the Dutch radios disposed of, amounting to €-5 million. In 2011, the Dutch radios have contributed for €61 million and for €13 million to the revenue and the profit attributable to Group profit or loss, respectively.

The disposals during the year under review had the following impact on the Bertelsmann Group's assets and liabilities at the time of their deconsolidation:

Effects of Disposals

in € millions	Radio channels of RTL Nederland	Direct Group France	Other	Total
Non-current assets				
Goodwill	(164)	–	(4)	(168)
Other intangible assets	(34)	(42)	(5)	(81)
Property, plant and equipment	(1)	(56)	(4)	(61)
Other non-current assets	(58)	(11)	(1)	(70)
Current assets				
Inventories	–	(83)	(8)	(91)
Other current assets	(13)	(93)	(5)	(111)
Cash and cash equivalents	(79)	(30)	(2)	(111)
Liabilities				
Provisions for pensions and similar obligations	–	(8)	–	(8)
Financial debt	(55)	(86)	–	(141)
Other liabilities	(87)	(172)	(9)	(268)

Discontinued Operations

At the start of 2011 the Group's management decided to sell Direct Group's remaining international businesses, in addition to Direct Group France. This plan does not include the companies in Germany or the joint venture Círculo de Lectores in Spain. In the first half of 2011, the sale of Direct Group in France and Poland, and the sale of the book retail business in Spain, was completed. Implementation of the sales plan for the book clubs in Russia and Ukraine as well as in the Czech Republic and Slovakia has progressed well. As a result, Direct Group is being conclusively liquidated as an independent division. Taken together, these Direct Group companies meet the conditions of IFRS 5 for the classification as discontinued

operations and accordingly the ongoing earnings and cash flows for these companies are shown separately in these financial statements. The assets and liabilities for the Eastern European companies not yet sold as of December 31, 2011 are also shown separately. Previous-year figures in the income and cash flow statements have been adjusted according to IFRS 5. The previous-year figures also include the completed sale of the UK TV station group Five in the second half of 2010. This group was already classified under discontinued operations last year as of June 30, 2010. Detailed information can be found in the notes to the consolidated financial statements in the Annual Report for 2010.

The result from discontinued operations is broken down as follows:

Income Statement – Discontinued Operations

in € millions	2011	2010 (adjusted)
Revenues	328	879
Income	14	35
Expenses	(431)	(1,093)
EBIT (earnings before interest and taxes)	(89)	(179)
Financial result	(4)	(18)
Earnings before taxes from discontinued operations	(93)	(197)
Income taxes	(28)	1
Earnings after taxes from discontinued operations	(121)	(196)

Of the income taxes, €2 million are due to the loss from the sale of Direct Group France. Based on EBIT and after considering

the special items, the operating EBIT from discontinued operations is as follows:

Reconciliation to Operating EBIT (Discontinued Operations)

in € millions	2011	2010 (adjusted)
Earnings before interest and taxes (EBIT) from discontinued operations	(89)	(179)
Special items		
Impairment on goodwill and other intangible assets with indefinite useful life	–	144
Impairment on assets held for sale	19	1
Impairments on investments accounted for using the equity method	–	1
Capital gains/losses	54	39
Restructuring expenses and other special items	–	14
Operating EBIT from discontinued operations	(16)	20

Assets Held for Sale and Liabilities Related to Assets Held for Sale

In addition to the Eastern European companies of Direct Group that are held for sale, the Greek TV and radio provider Alpha Media Group and Printer Portuguesa, Arvato, are disclosed as a disposal group. Following the decision of the Board of Directors of RTL Group in December 2011 to fully dispose of the shares held in Alpha Media Group, RTL Group concluded an agreement with the non-controlling shareholder of Alpha Media Group. The transaction was subject to approval by the Greek Competition Commission at December 31, 2011. Once the competition clearance was obtained on February 9, 2012, the transaction was completed on February 20, 2012. The terms of the share purchase agreement stipulate that, prior to the disposal, RTL Group will recapitalize and fund Alpha Media Group, enabling it

to fully reimburse the loans and facilities to third parties and for covering working capital requirements for December 2011 and January 2012. In this respect, €53 million were unilaterally contributed in December 2011 by RTL Group through a capital increase in Alpha Media Group. Alpha Media Group will continue to benefit from a loan of €23 million owed to RTL Group after its exit. On December 31, 2011, impairment losses on goodwill were recorded for an amount of €71 million for the disposal group Alpha Media Group. The fair value less costs to sell has thus been derived from the net selling price that is expected to be obtained and that has been compared to the carrying amount. The impairment is recognized in the income statement and carried under “Other operating expenses.”

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Supervisory
Board

The carrying amounts of the assets classified as held for sale and related liabilities can be found in the following table.

Assets Held for Sale and Related Liabilities

in € millions	12/31/2011	12/31/2010
Assets		
Non-current assets		
Goodwill	–	–
Other intangible assets	–	38
Property, plant and equipment	5	49
Other non-current assets	–	7
Deferred tax assets	1	11
Current assets		
Inventories	25	82
Other current assets	44	85
Cash and cash equivalents	14	14
Equity and Liabilities		
Non-current liabilities		
Provisions for pensions and similar obligations	3	8
Financial debt	–	9
Other liabilities	10	1
Deferred tax liabilities	–	–
Current liabilities		
Trade accounts payable	33	106
Other current liabilities	35	67

Proportionate Consolidation

The 40 (previous year: 41) proportionately consolidated joint ventures had the following effect on Bertelsmann Group assets, liabilities, income, and expenses:

Effects of Proportionate Consolidation

in € millions	12/31/2011	12/31/2010
Non-current assets	38	44
Current assets	106	126
Non-current liabilities	1	4
Current liabilities	84	88
	2011	2010
Income	301	294
Expenses	274	274

Currency Translation

In the Bertelsmann AG consolidated financial statements, the financial statements of subsidiaries, joint ventures, and associated companies from countries outside the euro zone are translated into euros using the functional currency concept set out in IAS 21. Assets and liabilities are translated into the reporting currency at the closing rate of the last day of the fiscal year, while income statement items are translated at the average rate for the year. Currency translation differences are charged

or credited directly to other comprehensive income. Such differences arise from translating items in the balance sheet at different rates compared with the previous year and from using different rates (i.e., the average rate for the year and the rate as of the balance sheet date) to translate the Group profit or loss. When subsidiaries are deconsolidated, any related cumulative translation differences are recycled to profit or loss.

The following euro exchange rates were used to translate the currencies of those countries that are most significant to the Bertelsmann Group.

Euro Exchange Rates for Major Foreign Currencies

Foreign currency unit per €1		Average rate		Closing rate	
		2011	2010	12/31/2011	12/31/2010
US Dollar	USD	1.3951	1.3299	1.2939	1.3362
Canadian Dollar	CAD	1.3768	1.3773	1.3215	1.3322
British Pound	GBP	0.8704	0.8585	0.8353	0.8608
Japanese Yen	JPY	111.12	116.64	100.20	108.65
Swiss Franc	CHF	1.2333	1.3787	1.2156	1.2504

Accounting and Measurement Policies

Recognition of Income and Expense

Revenues are measured at the fair value of the compensation received or receivable and reduced by anticipated reductions in price, trade discounts, and similar deductions.

Revenues from the sale of goods are recognized when the Group has transferred the key risks and opportunities associated with ownership of the goods to the purchaser and the amount of revenues can be reliably determined. This excludes revenues from transactions applying the percentage of completion method per IAS 11. These include income from services measured by percentage of completion to the extent the point of completion thereof can be reliably determined at the balance sheet date. The percentage of completion is determined using the input-oriented method. Under the input-oriented method, contract costs accruing up to the balance sheet date are applied as a percentage of total estimated contract costs (cost-to-cost method).

Revenues from advertising are recorded when the corresponding advertisement or commercial appears in the respective medium. Income from royalties (licenses) is recognized on an accrual basis in line with the provisions of the underlying contract. Interest income and expenses are recognized using the effective interest method in accordance with IAS 39 on an accrual basis. Dividends are only recognized in income when the shareholder's legal entitlement to payment is established. Revenues from services rendered are recognized based on their percentage of completion. Other income is recognized when the economic benefits are probable and the amount can be measured reliably. Expenses are deferred on the basis of underlying facts or the period of time to which they relate.

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Goodwill

Goodwill arising from business combinations accounted for in accordance with IFRS 3 represents the consideration transferred in excess of the Group's share of the fair value of identifiable assets acquired, liabilities and contingent liabilities assumed. Initial recognition is at acquisition cost, with subsequent recognition at acquisition cost less accumulated impairments. Goodwill is subject to at least annual impairment testing. Impairment losses are measured as the difference

between the carrying amount and the recoverable amount of the cash-generating units to which the goodwill has been allocated. Any impairment loss is immediately recognized in profit or loss. Impairment on goodwill, including impairment losses recognized in the previous interim period, is not reversed. In the Bertelsmann Group, goodwill is tested for impairment each year as of December 31, as outlined in the section "Impairment Losses," or if a triggering event arises.

Other Intangible Assets

Internally generated intangible assets of the non-current assets are carried at cost, which must be capitalized in the balance sheet if the criteria for recognition as set out in IAS 38 have been met. Intangible assets acquired separately are carried at acquisition cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired as part of a business combination are initially recognized at fair value at the acquisition date in accordance with IFRS 3. Intangible assets with definite useful life are amortized systematically on a straight-line basis over their estimated useful life. Impairment losses and write-ups are determined by applying the requirements for impairment testing (IAS 36). As a rule, capitalized software is amortized over a period of between three and five years. Supply rights

and subscriber portfolios are amortized over a period of two to 15 years, while the amortization period for trademarks and music and publishing rights is three to 15 years. Licenses are amortized on a straight-line basis over the term of the license agreement or depending on performance (based on the ratios of income from use generated in the reporting period to the estimated total income from use over the whole useful life).

The useful life and amortization periods are reviewed annually and prospectively adjusted to reflect changes in expectations. Intangible assets with indefinite useful life are not amortized on a systematic basis. Instead, they are subject to at least annual impairment testing and written down to their recoverable amount as applicable.

Property, Plant and Equipment

Items of property, plant and equipment are carried at cost less depreciation and, where applicable, impairment losses. The cost of items of property, plant and equipment produced internally within the Group includes direct costs and a portion of overhead costs directly attributable to their production. The cost of property, plant and equipment produced over a longer period of time also includes borrowing costs accrued up to the completion date. The amounts involved are insignificant to the Group. All other borrowing costs are expensed in the period accrued. Maintenance costs are carried as expenses for the period, whereas expenses for activities that lead to a longer useful life or improved use are generally capitalized.

- Buildings: ten to 50 years
- Plant, technical equipment, and machinery: four to 15 years
- Furniture, fixtures, and other equipment, three to 12 years

Land is not subject to scheduled depreciation. Individually significant components of non-current assets are recorded and depreciated separately (component approach).

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. Estimates of useful life and the depreciation method are reviewed annually in line with IAS 16 and are adjusted prospectively according to the changed expectations. During the year under review, scheduled depreciation was generally based on the following useful lives:

Impairment Losses

Goodwill and intangible assets with indefinite useful life are tested for impairment at least annually. Intangible assets with a definite useful life and property, plant and equipment are tested for impairment at the end of each reporting period in accordance with IAS 36, if there are indications that an impairment loss has occurred. Impairment is needed when the recoverable amount of a cash-generating unit has fallen below its carrying amount.

The recoverable amount is the higher of fair value less cost to sell or value in use; fair value less cost to sell is always calculated first. If the result is above the carrying amount, value in use is not calculated in most cases. Only fair value less cost to sell is applied as a yardstick to assets held for sale.

As long as an active market exists, the market price or the price in the most recent comparable transactions is used in determining fair value. If there is no active market, fair value less cost to sell is generally calculated using the discounted cash flow method. If it is not possible to allocate cash inflows to an asset, the relevant impairment losses are determined on the basis of cash flows attributable to the cash-generating unit

Leasing

If the Bertelsmann Group bears all material opportunities and risks as part of leasing agreements, and is thus to be regarded as the economic owner (finance lease), the leased item is capitalized at its fair value at the inception of the lease term or the lower present value of the future minimum lease payments. Payment obligations arising from finance leases are recognized as financial liabilities in the same amount. In the subsequent periods, the minimum lease payments are broken down into financing costs and the redemption portion of the remaining liability, such that this results in constant interest on the remaining liability. As a rule, financing costs are recognized in profit or loss. The leased item is subject to scheduled depreciation. If it is sufficiently certain that ownership of the leased assets will pass to the lessee at the end of the lease term, the assets are depreciated over their useful life. Otherwise, it is depreci-

ated over the term of the lease or the period of use, whichever is shorter. Contingent rent payments are recognized as an expense in the period in which they result.

Leased assets primarily relate to buildings. Finance leases for buildings are generally subject to non-cancelable minimum lease terms of approximately 20 years. Upon expiry of this term, the lessee is as a rule entitled to purchase the leased asset at its residual value. The operating leases entered into by the Bertelsmann Group primarily relate to rental agreements for buildings and technical transmission facilities. In economic terms, the leased assets are allocated to the lessor. The lease installments constitute expenses for the period and are carried using the straight-line method over the term of the lease.

to which the assets belong. Projected cash flows are based on internal estimates for three planning periods. Two additional planning periods are applied in addition. For periods beyond this detailed horizon, a perpetual annuity is recognized, taking into account individual business-specific growth rates of generally -1 to 3 percent. Discounting is always based on the weighted average cost of capital (WACC) using the average after-tax cost of capital. Specific WACCs are derived for cash-generating units with different risk profiles. Management estimates of cash flow are based on factors including assumptions of economic trends and the associated risks, the regulatory environment, the competitive environment, market share, investments, and growth rates. The figures obtained using the respective discount rates reflect the recoverable amount of the cash-generating units. Material changes in the market or competitive environment may therefore impair the value of cash-generating units.

If the reasons for impairment no longer apply, impairment losses may be reversed up to a maximum of the carrying amount of the respective asset if the impairment loss had not been recognized. The latter does not apply to goodwill.

Financial Assets

Financial assets are recognized initially at fair value taking into account transaction costs that are directly attributable to the acquisition of the financial asset. In the case of financial assets that are recognized at fair value through profit or loss, transaction costs are recognized directly in the income statement. For subsequent measurement, financial assets are classified into the following categories and subcategories:

- Held-to-maturity investments
- Available-for-sale financial assets
- Financial assets recognized at fair value through profit or loss
 - Non-derivative and derivative financial assets held for trading
 - Financial assets initially recognized at fair value through profit or loss
- Loans and receivables
 - Originated loans and trade account receivables
 - Cash and cash equivalents

Held-to-maturity investments: Financial instruments are held to maturity if they have fixed or definable payments and a fixed term that the Group is to hold to maturity. They are subsequently measured at amortized cost using the effective interest method.

Available-for-sale financial assets: The available-for-sale category primarily includes current and non-current securities and equity investments not classified as held-to-maturity investments, as loans and receivables or at fair value through profit or loss. In accordance with IAS 39, available-for-sale financial assets are measured at their fair value at the balance sheet date to the extent that this can be reliably measured. Otherwise, they are carried at amortized cost. With deferred taxes taken into consideration, gains and losses resulting from fluctuations in the fair value are taken directly to other comprehensive income. However, if there is an objective evidence of impairment, this is recognized in profit or loss. A significant or longer decline in the fair value of an equity instrument held below its acquisition costs is also to be regarded as an objective evidence of impairment. If these assets are sold, the gains and losses recorded under other comprehensive income are recognized in profit or loss.

Non-derivative and derivative financial assets held for trading: As a rule, this category includes derivatives that do not meet the formal requirements of IAS 39 for hedge accounting. They are measured at their fair value. Gains or losses from changes to the fair values are recognized in profit or loss. Financial assets initially recognized at fair value through

profit or loss: This category contains financial assets that were classified as initially recognized at fair value through profit or loss. Changes in fair value are recognized in the other financial result.

Originated loans and trade account receivables: Originated loans and trade receivables are carried at amortized cost using the effective interest method. Long-term interest-free or low-interest loans and receivables are discounted. Foreign currency items are translated at the exchange rate at the closing date. If there is an objective indicator, impairments are recognized in profit or loss using allowance accounts.

Cash and cash equivalents: Cash includes bank balances and cash on hand. Cash equivalents include short-term, highly liquid securities with a term to maturity on acquisition of a maximum three months. Foreign currency items are translated at the exchange rate at the balance sheet date.

All derivatives that fulfill the formal requirements of IAS 39 for hedge accounting are carried separately as derivative financial assets used in hedging relationships and are measured at fair value. You can find further details in the section "Derivative Financial Instruments."

Measurement at fair value: In the case of financial assets measured at fair value, the valuation method applied depends on the respective valuation parameters present in each case. If listed prices can be identified on active markets for identical assets, they are used for valuation (phase 1). If this is not possible, the fair values of comparable market transactions are applied and financial methods that are based on observable market data are used (phase 2). If the fair values are not based on observable market data, they are identified using recognized financial methods (phase 3).

Impairment losses and gains on financial assets: The carrying amounts of financial assets not recognized at fair value through profit or loss are examined at each balance sheet date in order to determine whether there is substantial evidence of impairment. In the case of financial assets carried at amortized cost, the impairment corresponds to the difference between the carrying amount and the present value of the anticipated future cash flows. If it is established that the fair value has increased at a later measurement date, the impairment loss previously recognized is reversed up to a maximum of amortized cost. Impairment losses are not reversed in the case of unlisted equity instruments that are classified as available-for-sale assets and carried at cost. The impairment on available-for-sale assets carried at cost

is calculated as the difference between the carrying amount of the financial asset and the present value of the estimat-

ed future cash flows discounted using the risk-adjusted interest rate.

Inventories

Inventories – including raw materials and supplies, finished goods, and work in progress as well as merchandise – are recognized at the lower of historical cost and net realizable value at the end of the year. Similar inventories are reported at average cost less cost to sell or using the FIFO (first-in, first-out) method. Inventories originating from intragroup suppliers are adjusted to eliminate intercompany earnings and are measured at the Group's manufacturing cost.

Inventories are tested for impairment on each balance sheet date. For this purpose, net realizable value is determined. Net realizable value is defined as the estimated sales price less expected costs to complete and estimated selling expenses. A write-down is recognized if the net realizable value of an item of inventories is lower than its historical cost. Write-downs are reversed if the circumstances causing their recognition no longer apply. The new carrying amount then represents the lower of historical cost and adjusted net realizable value. In addition to raw materials and supplies, finished goods, work in progress, and merchandise, inventories include all short-term film, television, and similar rights that are intended for broadcast or sale within the Group's normal operating cycle. In particular, this includes films and TV shows currently in production, coproductions and acquired broad-

casting rights. The carrying amount of such items at the balance sheet date is as a rule the lower of historical cost or net realizable value.

The amortization of film and television rights starts from the date of initial broadcast and depends either on the number of planned broadcasts or the expected revenues. The broadcast-based amortization of film and television rights is performed as follows:

- Entertainment programs, such as soap operas, documentaries and sports, quiz or music programs, are written off in full at the initial broadcast date
- 50 percent of the carrying amount of children's programs and cartoons is written off at each of the first two broadcast dates
- The consumption of cinema productions, TV feature films, and series also spans a maximum of two broadcasts: 67 percent of the value is consumed upon the first broadcast, the remaining 33 percent upon the second broadcast

The consumption of inventories is reported in the income statement in the cost of materials and changes in inventories, respectively.

Customer-Specific Production Contracts

To the extent that they meet the requirements of IAS 11, customer-specific contracts are reported using the percentage-of-completion method.

In this method, revenues and gains on customer-specific contracts are recognized on the basis of the stage of completion of the respective projects. The percentage of completion is calculated as the ratio of the contract costs incurred up to

the end of the year to the total estimated project cost (cost-to-cost method). Irrespective of the extent to which a project has been completed, losses resulting from customer-specific contracts are immediately recognized in full in the period in which losses are identified. In fiscal year 2011 no material revenues were recognized from customer-specific production contracts.

Deferred Taxes

In accordance with IAS 12, deferred tax assets and liabilities are recognized for temporary differences between the tax base and the carrying amounts shown on the IFRS consolidated balance sheet, and for as yet unused tax loss carryforwards and tax credits. Deferred tax assets are only reported in the

amount in which they can be subsequently utilized. The tax rates applied for computation are those expected as of the date of reversal of temporary differences and use of tax loss carryforwards, respectively.

Other Comprehensive Income

The other comprehensive income taken directly to equity includes foreign exchange gains and losses as well as unrealized gains and losses from the fair value measurement of available-for-sale financial assets and derivatives used in cash flow hedges or hedges of net investments in foreign operations in accordance with IAS 39. In addition, according to IAS 28.11, changes in equity for companies accounted for using

the equity method that are taken directly to equity are also recorded. Actuarial gains and losses under defined benefit pension plans are also taken directly to other comprehensive income in full in the year in which they arise in accordance with IAS 19.93A. Deferred taxes on the aforementioned items are also recognized directly in equity.

Provisions

Provisions for pensions and similar obligations are calculated using the projected unit credit method within the meaning of IAS 19. This method involves the use of biometric calculation tables, current long-term market interest rates, and current estimates of future increases in salaries and pensions.

The interest portion of pension expense and the expected return on plan assets are reported under financial result. Actuarial (gains) and losses are carried under other comprehensive income. With the exception of the other personnel-

related provisions calculated according to IAS 19, all of the other provisions are established on the basis of IAS 37 where there is a legal or constructive obligation to a third party, the outflow of resources is probable, and it is possible to reliably determine the amount of the obligation. Provisions are measured in the amount of the most probable extent of the benefit obligations. Long-term provisions are discounted. The discount rates take into account current market expectations and, if necessary, specific risks for the liability.

Liabilities

Upon initial recognition, trade accounts payable and other original financial liabilities including profit participation certificates (financial liabilities at amortized cost) are measured at their fair value less transaction costs. Subsequent measurement is based on amortized cost using the effective interest method. Liabilities denominated in foreign currency

are translated at the exchange rate at the balance sheet date. The Bertelsmann Group has not yet exercised the option of classifying financial liabilities initially recognized at fair value through profit or loss. Finance lease liabilities, which are also reported in financial liabilities, are carried at their present value in accordance with IAS 17.

Derivative Financial Instruments

As set out in IAS 39, all derivative financial instruments are recognized at fair value on the balance sheet. Derivative financial instruments are recognized as of the transaction date. When a contract involving a derivative is entered into, it is initially determined whether that contract is intended to serve as a fair value hedge or as a cash flow hedge. However, some derivatives do not meet the requirements included in IAS 39 for recognition as hedges despite this being their economic purpose. Changes in the fair values of derivatives are recorded as follows:

1. Fair-value hedge: Changes in the fair value of these derivatives, which are used to hedge assets or liabilities, are recognized in profit or loss, the corresponding gain or loss on the change in fair value of the underlying balance sheet item is also directly included in the income statement.
2. Cash-flow hedge: The effective portion of the changes in the fair value of derivatives used to hedge future cash flows

is recognized directly in equity under other comprehensive income. The amounts recognized in equity are then reversed to profit or loss when the hedged item is recognized in profit or loss. The ineffective portion of the changes in the fair value of the hedging instrument is recognized in profit or loss.

3. Hedge of a net investment in a foreign operation: For this type of hedge, the effective portion of the gains and losses on changes in the fair value of the hedging instrument is taken directly to other comprehensive income. The ineffective portion is recognized in profit or loss. On disposal of the investment, the changes in the fair value of the hedging instruments that are contained in equity are recognized in profit or loss.

4. Stand-alone derivatives (no hedge relationship): Changes in the fair value of derivatives that do not meet the criteria for recognition as hedges are recognized in profit or loss in accordance with the held-for-trading category and are therefore classified as at fair value through profit and loss.

Share-Based Payment

Share options are granted to certain directors and senior employees. The options are granted at the market price on the grant date and are exercisable at that price. No compensation cost is recognized in the income statement for share options granted before November 7, 2002. When the options are exercised, the proceeds received, net of any transaction costs, are taken directly to equity.

For share options granted after November 7, 2002, the fair value of the options granted is recognized as personnel costs with a corresponding increase in equity. The fair value is

measured at the grant date and allocated over the vesting period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial option-pricing model, taking into account the terms and conditions at which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options vesting. Share options forfeited solely due to share prices not achieving the vesting threshold are excluded.

Non-Current Assets Held for Sale and Related Liabilities

Non-current assets or disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through a sale transaction and not from continued use. These non-current assets and the associated liabilities are presented in separate line items in the balance sheet under IFRS 5. They are measured at the lower of carrying amount or fair value less cost to sell. Scheduled depreciation/amortization is not recorded if a non-current asset is classified as held for sale or forms part of a disposal group that is classified as held for sale. Components of entities that fulfill the require-

ments of IFRS 5.32 are classified as discontinued operations and are thus carried separately in the income statement and cash flow statement. All of the changes in amounts made during the year under review that are directly connected with the sale of a discontinued operation in any preceding period are also stated in this separate category. If a component of an entity is no longer classified as held for sale, the results of this entity component that was previously carried under discontinued operations are reclassified to continuing operations for all of the reporting periods shown.

Government Grants

A government grant is not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to it and that the grant will be received. Grants for assets are deducted when the carrying amount is calculated,

and are recognized in profit or loss over the useful life of the depreciable asset as a reduced depreciation expense. Income-related grants are recognized as income in the periods in which the expenses to be compensated by the grants were incurred.

Estimates and Assumptions

The preparation of IFRS-compliant consolidated financial statements requires the use of estimates and assumptions that may impact the carrying amounts of assets, liabilities, income, and expenses recognized. Amounts actually realized may differ from estimated amounts. The following section presents estimates and assumptions that are material in the Bertelsmann Group financial statements for understanding the insecurities associated with financial reporting.

Impairments: Goodwill and intangible assets with indefinite useful life are tested for impairment at least once a year. Intangible assets with definite useful life and property, plant and equipment are tested for impairment in accordance with IAS 36 if there are indications that an asset may be impaired. Impairment is recorded when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell or value in use; fair value less cost to sell is always calculated first. As a rule, this is determined using the discounted cash flow method, which is based on future cash flow forecasts being part of company forecasts. The cash flow forecasts are based on the management's best possible estimates with regard to future growth. The most important assumptions include estimated growth rates, the weighted average cost of capital and, tax rates. Changes to these estimates as a result of more recent information could have a material impact on the amount of the possible impairment. For detailed information on the assumptions and estimates that are used in impairment testing for intangible assets (including goodwill) and property, plant and equipment in the Bertelsmann Group, please refer to notes 11 "Intangible Assets" and 12 "Property, Plant and Equipment."

Recognition of income and expense: In the event of return rights, mostly for print products, estimates must be made with regard to the anticipated return volume, as revenues are recognized taking the anticipated returns into account. Return ratios determined using statistical methods are used to identify the anticipated returns.

Inventories, trade receivables, and other receivables: Write-downs are recognized for doubtful receivables based on risk factors such as a customer's financial difficulties and unfavorable changes in the economic situation, taking the maturity structure of the receivables into account.

Sales estimates and assumptions on future sales success are also made in connection with advances paid to authors to secure exploitation rights in their publications. In addition, in the case of sport and film rights, estimates are made with regard to anticipated revenues.

Pension obligations and provisions: Pension obligations are measured using the projected unit credit method. In so doing, biometric calculations and the prevailing long-term capital market interest rates and in particular also assumptions about future salary and pension increases and the anticipated

return on plan assets are taken into account. Information on the assumptions made in pension accounting can be found under note 19.

Provisions for onerous contracts, litigation, and warranties are also based to a significant extent on management estimates with regard to their amount and probability of occurrence. Assessments of whether there is a present obligation, whether an outflow of resources is probable, and whether it is possible to reliably determine the amount of the obligation are generally based on the expertise of in-house or third-party specialists. More recent information could change the estimates and thus impact the Group's financial position and results of operations.

In the case of purchase price allocations, assumptions are also made regarding the measurement of assets and liabilities acquired as part of business combinations, in particular with regard to the acquired intangible assets, as measurements are based on fair value. As a rule, this is the present value of the future cash flows after taking into account the present value of the tax amortization benefit.

In addition, the definition of uniform useful lives within the Group is based on the management's assumptions. Information on useful lives can be found in the sections "Intangible Assets" and "Property, Plant and Equipment" on page 89.

Prior Year Information

The structure of the consolidated income statement has been adjusted for reasons of transparency. The line item "Special items" has been removed and its content has been integrated into the original items. In addition, reclassifications were performed in the items "Own costs capitalized," "Cost of materials," and "Other operating expenses." Also, expenses for transmission are no longer disclosed under "Sundry operating expenses" but under "Selling and transmission expenses"

Assessments of the ability to realize future tax benefits are also based on assumptions and estimates. Deferred tax assets are only carried in the amount in which they are likely to be subsequently utilized. When assessing the probability of the ability to use deferred tax assets in the future, various factors are taken into account, including past earnings, company forecasts, tax forecast strategies, and loss carryforward periods. Information relating to the ability to realize tax benefits is presented in note 10 "Income Taxes."

Assumptions are also made when identifying the fair values of non-exchange-listed derivatives. In this regard, Bertelsmann uses various actuarial methods that take into account the market conditions and risks in effect on the respective balance sheet dates.

Estimates and assumptions also relate to share-based payments. The conditions of the stock option plans are presented in greater detail in the section "Stock Option Plans at Subsidiaries" under note 18 "Equity."

Estimates and the underlying assumptions are reviewed on an ongoing basis. As a rule, adjustments to estimates are taken into account in the period in which the change is made and in future periods.

in the item "Other operating expenses." The reclassifications show the economic content of the issues more transparently, with the result that more relevant information on the Bertelsmann Group's financial performance being provided. To ease comparability, the figures from the prior year period have been adjusted. As these items were only reclassified within the income statement, the amount of EBIT remains unchanged.

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The following sections present the impact on the corresponding items of the consolidated income statement.

Changes to the Group Income Statement

in € millions	Notes	2010 before reclassification	Reclassification	2010 after reclassification
Other operating income	2	486	5	491
Changes in inventories		(78)	197	119
Own costs capitalized		218	(197)	21
Cost of materials		(4,732)	(480)	(5,212)
Royalty and license fees		(865)	–	(865)
Personnel costs	3	(4,325)	(60)	(4,385)
Amortization, depreciation and impairment charges for intangible assets and property, plant and equipment	4	(530)	(106)	(636)
Other operating expenses	5	(3,471)	458	(3,013)
Results from investments accounted for using the equity method	6	46	–	46
Impairments on investments accounted for using the equity method	6	–	(4)	(4)
Income from other participations	6	11	(8)	3
Capital gains/losses		–	(1)	(1)
Special items		(196)	196	–
EBIT (earnings before interest and taxes)			–	

The prior year figures before reclassification were adjusted for discontinued operations.

As a result of the introduction of a new royalty and license fee management program at Random House, a more precise classification of advance payments for royalties and licenses

and liabilities for royalties and licences by term was performed. To ease comparison, the figures were adjusted as of December 31, 2010.

Changes to the Group Balance Sheet

in € millions	Notes	12/31/2010 before reclassification	Reclassification	12/31/2010 after reclassification
Non-current assets				
Other accounts receivable and other assets	16	302	24	326
Current assets				
Other accounts receivable and other assets	16	1,076	(101)	975
Non-current liabilities				
Trade accounts payable	23	51	69	120
Current liabilities				
Trade accounts payable	23	2,611	(146)	2,465

In this context, the identification of the outstanding payments upon acceptance of the manuscript was enabled, thus causing an increase in other obligations as part of commitments of €77 million in the previous year (see section “Contingent Liabilities and Other Commitments” under note 24

“Off-Balance-Sheet Liabilities”). The previous year’s figures were adjusted accordingly in the information in the notes which include the corresponding items. In addition, the prior year information on related parties was adjusted to the current presentation according to IAS 24.

Notes to the Income Statement and Balance Sheet

1 Revenues

in € millions	2011	2010
Revenues from selling goods and merchandise	5,990	6,372
Revenues from advertising	4,339	4,251
Revenues from providing services	3,406	3,043
Revenues from grant of use of assets	1,518	1,399
	15,253	15,065

Revenues also include income from barter transactions in the amount of €68 million (previous year: €65 million), which were primarily incurred by RTL Group and Gruner + Jahr. This figure includes €67 million (previous year: €51 million) in the category “Revenues from advertising.” A further €1 million (previous year: €1 million) is carried in the category

“Revenues from selling goods.” In the previous year, income from barter transactions of €13 million was recorded under “Revenues from providing services.” Changes in revenues by segment and geographical area can be found in the overview for segment reporting on pages 78f.

2 Other Operating Income

in € millions	2011	2010
Income from sideline operations	197	187
Foreign exchange gains	–	1
Prior-year income and reimbursements	102	125
Gains from disposals of non-current assets	14	22
Fair value remeasurement of investments	4	2
Sundry operating income	231	154
	548	491

Sundry operating income includes income-related government grants in the amount of €9 million (previous year: €12 million). Income from the reversal of provisions is gener-

ally recorded in the same income statement line item to which it was previously charged.

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3 Personnel Costs

in € millions	2011	2010
Wages and salaries	3,667	3,564
Statutory social security contributions	614	596
Profit sharing	107	108
Expense for pensions and similar obligations	104	97
Other employee benefits	16	20
	4,508	4,385

4 Amortization, Depreciation and Impairment Charges for Intangible Assets and Property, Plant and Equipment

in € millions	2011	2010
Amortization/depreciation and impairment charges for		
– intangible assets	227	257
– property, plant and equipment	419	379
	646	636

5 Other Operating Expenses

in € millions	2011	2010
Administrative expenses	1,261	1,241
Consulting and audit fees	149	147
Foreign exchange losses	3	–
Advertising costs	480	490
Selling and transmission expenses	694	716
Allowances on current assets	198	198
Operating taxes	120	116
Losses on disposals of non-current assets	7	12
Impairment on assets held for sale	78	–
Sundry operating expenses	153	93
	3,143	3,013

Administrative expenses include rental expenses of €-319 million (previous year: €-318 million), repair and maintenance costs of €-195 million (previous year: €-203 million), costs for IT services of €-92 million (previous year: €-66 million). Foreign exchange losses for assets and liabilities denominated

in foreign currencies (without derivative financial instruments from operating business transactions) totaled €-9 million during the fiscal year (previous year: €5 million; in the previous year this was disclosed under “Other operating income”).

6 Result from Investments Accounted for Using the Equity Method and Other Participations

in € millions	2011	2010
Income from investments accounted for using the equity method	56	67
Expenses from investments accounted for using the equity method	(28)	(21)
Results from investments accounted for using the equity method	28	46
Income from participations	13	11
Impairments on investments	(9)	(8)
Result from other participations	4	3

The profit from associates stems primarily from Antena 3 at €20 million (previous year: €23 million), RTL II at €13 million (previous year: €14 million), and Spiegel Verlag at €10 million (previous year: €18 million). Losses from investments accounted for using the equity method include BMG Rights Management at €-17 million (previous year: €-13 million)

and various other companies. Impairments on carrying amounts of interests in associates (including goodwill) of €-7 million (previous year: €-4 million) and write-ups of €1 million (previous year: €0 million) are reported under "Impairments on investments accounted for using the equity method."

7 Special Items

in € millions	2011	2010
Inmediaone	(13)	-
Arvato Services Iberia	(13)	-
Arvato Entertainment EMEA	(7)	-
Alpha Media Group, RTL Group	-	(49)
Gruner + Jahr Adria	(4)	(4)
Other	(5)	(5)
Impairment on goodwill and other intangible assets with indefinite useful life	(42)	(58)
Alpha Media Group, RTL Group	(71)	-
Printer Portuguesa, Arvato	(7)	-
Impairment on assets held for sale	(78)	-
Impairment on other financial assets	(9)	(8)
Impairments on investments accounted for using the equity method	(6)	(4)
Radio channels of RTL Nederland	107	-
Printer Barcelona, Arvato	(10)	-
Ren TV, RTL Group	-	(12)
Other	5	11
Capital gains/losses	102	(1)
Fair value remeasurement of investments	4	2
Impairment on property, plant and equipment, Prinovis, Arvato	(60)	-
Onerous lease, Random House	(32)	-
Additional expenses relating to disposal group, Alpha Media Group, RTL Group	(24)	-
Impairment on property, plant and equipment, Brown Printing, Gruner + Jahr	(20)	-
Impairment on property, plant and equipment, Arvato Entertainment EMEA	(9)	(1)
Impairment on property, plant and equipment, Arvato Print Italy	-	(30)
Impairment on property, plant and equipment, Arvato Print Ibérica	-	(15)
Restructuring and severance payments, Arvato ¹⁾	(61)	(44)
Restructuring and severance payments, Corporate	(31)	(6)
Restructuring and severance payments, Gruner + Jahr	(6)	(6)
Restructuring and severance payments, Random House	-	(2)
Costs of amalgamation of business locations, Gruner + Jahr	-	(3)
Other	(31)	(20)
Restructuring expenses and other special items	(274)	(127)
Total of special items	(303)	(196)

¹⁾ As a result of the retrospective allocation of Prinovis to Arvato, the figures from the previous year have been adjusted accordingly (see the information on segment reporting in note 27).

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Special items are primarily business transactions that are not repeatable and therefore not operational in nature. They include income and expense items which distort the assessment of the results of operations of the divisions and of the

Group due to their size and low frequency of occurrence. Special items in the period under review total €-303 million (previous year: €-196 million).

8 Interest Income and Interest Expenses

in € millions	2011	2010
Interest income		
Interest income on cash and cash equivalents	14	9
Interest income on interest derivatives	2	2
Other interest income	31	38
	47	49
Interest expenses		
Interest expenses on financial debt	(192)	(232)
Interest expenses on interest derivative	(2)	(2)
Other interest expenses	(17)	(18)
	(211)	(252)

9 Other Financial Expenses and Income

in € millions	2011	2010
Other financial income		
Expected return on plan assets from defined benefit plans	62	45
Minority interest in partnerships	12	-
Other	27	20
	101	65
Other financial expenses		
Interest expenses on provision for defined benefit plans	(128)	(134)
Dividend entitlement on profit participation certificates	(44)	(43)
Minority interest in partnerships	(69)	(68)
Financial expenses from put options	(8)	(22)
Non-operating forex losses	(8)	(11)
Other	(77)	(112)
	(334)	(390)

To better reflect the economic content, income and expenses from non-operating foreign currency transactions are offset against the results from the measurement of the hedged

foreign currency items and are reported as non-operating forex gains or losses.

10 Income Taxes

Income taxes, broken down into current and deferred income taxes, are as follows:

in € millions	2011	2010
Earnings before income taxes (total)	953	904
Current income taxes from continuing operations	(291)	(291)
Deferred income taxes from continuing operations	(22)	42
Income taxes from continuing operations	(313)	(249)
Current income taxes from discontinued operations	(26)	(5)
Deferred income taxes from discontinued operations	(2)	6
Income taxes from discontinued operations	(28)	1
Total income taxes	(341)	(248)
Net income after income taxes (total)	612	656

Tax loss carryforwards of €553 million (previous year: €790 million) were utilized in the year under review, reducing current tax expenses by €106 million (previous year: €185 million). Of the tax loss carryforwards utilized, €162 million (previous year: €159 million) was due to German corporation tax, €244 million (previous year: €228 million) was due to German trade tax, and €147 million (previous year: €403 million) was due to foreign income taxes. These amounts include €61 mil-

lion (previous year: €290 million) for tax loss carryforwards for which no deferred tax assets were recognized in the past. These relate to German corporation tax in the amount of €5 million (previous year: €1 million), German trade tax in the amount of €4 million (previous year: €32 million), and foreign income taxes in the amount of €52 million (previous year: €257 million). This led to a reduction in current tax expense of €17 million (previous year: €78 million).

Deferred tax assets and liabilities resulted from the following items and factors:

Deferred Taxes

in € millions	12/31/2011	12/31/2011	12/31/2010	12/31/2010
	Assets	Equity and Liabilities	Assets	Equity and Liabilities
Intangible assets	294	137	323	128
Property, plant and equipment	52	110	47	135
Financial assets	18	33	18	28
Inventories	52	2	55	2
Accounts receivable	97	29	101	32
Advance payments and other assets	97	74	72	55
Provisions	392	85	319	77
Financial debt	21	17	21	10
Liabilities	12	1	10	1
Advance payments and other liabilities	51	41	42	27
Loss carryforwards/tax credits	2,439	–	2,570	–
Subtotal	3,525	529	3,578	495
Valuation allowances	(1,943)	–	(2,010)	–
Total	1,582	529	1,568	495
Netting	(434)	(434)	(413)	(413)
Carrying amount	1,148	95	1,155	82

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Current and deferred tax assets and liabilities are offset against each other if they relate to the same tax authority and meet the criteria for offsetting. The term of the deferred taxes on temporary differences is mostly long-term. Valuation allowances for deferred tax assets are recognized on temporary differences, tax loss carryforwards, and tax credits

when it is unlikely that they can be utilized in the foreseeable future. The need to recognize valuation allowance is assessed primarily based on existing deferred tax liabilities from temporary differences and projected taxable income within a specified planning period.

Temporary differences, tax loss carryforwards and tax credits for which no deferred tax assets have been formed can be carried forward as follows:

Maturity

in € millions	12/31/2011	12/31/2010
Tax loss carryforwards		
To be carried forward for more than 5 years	6,154	6,231
To be carried forward for up to 5 years	133	248
Temporary differences	165	113
Tax credits		
To be carried forward for more than 5 years	38	38

A reconciliation of expected net tax income/expense to actual tax income/expense is shown in the following table:

Reconciliation to Actual Tax Expense

in € millions	2011	2010
Earnings before income taxes (total)	953	904
Income tax rate applicable to Bertelsmann AG	30.40%	30.00%
Expected tax expense	(290)	(271)
The tax effects of the following items led to differences between the expected and actual tax expense:		
Adjustment to different national tax rates	(29)	(16)
Effect of changes in tax rate and tax law	7	(2)
Non-tax-deductible impairments of goodwill	(10)	(58)
Tax-free disposal and merger gains or losses	11	(4)
Current income taxes for previous years	6	35
Deferred income taxes for previous years	48	21
Valuation allowance on deferred tax assets, current year	(26)	122
Permanent differences	(42)	(61)
Other adjustments	(16)	(14)
Total of adjustments	(51)	23
Actual tax expense	(341)	(248)

The income tax rate applied at Bertelsmann AG consists of corporate income tax, the solidarity surcharge, and trade tax.

Effective Income Tax Rate

	2011	2010
Corporation tax including solidarity surcharges	15.83%	15.83%
Trade tax	14.57%	14.17%
Effective income tax rate	30.40%	30.00%

11 Intangible Assets

	Goodwill	Other intangible assets				Total	Total
		Music, film, and publishing rights	Other rights and licenses	Internally generated intangible assets	Advance payments		
in € millions							
Cost							
Balance as of 1/1/2010	7,010	1,022	1,592	650	7	3,271	10,281
Currency translation differences	73	10	36	31	–	77	150
Acquisitions through business combinations	100	–	6	–	–	6	106
Other additions	–	57	60	50	9	176	176
Reductions through disposal of investments	(630)	–	(190)	–	–	(190)	(820)
Other disposals	–	(99)	(50)	(3)	–	(152)	(152)
Reclassifications according to IFRS 5	(194)	–	(51)	(21)	–	(72)	(266)
Reclassifications and other changes	10	7	(18)	27	(3)	13	23
Balance as of 12/31/2010	6,369	997	1,385	734	13	3,129	9,498
Currency translation differences	18	3	8	7	–	18	36
Acquisitions through business combinations	139	2	14	1	–	17	156
Other additions	–	35	84	54	11	184	184
Reductions through disposal of investments	(168)	–	(79)	–	–	(79)	(247)
Other disposals	–	(41)	(41)	(1)	–	(83)	(83)
Reclassifications according to IFRS 5	(118)	–	(21)	–	–	(21)	(139)
Reclassifications and other changes	7	50	(11)	(32)	(14)	(7)	–
Balance as of 12/31/2011	6,247	1,046	1,339	763	10	3,158	9,405
Accumulated depreciation							
Balance as of 1/1/2010	886	946	962	593	–	2,501	3,387
Currency translation differences	40	10	24	31	–	65	105
Scheduled depreciation and amortization	–	70	99	30	–	199	199
Impairment losses	199	–	16	11	–	27	226
Reversals of impairment losses	–	(1)	(1)	(1)	–	(3)	(3)
Reductions through disposal of investments	(628)	–	(122)	–	–	(122)	(750)
Other disposals	–	(99)	(37)	(3)	–	(139)	(139)
Reclassifications according to IFRS 5	(194)	–	(18)	(16)	–	(34)	(228)
Reclassifications and other changes	(2)	4	(10)	12	–	6	4
Balance as of 12/31/2010	301	930	913	657	–	2,500	2,801
Currency translation differences	1	3	6	7	–	16	17
Scheduled depreciation and amortization	–	60	81	30	–	171	171
Impairment losses	40	2	11	6	–	19	59
Reversals of impairment losses	–	(2)	(1)	–	–	(3)	(3)
Reductions through disposal of investments	–	–	(41)	–	–	(41)	(41)
Other disposals	–	(41)	(36)	(1)	–	(78)	(78)
Reclassifications according to IFRS 5	(113)	–	(12)	–	–	(12)	(125)
Reclassifications and other changes	(2)	22	(5)	(15)	–	2	–
Balance as of 12/31/2011	227	974	916	684	–	2,574	2,801
Carrying amount as of 12/31/2011	6,020	72	423	79	10	584	6,604
Carrying amount as of 12/31/2010	6,068	67	472	77	13	629	6,697

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Other rights and licenses include brands, supply rights, publishing rights, licenses, and acquired software. Internally generated intangible assets mostly include own film and TV productions and internally generated software. Intangible assets with a carrying amount of €2 million (previous year: €1 million) have been provided as collateral for liabilities. Arvato carried out an extensive reorganization in the first half of 2011. The new organizational structure reflects

Arvato's strategic orientation as a business process outsourcing service provider, and is geared to the strategic market units that will offer integrated solutions for individual markets and industries. The new organizational structure was taken into account during the allocation of cash-generating units.

Goodwill and other intangible assets are attributable to the following cash-generating units:

Goodwill and Other Intangible Assets with Indefinite Useful Life Broken Down by Cash-Generating Unit

in € millions	Goodwill		Other intangible assets with indefinite useful life	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
RTL Group	4,794	4,832	121	121
Content	1,039	1,026	–	–
Television Germany	881	869	–	–
Television France	416	417	120	120
Other, disclosed under RTL Group	335	397	1	1
Other, disclosed under Corporate	2,123	2,123	–	–
Random House	382	368	–	–
Random House North America	247	235	–	–
Random House UK	85	83	–	–
Random House Germany	45	45	–	–
Other	5	5	–	–
Gruner + Jahr	474	461	108	107
Gruner + Jahr Germany	245	234	49	50
Gruner + Jahr Austria	92	92	2	2
Gruner + Jahr Spain	31	31	3	3
Gruner + Jahr China	41	38	33	30
Other	65	66	21	22
Arvato	359	378	–	–
Infoscore	242	242	–	–
Arvato Services France	50	50	–	–
Other	67	86	–	–
Corporate	11	8	–	–
BCDM ¹⁾	3	8	–	–
Inmediaone ¹⁾	8	21	–	–
	6,020	6,068	229	228

¹⁾ The remaining club and direct marketing businesses (BCDM) and Inmediaone will be carried under Corporate in organizational terms from 2011.

Intangible assets with an indefinite useful life are primarily M6 trademark rights in France (€120 million; previous year, €120 million), MPS trademark rights in France and Germany (€60 million; previous year: €58 million), and advertising marketing rights (€33 million; previous year: €30 million). The relevant factors that apply when determining the useful life include, in particular, developments on the advertising and sales markets, consumers reading and leisure-time behavior, changes in the technology or regulatory environment, and management strategies to maintain the brands. In addition, according to IAS 38.94, when defining the useful life extension periods are included if the extension is possible without significant additional costs. Consideration of these factors and past experience with regard to these and

comparable internally generated brands and titles underscore the management's estimate that there are currently no foreseeable restrictions on the ability to use these rights to the extent that they are capable of generating corresponding cash flows for the unit.

For the purpose of impairment testing (IAS 36), goodwill from a business combination is allocated to the cash-generating units that are expected to benefit from the synergies of the business combination. Goodwill is tested for impairment at least once per year and whenever there is an indication for impairment as outlined in the section "Accounting and Measurement Policies" and under the following assumptions.

Net present values were calculated using the following discount rates and individual business-specific growth rates:

Overview of Growth and Discount Rates

	Growth rate in % p.a.	Discount rate in % p.a.
RTL Group		
Content	3.0	7.80
Television Germany	2.0	7.86
Television France	2.5	8.55
Other, disclosed under RTL Group	2.0–2.5	6.50–13.10
Other, disclosed under Corporate	2.0	7.62
Random House		
Random House North America	1.0	6.83
Random House UK	0.0	7.79
Random House Germany	1.0	7.79
Other	0.5	11.45
Gruner + Jahr		
Gruner + Jahr Germany	0.5	7.79
Gruner + Jahr Austria	0.0	7.79
Gruner + Jahr Spain	0.0	7.43
Gruner + Jahr China	3.0	7.80
Other	-1.0–7.0	6.70–11.80
Arvato		
Infoscore	1.0	7.79
Arvato Services France	1.0	7.79
Other	-1.0–1.0	6.70–10.74
Corporate		
Other ¹⁾	-1.0–0.0	7.79–8.02

¹⁾ The club and direct marketing businesses in German-speaking regions and in Spain are shown under Corporate.

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The impairment test for the RTL goodwill is based on the management's business forecast in a detailed planning period of five years. The discounted planned cash flow was based on a discount rate after taxes of 7.62 percent. For impairment testing, a growth rate of 2.0 percent was assumed for the period after the end of the detailed planning period. The internal value in use was calculated as the recoverable amount for RTL Group goodwill recognized at Corporate. Accordingly, no impairment was identified for the goodwill recognized in the financial statements. Validation with stock market prices over the period prior to and on the balance sheet date confirmed this estimate.

During the year under review, impairments were carried out for goodwill and intangible assets with indefinite useful lives in the amount of €-42 million (previous year: €-58 million). Impairments on goodwill and other intangible assets with an indefinite useful life are shown under "Amortization, depreciation and impairment charges for intangible assets and property, plant and equipment" in the income statement. On December 31, 2011, impairment losses on goodwill were recorded for an amount of €-13 million against the carrying value of the direct sales company Inmediaone. The impairment reflects the difficulties in acquiring new distribution partners and the reduction in the availability of addresses. The impairment test was based on a growth rate of -1.0 percent and a discount rate of 7.79 percent. The impairment test on the goodwill of Arvato Services Iberia led to an impairment of €-13 million. This resulted from the further deterioration in the Spanish economy. The following assumptions were used to identify the impairment: the discount rate was 9.9 percent and the growth rate was 1.0 percent due to setting up a Contact Center in South America.

The recoverability of material goodwill items disclosed was also approved by a change in the growth rate of -1.0 percentage points or of +1.0 percentage points in the discount rate.

12 Property, Plant and Equipment

	Land, rights equivalent to land, and buildings	Plant, techni- cal equipment, and machinery	Other equip- ment, fixtures, furniture, and office equip- ment	Advance payments and construction in progress	Total
in € millions					
Cost					
Balance as of 1/1/2010	2,088	3,576	1,272	61	6,997
Currency translation differences	22	74	25	1	122
Acquisitions through business combinations	1	1	3	–	5
Other additions	34	76	95	64	269
Reductions through disposal of investments	(18)	(14)	(38)	–	(70)
Other disposals	(136)	(227)	(130)	–	(493)
Reclassifications according to IFRS 5	(118)	(18)	(59)	(2)	(197)
Reclassifications and other changes	16	48	2	(59)	7
Balance as of 12/31/2010	1,889	3,516	1,170	65	6,640
Currency translation differences	8	20	4	–	32
Acquisitions through business combinations	–	–	1	–	1
Other additions	35	74	126	87	322
Reductions through disposal of investments	(1)	(3)	(8)	–	(12)
Other disposals	(11)	(222)	(99)	–	(332)
Reclassifications according to IFRS 5	(39)	(36)	(15)	–	(90)
Reclassifications and other changes	(12)	28	7	(51)	(28)
Balance as of 12/31/2011	1,869	3,377	1,186	101	6,533
Accumulated depreciation					
Balance as of 1/1/2010	965	2,802	946	2	4,715
Currency translation differences	9	57	17	–	83
Scheduled depreciation and amortization	64	168	110	–	342
Impairment losses	3	47	1	2	53
Reversals of impairment losses	–	(2)	(1)	–	(3)
Reductions through disposal of investments	(8)	(8)	(30)	–	(46)
Other disposals	(100)	(223)	(124)	–	(447)
Reclassifications according to IFRS 5	(85)	(15)	(48)	–	(148)
Reclassifications and other changes	4	9	(6)	(2)	5
Balance as of 12/31/2010	852	2,835	865	2	4,554
Currency translation differences	4	17	3	–	24
Scheduled depreciation and amortization	55	148	104	–	307
Impairment losses	34	63	17	2	116
Reversals of impairment losses	–	(3)	(1)	–	(4)
Reductions through disposal of investments	(1)	(2)	(5)	–	(8)
Other disposals	(6)	(220)	(91)	–	(317)
Reclassifications according to IFRS 5	(15)	(30)	(10)	–	(55)
Reclassifications and other changes	(15)	1	(2)	–	(16)
Balance as of 12/31/2011	908	2,809	880	4	4,601
Carrying amount as of 12/31/2011	961	568	306	97	1,932
Carrying amount as of 12/31/2010	1,037	681	305	63	2,086

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The carrying amount of the property, plant and equipment pledged as collateral for liabilities totaled €7 million (previous year: €15 million). The continued difficult situation on the market resulting from increased price pressure and lower volumes led to an impairment review for the buildings, technical plant and equipment at Prinovis Deutschland and Prinovis UK. As part of this impairment testing as of December 31, 2011, an impairment of €-50 million was identified at Prinovis Germany. The impairment test was based on a discount rate of 6.79 percent and a growth rate of -1.0 percent. If the discount rate used by the management would have been 1.0 percentage points higher, this would have resulted in additional impairment requirements with regard to Prinovis Germany of €-22 million. Additional impairment of €-12 million for property, plant and equipment was taken into account for Prinovis UK. The impairment test was based on a discount rate of

7.69 percent and a growth rate of 0.0 percent. At Brown Printing, impairment of €-20 million was recognized for property, plant and equipment due to the high price pressure. Impairment was identified based on a discount rate of 6.70 percent and a growth rate of -1.0 percent. At Arvato Entertainment EMEA, which includes, for example, the replication of physical data carriers, impairment of €-9 million was recognized for technical plant and machinery. The impairment resulted from the deterioration of market conditions linked with an anticipated strong downturn in the replication volume. The impairment test was based on a discount rate of 10.74 percent and a growth rate of -1.0 percent. The cash flow forecasts for the impairment test are based on the best possible estimate of the underlying economic conditions. Impairments on property, plant and equipment totaled €-116 million (previous year: €-53 million).

13 Investments Accounted for Using the Equity Method

in € millions	12/31/2011	12/31/2010
Proportionate equity	334	236
Goodwill	249	249
	583	485

Total assets of investments accounted for using the equity method amounted to €2,243 million (previous year: €1,679 million). On the other hand, total liabilities amounted to €1,305 million (previous year: €937 million) as of December 31, 2011. Revenues totaled €1,713 million (previous year: €1,567 million). Net result totaled €145 million (previous year: €202 million). These disclosures represent accounting totals for significant investments accounted for using the equity method. The values are calculated on the basis of 100 percent.

From the entities accounted for using the equity method, Antena 3 is a listed company. Its proportionate stock market value on December 31, 2011 totaled €213 million (previous year: €315 million). The total assets of the associated companies that are not accounted for using the equity method totals €75 million. Their total liabilities amounted to €29 million. Revenues totaled €104 million and net result amounted to a total of €5 million. The values are calculated on the basis of 100 percent.

14 Other Financial Assets

in € millions	At amortized cost		At fair value		Total	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Current						
Loans	6	76	–	–	6	76
Securities and financial assets	1	1	–	–	1	1
	7	77	–	–	7	77
Non-current						
Loans	68	23	–	–	68	23
Investments in affiliates	16	25	–	–	16	25
Other investments	81	51	81	86	162	137
Securities and financial assets	3	1	161	192	164	193
	168	100	242	278	410	378

Other financial assets are measured at fair value according to IAS 39, or if there is no active market they are measured at amortized cost. Information on impairments can be found in note 25 “Additional Disclosures on Financial Instruments.” The repayment of the loan by Talpa (de Mol) reduced current loans by €74 million. Investments by Bertelsmann Digital Media Investments (BDMI) and Bertelsmann Asia Investments (BAI) led to an increase in other investments by €33 million. As part of an agreement signed on June 10, 2011 with the current shareholders of National Media Group (NMG), RTL Group swapped its 30 percent shareholding in

the Russian TV channel Ren TV for a 7.5 percent shareholding in NMG. Put and call option agreements have been concluded with rights exercisable in 2013. The non-cash transaction resulted in the disposal of Ren TV, which was classified in 2010 in financial assets at fair value through profit or loss without recognition of any capital gain, and the recognition of the investment in NMG in accordance with IAS 39 for an amount of €76 million at December 31, 2011. NMG performance is evaluated on a fair value basis. This financial asset is presented in level 3 according to the IFRS 7 guidance.

15 Inventories

in € millions	12/31/2011	12/31/2010
Program rights	805	779
Raw materials and supplies	168	167
Work in progress	105	113
Finished goods and merchandise	243	274
Advance payments	123	135
	1,444	1,468

In the period under review, valuation allowances on inventories were recognized to the amount of €-113 million (previous year: €-101 million). Impairments on inventories are reversed if the reason for the write-down no longer applies. Write-ups on inventories in the amount of €89 million (previous year:

€95 million) were recognized in the year under review. These are due to broadcasting factors for program rights and also increased prices on some markets. In 2011, no inventories have been pledged as collateral for liabilities (previous year: €2 million).

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16 Receivables and Other Assets

in € millions	12/31/2011	12/31/2010
Non-current		
Trade accounts receivable	10	7
Other accounts receivable and other assets	350	326
Current		
Trade accounts receivable	2,581	2,673
Trade accounts receivable	2,581	2,673
Accounts receivable from participations	23	22
Advance payments for royalties and licenses	271	304
Other tax receivables	70	60
Other financial instruments	7	12
Derivative financial instruments	107	64
Deferred items	134	155
Other receivables and other assets	537	358
Other accounts receivable and other assets	1,149	975

Non-current other accounts receivable and other assets of €350 million (previous year: €326 million) mostly relate to advance payments for royalties and licenses in the amount of €220 million (previous year: €171 million). Advance payments for royalties and licenses are generally written off if

no future related income is expected. These expectations are based on management estimates of future sales volumes and price changes using historical data. Information on impairments and the analysis of maturities can be found in note 25 "Additional Disclosures on Financial Instruments."

17 Cash and Cash Equivalents

in € millions	12/31/2011	12/31/2010
Cash	1,181	1,325
Other securities < 3 months	583	681
	1,764	2,006

Cash and cash equivalents of €17 million (previous year: €15 million) were used as collateral for liabilities. As was the case in the previous year, during the current period under review

no cash and cash equivalents with restrictions on disposal were pledged.

18 Equity

Subscribed Equity

	12/31/2011	12/31/2010
Number of shares		
Ordinary shares	83,760	83,760
Total shares	83,760	83,760

As was the case in the previous fiscal year, Bertelsmann AG's subscribed capital totaled €1,000 million, of comprises 83,760 no-par-value bearer shares (ordinary shares). As of December 31, 2011, foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG Stiftung) held 80.9 percent of Bertelsmann AG

shares, with the other 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft mbH (BVG) controls all voting rights at the Bertelsmann AG Annual General Meeting.

Capital Reserve

The capital reserve mainly includes additional paid-in capital, or share premiums, received from the issue of preference and ordinary shares in excess of their par values.

Retained Earnings

Retained earnings include the undistributed prior-year net profits of those companies included in the consolidated financial statements, as well as other comprehensive income.

The change in other comprehensive income after taxes is derived as follows:

Change in Other Comprehensive Income after Taxes

in € millions	2011				
	Before-tax amount	Taxes	Net-of-tax amount	thereof of Bertelsmann shareholders	thereof of non-controlling interest
Currency translation differences	28	–	28	33	(5)
Available-for-sale financial assets	(7)	(12)	(19)	(25)	6
Cash flow hedges	41	(10)	31	29	2
Actuarial gains/losses on defined benefit plans	(168)	46	(122)	(122)	–
Share of other comprehensive income of investments accounted for using the equity method	2	–	2	2	–
Other comprehensive income	(104)	24	(80)	(83)	3

in € millions	2010				
	Before-tax amount	Taxes	Net-of-tax amount	thereof of Bertelsmann shareholders	thereof of non-controlling interest
Currency translation differences	212	–	212	198	14
Available-for-sale financial assets	2	–	2	2	–
Cash flow hedges	34	(16)	18	17	1
Actuarial gains/losses on defined benefit plans	(116)	59	(57)	(56)	(1)
Share of other comprehensive income of investments accounted for using the equity method	20	–	20	18	2
Other comprehensive income	152	43	195	179	16

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Changes in the fair value of previous year hedging relationships amounted to €10 million (previous year: €32 million) and new hedging relationships to €38 million (previous year: €5 million) in fiscal year 2011.

The amount of €-7 million relating to the other comprehensive income (previous year: €-3 million) was reversed and recognized in other operating income.

Stock Option Plans at Subsidiaries

Various stock option plans are in operation at subsidiaries. At RTL Group in particular, stock option plans for senior management were introduced in 2000. The option price is

derived from the market price at the time the options are granted. There are also other stock option plans at Groupe M6, which belongs to RTL Group.

RTL Group Stock Option Plan

On July 25, 2000, RTL Group established a stock option plan for selected directors and certain employees. As no options

were exercised before the expiry of ten years from the date of the grant, the program was closed during the year.

The table below shows movements in the number of stock options in the year under review:

Options (RTL Group)

in thousands	Average exercise price in € per share	2011	Average exercise price in € per share	2010
Options outstanding at the beginning of the year	85	1	87	125
Options exercised/expired during the year	85	(1)	87	(124)
Options outstanding at the end of the year	–	–	85	1

The options outstanding at the end of the year have the following conditions:

Conditions of Stock Options (RTL Group)

Expiry date	Exercise price in €	Number of options (in thousands) 2011	Number of options (in thousands) 2010
May 2011	85.24	–	1
		–	1

On December 31, 2011, RTL Group shares closed on the Brussels and Luxembourg Stock Exchanges at €76.99 (on December 31, 2010: €76.70).

Groupe M6 Stock Option Plan

Métropole Télévision has established a stock option plan open to directors and certain employees within Groupe M6. The number of options granted to participants is approved

by the Supervisory Board of Métropole Télévision SA in accordance with the authorization given by the General Meeting of Shareholders.

The terms and conditions of the grants are as follows, whereby all options are settled by the physical delivery of shares:

Granting and Vesting Conditions (Groupe M6)

Grant date	Number of options initially granted (in thousands)	Remaining options (in thousands)	Vesting conditions	Contractual life of options ¹⁾
Stock option plans				
April 2004	861.50	–	4 years of service	7 years
June 2005	635.50	368.50	4 years of service	7 years
June 2006	736.75	445.75	4 years of service	7 years
May 2007	827.50	576.00	4 years of service	7 years
May 2008	883.83	702.48	4 years of service	7 years
Free share plans				
	Maximum number of free shares granted (in thousands) ²⁾			
July 2009	398.70		2 years of service + performance conditions	
December 2009	58.00		2 years of service + performance conditions	
March 2010	22.00	22.00	2 years of service + performance conditions	
July 2010	377.78	372.03	2 years of service + performance conditions	
December 2010	48.00	33.05	2 years of service + performance conditions	
July 2011	367.82	359.72	2 years of service + performance conditions	
December 2011	37.50	37.50	2 years of service + performance conditions	
Total	5,254.88	2,917.03		

¹⁾ The contractual life of the options corresponds to the vesting conditions (i.e., four years of service) plus three years (corresponds to the period in which the options can be exercised).

²⁾ The maximum number of free shares granted if the performance conditions are significantly exceeded. Such number could be reduced to nil if objectives are not met.

The price to be paid when exercising the remaining options is the average value of the shares of Métropole Télévision on the Paris Stock Exchange, taken over twenty trading days prior to

the issue date. The distribution plan for free shares for management forms an exception to the above.

The table below shows movements in the number of stock options in the year under review:

Options (Groupe M6)

in thousands	Average exercise price in € per share	2011	Average exercise price in € per share	2010
Options outstanding at the beginning of the year	22	2,722	22	3,339
Options exercised during the year	15	(3)	15	(3)
Options expired during the year	24	(626)	22	(614)
Options outstanding at the end of the year	21	2,093	22	2,722

Approximately 824 thousand free shares are still exercisable at the end of the year against 862 thousand at the beginning of the year, which have been reduced by 12 thousand due to the

performance. 405 thousand free shares were granted during the year with 413 thousand being exercised and 18 thousand being forfeited.

Share options outstanding at the end of the year have the following terms:

Conditions for Stock Options (Groupe M6)

Expiry date	Exercise price in €	Number of options (in thousands) 2011	Number of options (in thousands) 2010
Stock option plans			
2011	24.97	–	495
2012	19.94	369	391
2013	24.60	446	475
2014	27.52	576	614
2015	14.73	702	747
		2,093	2,722
Free share plans			
2011		–	420
2012		427	442
2013		397	–
		824	862
Options outstanding at the end of the year		2,917	3,584
of which exercisable		1,859	2,020

The market price of Métropole Télévision shares on the Paris Stock Exchange was €11.53 at December 31, 2011 (December 31, 2010: €18.10). The fair value of services received in return for share options granted is measured by reference to the fair value of stock options granted. The estimate of fair value of

the services received is measured based on a binomial model. Free shares are valued at the share price at the date they are granted less discounted dividends, which employees are not entitled to receive during the vesting period.

Fair Values of Stock Options (Groupe M6)

	Stock option plans			Free share plans								Total
	6/6/ 2006	5/2/ 2007	5/6/ 2008	5/6/ 2008	7/28/ 2009	12/23/ 2009	3/25/ 2010	7/27/ 2010	12/22/ 2010	7/26/ 2011	12/22/ 2011	
Grant date												
Share price	€24.63	€26.55	€15.22	€15.22	€13.00	€18.02	€18.84	€17.66	€18.22	€15.75	€11.40	
Exercise price	€24.60	€27.52	€14.73									
Volatility	43.10%	37.80%	40.00%									
Risk-free interest rate	4.02%	4.40%	4.39%	4.39%	2.49%	1.42%	1.00%	1.00%	1.13%	1.56%	1.02%	
Expected return	3.81%	3.99%	6.30%	6.30%	4.90%	4.01%	5.04%	5.38%	5.49%	6.35%	9.60%	
Option life	6 years	6 years	6 years	2 years	2 years	2 years	2 years	2 years	2 years	2 years	2 years	
Personnel costs in € millions												
2011	–	0.2	0.6	–	1.3	0.4	0.2	2.6	0.3	1.0	–	6.6
2010	0.1	1.1	0.7	0.5	2.1	0.4	0.1	1.2	–	–	–	6.2

Non-Controlling Interests

Non-controlling interests in the equity of consolidated subsidiaries consist primarily of non-controlling shareholders in RTL Group.

19 Provisions for Pensions and Similar Obligations

in € millions	12/31/2011	12/31/2010
Defined benefit plans	1,613	1,436
Obligations similar to pensions	125	129
	1,738	1,565

The Bertelsmann Group operates various pension plans for current and former employees and their surviving dependents. The model of such plans varies according to the legal, fiscal, and economic environment of the country concerned. These company pension plans include both defined contribution and defined benefit plans.

In the case of defined contribution plans, the company makes payments into an external pension fund or another welfare fund through a statutory, contractual, or voluntary model. The company has no obligation to provide further benefits once it has made these payments, so no provisions are recognized. Expenses for defined contribution plans in the amount of €27 million were recognized in the year under review (previous year: €25 million).

All other pension plans are defined benefit plans. Some are financed through an external investment fund (plan assets), while others are unfunded. Provisions were formed for these plans. The plans are mostly final salary plans.

The provisions are determined using actuarial formulas in accordance with IAS 19. The amount of provisions depends on employees' length of service with the company and their pensionable salary. Provisions are computed using the projected unit credit method, in which increasing salary costs are assumed over the period of service, in contrast to the entry-age normal method. This takes into account biometric calculations, prevailing long-term capital market interest rates, and assumptions about future salary and pension increases. In Germany, the biometric calculations are based on the 2005 G mortality tables issued by Prof. Klaus Heubeck.

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The following actuarial assumed weightings have been applied:

Actuarial Assumptions

	12/31/2011	12/31/2011	12/31/2010	12/31/2010
	Germany	Foreign	Germany	Foreign
Discount rate	4.83%	4.73%	5.31%	5.20%
Expected rate of return on plan assets	5.54%	5.08%	5.37%	5.79%
Rate of salary increase	2.25%	3.44%	2.25%	3.73%
Rate of pension increase	1.80%	1.04%	1.80%	1.11%
Fluctuation	Experience values		Experience values	

In the event of an increase (reduction) in discount rates by one percentage point, the defined benefit obligation would decrease (increase) by €288 million.

Expected returns on plan assets are based exclusively on projections for the respective asset classes held. Historical data, economic forecasts, the interest rate outlook, inflation rates, and stock market expectations are factored into expected plan returns. The majority of plan assets are managed by Bertelsmann Pension Trust e.V. under a contractual trust arrangement (CTA) for pension commitments of Bertelsmann AG

and some German subsidiaries. Expected CTA plan returns are determined on the basis of the strategic asset allocation maintained in different asset classes. Expected plan returns are determined applying a risk-free rate of return for total plan assets based on current long-term government bond yields. A risk premium return is also calculated for each asset class based on historical market returns and economic forecasting. The market indices applied reflect the plan assets classified by region, asset class, and industry. Expected plan returns are reviewed regularly – at least once a year – and factor in projected contributions and distributions of plan assets.

Changes in defined benefit obligations and plan assets in the year under review were as follows:

Changes in Defined Benefit Obligations and Plan Assets

in € millions	2011	2010
Defined benefit obligation on 1/1	2,569	2,298
Current service cost	48	40
New past service cost	1	2
Interest expenses	128	134
Actuarial (gains) and losses	138	188
Curtailments and settlements	(1)	(3)
Contributions to plan assets by employees	3	3
Benefits directly paid by employer	(99)	(98)
Benefits paid out of plan assets	(16)	(17)
Changes of consolidation scope	(7)	–
Disposal due to IFRS 5	(3)	(6)
Currency translation differences	23	27
Other changes	(4)	1
Defined benefit obligation on 12/31	2,780	2,569
Fair value of plan assets on 1/1	1,137	1,020
Expected return on plan assets from defined benefit plans	62	45
Actuarial gains and (losses)	(42)	52
Settlements	(2)	–
Contributions by employer	23	20
Contributions by the employees	3	3
Benefits paid out of plan assets	(16)	(17)
Changes of consolidation scope	(6)	–
Disposal due to IFRS 5	–	(5)
Currency translation differences	17	19
Other changes	(4)	–
Fair value of plan assets on 12/31	1,172	1,137
Funded status	1,608	1,432

The net pension liability reported on the balance sheet is composed as follows:

Net Pension Liability

in € millions	12/31/2011	12/31/2010
Defined benefit obligation of unfunded plans	1,322	1,144
Defined benefit obligation of funded plans	1,458	1,425
Total defined benefit obligation	2,780	2,569
Fair value of plan assets	(1,172)	(1,137)
Net liability recognized in the balance sheet	1,608	1,432
thereof provisions for pensions	1,613	1,436
thereof other assets	5	4

Actuarial gains and losses under defined benefit pension plans and the effects of the asset ceiling in accordance with IAS 19.58 are taken to pension provisions in the year in which they arise with corresponding recognition in the other comprehensive income. Actuarial losses of €-180 million (previous year: €-136 million) were included in other comprehensive income

in the fiscal year. During the fiscal year and in the previous year the asset ceiling prescribed by IAS 19.58 did not impact the other comprehensive income. To date, cumulative actuarial losses of €-485 million (previous year: €-326 million) have been recognized in other comprehensive income.

Net liability can be broken down by geographical area as follows:

Breakdown of Net Pension Liability by Geographical Area

in € millions	12/31/2011	12/31/2010
Germany	1,379	1,228
United States	100	82
Other European countries	119	115
Other countries	10	7
Net liability recognized in the balance sheet	1,608	1,432

Expenses for defined benefit plans in the amount of €114 million were recognized in the year under review (previous year: €127 million). Thereof €48 million (previous year:

€38 million) were recorded under personnel costs, and €66 million (previous year: €89 million) under other financial income and expense.

These expenses break down as follows:

Expenses for Defined Benefit Plans

in € millions	2011	2010
Current service cost	48	40
Interest expenses	128	134
Expected return on plan assets	(62)	(45)
Amortization of past service cost	1	1
Effect of curtailments or settlements	(1)	(3)
Net periodic pension expenses	114	127

The actual return on plan assets in the year under review was €20 million (previous year: €97 million).

The portfolio structure of plan assets is composed as follows:

Portfolio Structure of Plan Assets

in € millions	12/31/2011	12/31/2010
Equity instruments	377	369
Bonds	681	660
Property	2	2
Cash and cash equivalents	33	27
Other	79	79
Fair value of plan assets	1,172	1,137

Employer contributions to plan assets are expected to amount to €22 million in the next fiscal year.

Change in Net Pension Liability

in € millions	2011	2010
Net liability at the beginning of the year	1,432	1,278
Pension expense	114	127
New actuarial (gains) and losses recognized directly in equity	180	136
Pension payments	(99)	(98)
Contributions to plan assets	(23)	(20)
Changes of consolidation scope	(1)	–
Disposal due to IFRS 5	(3)	(1)
Currency translation differences	6	8
Other effects	2	2
Net liability at the end of the year	1,608	1,432

The following table shows the portion of new actuarial gains and losses resulting from experience adjustments:

Experience Adjustments Occurred

in € millions	2011	2010	2009	2008	2007
Experience adjustments occurred					
(Gains)/losses on defined benefit obligation	(2)	(1)	9	(72)	(12)
Gains/(losses) on plan assets	(42)	52	58	(227)	(57)

The defined benefit obligation and the plan assets changed as follows over the past five years:

Five-Year Overview

in € millions	2011	2010	2009	2008	2007
Defined benefit obligation	2,780	2,569	2,298	2,206	2,695
Plan assets	1,172	1,137	1,020	930	1,282
Funded status	1,608	1,432	1,278	1,276	1,413

The US companies' obligations for health care costs for employees after they retire are defined benefit obligations and are included in the provisions on the balance sheet in the amount of €74 million (previous year: €67 million). These obligations have also been calculated using international standards as described above. Medical cost trade rates of

8.1 to 8.5 percent (age-dependent) were assumed (previous year: 8.3 to 8.8 percent). An increase or decrease of one percentage point in the assumptions for cost increases compared with the assumptions actually applied would have the following effects on pension cost and the defined benefit obligation:

Effect of Actuarial Assumptions

in € millions	12/31/2011	12/31/2010
Effect of 1 percentage point increase on pension cost	–	1
Effect of 1 percentage point increase on defined benefit obligation	4	3
Effect of 1 percentage point decrease on pension cost	–	(1)
Effect of 1 percentage point decrease on defined benefit obligation	(4)	(3)

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Obligations similar to pensions include provisions for bonuses for employee service anniversaries, old-age part-time schemes, amounts due but not yet paid to defined contribution plans, and severance payments at retirement. Severance payments at retirement are made when employees leave the company and are based on statutory obligations, primarily in Italy and Austria. Provisions for employee service anniversary bonuses and severance payments at retirement are recognized in the same way as defined benefit plans but with actuarial gains and losses recognized in profit or loss. Employees in Germany who are at least 55 years old and have a permanent employment contract with the company qualify for the old-age part-time schemes. The partial retirement phase lasts two to five years.

Bertelsmann AG introduced a model for deferred compensation accounts in 2006. Under this model, employees defer part of their gross salary, which is then credited to deferred compensation accounts held by a trustee. The aim of this deferred compensation is to enable staff to take early retirement. The period of early retirement for each employee depends on the balance in the respective deferred compensation account. The balance in the deferred compensation accounts meets the definition of plan assets as set out in IAS 19.7, and the company's obligation at any given time corresponds to the fair value of the deferred compensation accounts. The deferred compensation account model has no effect on the balance sheet or income statement. Outsourced assets totaled €4 million at December 31, 2011 (previous year: €4 million).

20 Other Provisions

in € millions	12/31/2010	Additions	Reversals	Usage	Other effects	Change of consolidation scope	Accrued interest	12/31/2011		
	of which > 1 year								of which > 1 year	
Restructuring	47	4	33	(2)	(30)	2	(1)	–	49	3
Litigation	99	4	82	(14)	(9)	–	–	–	158	1
Onerous contracts	144	23	99	(40)	(66)	1	–	–	138	16
Deferred remuneration	37	32	1	–	(3)	1	–	1	37	34
Personnel, miscellaneous	13	4	4	(1)	(3)	(1)	(1)	–	11	3
Guarantees and warranties	11	–	5	(3)	(4)	1	–	–	10	1
Sales and distribution	5	–	17	(4)	(2)	1	–	–	17	–
Other	132	43	46	(27)	(27)	(6)	–	2	120	39
	488	110	287	(91)	(144)	(1)	(2)	3	540	97

In accordance with IAS 37, restructuring provisions include termination benefits and other costs relating to the discontinuation of business activities. Provisions of €49 million (previous year: €47 million) are recognized for various restructuring programs within the Bertelsmann Group. Reported provisions for litigation of €121 million (previous year: €83 million) pertain to RTL Group companies.

The onerous contracts are also mostly due to RTL Group in the amount of €108 million (previous year: €100 million) and were mostly formed for program rights. The other provisions include, for example, a provision in the amount of €28 million for compensation obligations from pension entitlements for employees in Prinovis location, Ahrensburg, towards Axel Springer AG.

21 Profit Participation Capital

in € millions	12/31/2011	12/31/2010
Profit participation capital 1992	23	23
Profit participation capital 2001	390	390
	413	413

The profit participation capital is made up of profit participation certificates issued in 2001 (ISIN DE 000 522 9942, hereafter referred to as 2001 profit participation certificates) and profit participation certificates issued in 1992 (ISIN DE 000 522 9900, hereafter referred to as 1992 profit participation certificates). As of the balance sheet date nominal profit participation capital consisted of €390 million in 2001 profit participation certificates (previous year: €390 million) and €23 million in 1992 profit participation certificates (previous year: €23 million). The 1992 and 2001 profit participation certificates are listed for public trading on the Regulated Market. On December 31, 2011, the nominal value of the profit participation capital totaled €301 million (previous year: €301 mil-

lion). Of this total, €284 million (previous year: €284 million) is due to 2001 profit participation certificates and €17 million (previous year: €17 million) is due to 1992 profit participation certificates. The 2001 profit participation certificates each have a basic amount of €10, and the basic amount of the 1992 profit participation certificates is €0.01 in each case. The market value of the 2001 profit participation certificates with a closing rate of 210 percent on the last day of trading in the past fiscal year on the Frankfurt Stock Exchange was €596 million (previous year: €591 million with a rate of 208 percent) and correspondingly, for the 1992 profit participation certificates €21 million with a rate of 125.02 percent (previous year: 20 million with a rate of 120 percent).

22 Financial Debt

Financial debt includes all of the Bertelsmann Group's interest-bearing liabilities to banks and capital markets at

the balance sheet date. Carrying amounts are calculated as follows:

in € millions	Current		Non-current		12/31/2011	12/31/2010
	12/31/2011	12/31/2010	Remaining term in years			
			1–5	> 5		
Bonds	455	–	2,553	–	2,553	3,018
Promissory notes	–	–	306	–	306	493
Liabilities to banks	88	105	11	–	11	101
Lease liabilities	10	24	48	42	90	100
Other financial debt	44	52	15	1	16	26
	597	181	2,933	43	2,976	3,738

The initial recognition of the non-current financial debt is at fair value including transaction costs and the subsequent measurement is based on using the effective interest method. Foreign currency liabilities are translated at the exchange rate at the balance sheet date. The Bertelsmann Group has access to floating-rate and fixed-rate funds through various contractual arrangements. Financial debt is generally unsecured and all individual debts have the same priority.

In addition, in the year under review premature repayments were made for a promissory note loan in the amount of €188 million and own bonds were bought back in the amount of €21 million.

As of the balance sheet date, the Group had bonds, private placements, and promissory note loans outstanding with a

nominal volume of €3,321 million (previous year: €3,520 million). All of the bonds and promissory notes are fixed interest. The differences in carrying amount versus nominal value in the table below are attributable to transaction costs, premiums, and discounts. When calculating the carrying amounts of the bond maturing in September 2012 in the amount of €500 million, in addition the buybacks performed were also taken into account with a nominal volume of €45 million. The tranches acquired on the secondary market are held to maturity in a separate portfolio and reduce the carrying amount and market value disclosed. In addition, repayments of €223 million were taken into account in calculations for the carrying amount of the promissory note loan due in February 2014.

Bonds and Promissory Notes

in € millions	Due date	Effective interest rate in %	Carrying amount	Carrying amount	Fair value	Fair value
4.375% Bertelsmann AG (€500 million bond) 2006	9/26/2012	4.47	455	475	465	496
5.23% Bertelsmann U.S. Finance LLC (US\$200 million US private placement) 2003	4/17/2013	5.38	155	150	161	163
7.875% Bertelsmann AG (€750 million bond) 2009	1/16/2014	7.72	752	753	836	861
5.05% Bertelsmann AG (€500 million promissory note) 2008	2/25/2014	5.17	276	463	293	501
6.00% Bertelsmann AG (€750 million promissory note) 2009	3/24/2014	6.00	30	30	32	33
5.33% Bertelsmann U.S. Finance LLC (US\$200 million US private placement) 2003	4/17/2015	5.46	154	149	171	167
3.625% Bertelsmann AG (€500 million bond) 2005	10/6/2015	3.74	498	498	522	509
4.75% Bertelsmann AG (€1,000 million bond) 2006	9/26/2016	4.89	994	993	1,087	1,061
			3,314	3,511	3,567	3,791

The documentation of the bonds from Bertelsmann AG in 2005 and 2009 is within the framework of a base documentation for debt issuance programs. The bonds issued by Bertelsmann AG in 2006, the US private placements, and the promissory note loans were issued on the basis of separate documentation. The bonds have a rating of “BBB+” (Standard & Poor’s) and “Baa1” (Moody’s). The debt issuance program that was launched in 2008 was updated in April 2011. The base documentation allows Bertelsmann AG to place bonds with a volume of up to €4 billion on the capital market. The transaction costs and agreed discounts or premiums will also

be reversed to interest income over the remaining term and change the carrying amount of the bonds and promissory note loans. These resulted in a difference to the nominal volume of €-7 million at year-end (previous year: €-9 million). The fair values of the issued bonds are generally determined on the basis of their quoted market price at the respective reporting dates. At December 31, 2011, the listed bonds had a cumulative fair value of €2,910 million (previous year: €2,927 million), a nominal volume of €2,705 million (previous year: €2,726 million) and a carrying amount of €2,699 million (previous year: €2,719 million).

The quoted prices applied in determining the fair values are shown in the table below.

Quoted Prices

in percent	12/31/2011	12/31/2010
4.375% Bertelsmann AG (€500 million bond) 2006	102.145	104.213
7.875% Bertelsmann AG (€750 million bond) 2009	111.488	114.835
3.625% Bertelsmann AG (€500 million bond) 2005	104.360	101.869
4.75% Bertelsmann AG (€1,000 million bond) 2006	108.673	106.098

The fair values of private placements and promissory note loans are determined using actuarial methods based on yield curves adjusted for the Group’s credit margin. This credit

margin results from the market price for credit default swaps at the respective reporting date.

Credit Reserve

The Bertelsmann Group has access to a syndicated agreement entered into with major international banks, which was renewed ahead of time for five years in July 2011. Bertelsmann AG can draw down this line of credit using floating rate loans in euros, US dollars and pounds sterling, based on EURIBOR or LIBOR on a revolving basis. The unutilized lines of credit available to the Group total €1,200 million (previous year:

€1,306 million) and can be disposed of freely in the course of the Group's ordinary business activities. During the year under review, Bertelsmann AG did not extend individual bilateral credit agreements due to the excellent liquidity situation. The table below shows the remaining terms and the utilization of the existing credit agreements at the balance sheet date:

Remaining Terms

in € millions	Lines of credit	Drawn down	Available lines of credit	Available lines of credit
	12/31/2011	12/31/2011	12/31/2011	12/31/2010
< 1 year	–	–	–	106
1 to 2 years	–	–	–	1,200
2 to 3 years	–	–	–	–
3 to 4 years	–	–	–	–
4 to 5 years	1,200	–	1,200	–
> 5 years	–	–	–	–
	1,200	–	1,200	1,306

Lease Liabilities

Finance leases exist for the following assets:

Leased Assets

in € millions	12/31/2011		12/31/2010	
	Acquisition costs	Net carrying amount	Acquisition costs	Net carrying amount
Land, rights equivalent to land, and buildings	11	11	13	13
Office, factory, and other buildings	143	93	170	110
Machinery and technical equipment	7	3	13	6
Other equipment, fixtures, furniture, and office equipment	6	2	6	2
	167	109	202	131

The beneficial ownership of leased assets lies with the lessee, providing that the lessee also bears the significant risks and rewards of ownership. The Group's finance lease activities

primarily relate to long-term agreements for office space. The Group generally has the option to acquire such properties at the end of the lease term.

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The minimum lease payments for finance leases can be seen in the following table:

Minimum Lease Payments for Finance Leases

in € millions	12/31/2011			12/31/2010		
	Nominal value of lease payments	Discount amounts	Present value	Nominal value of lease payments	Discount amounts	Present value
up to 1 year	15	1	14	29	1	28
1 to 5 years	61	7	54	62	10	52
over 5 years	47	15	32	64	20	44
	123	23	100	155	31	124

Subleases as part of finance lease agreements mean that future minimum lease payments are expected with a nominal value of €20 million.

23 Liabilities

in € millions	12/31/2011	12/31/2010
Non-current		
Trade accounts payable	155	120
Other liabilities	613	618
Current		
Trade accounts payable	2,413	2,465
Liabilities to participations	11	11
Tax liabilities	178	166
Derivative financial instruments	36	30
Social security liabilities	91	94
Personnel-related liabilities	554	564
Received advance payments	82	53
Deferred items	262	312
Sundry liabilities	1,030	966
Other liabilities	2,244	2,196

Non-current other liabilities totaled €613 million (previous year: €618 million). This includes liabilities from put options relating to shareholders with non-controlling interest in the amount of €73 million (previous year: €149 million), non-controlling interests in partnerships of €207 million (previous year: €199 million), and derivative financial instruments of €5 million (previous year: €7 million). Deferred

items include income-related government grants of less than €1 million (previous year: €1 million). €10 million (previous year: €13 million) were recognized in income in the year under review. These grants were primarily to finance film projects of RTL Group subsidiaries. Sundry liabilities include supplier obligations, debtors with credit balances, and liabilities to non-controlling shareholders.

24 Off-Balance-Sheet Liabilities Contingent Liabilities and Other Commitments

in € millions	12/31/2011	12/31/2010
Guarantees	150	163
Rental and lease commitments	1,107	1,207
Other commitments ¹⁾	3,295	3,185
	4,552	4,555

¹⁾ As a result of the introduction of a new royalty and license management program, the separate identification of the outstanding payments upon acceptance of the manuscript was enabled, thus causing an increase in other obligations as part of commitments of €77 million in the previous year.

Other commitments in the amount of €2,668 million (previous year: €2,583 million) pertain to RTL Group. These relate to supply agreements for (co-)productions, contracts for TV licenses and broadcasting rights, and other rights and services. Random House reported other obligations in the amount of €438 million (previous year: €475 million). These represent the portion of obligations to authors for which no payments have yet been made, where future payments are contingent upon other events (such as delivery and acceptance of manuscripts). Within RTL Group, program and sport rights were sold to a leasing company and were leased back under a finance lease (sale and leaseback). The agreement does not

meet the criteria of IAS 17 for disclosure as a finance lease. The cash received is placed in a "restricted bank account" in order to satisfy the lease payments and is not considered as an asset in accordance with SIC-27. As of the balance sheet date, outstanding obligations are €59 million (previous year: €67 million). The remaining lease term is six years.

Financial assets with a carrying amount of €10 million (previous year: €19 million) have been provided as collateral for liabilities. In addition, financial assets of €9 million (previous year: €11 million) were pledged with restrictions on disposal. No financial assets were provided as security for contingent liabilities to third parties, either for 2011 or for 2010.

The following payment obligations exist from all of the Group's long-term rental commitments classified as operating leases:

Minimum Lease Payments for Operating Leases

in € millions	12/31/2011	12/31/2010
Nominal amount		
up to 1 year	242	261
1 to 5 years	526	553
over 5 years	339	393
	1,107	1,207
Present value	953	1,024

These commitments largely concern long-term tenancy and technical broadcasting facilities. They are partially offset by expected minimum lease payments from subleases with a nominal value of €79 million (previous year: €51 million).

The present values have been calculated based on country-specific interest rates. They show the net payments currently required to settle the obligation.

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25 Additional Disclosures on Financial Instruments

Maturity Analysis of Selected Financial Assets and Receivables

in millions €	Neither impaired nor past due on the reporting date	Not impaired as of the reporting date but past due by:					Gross value of accounts receivable impaired by specific provision
		< 1 month	1–3 months	3–6 months	6–12 months	> 12 months	
Loans	73	–	–	–	1	–	30
Securities and financial assets	164	–	–	–	–	–	12
Trade accounts receivable	1,977	298	144	41	30	36	234
Accounts receivable from participations	22	1	–	–	–	–	–
Other receivables	547	8	25	18	20	31	8
Carrying amount as of 12/31/2011	2,783	307	169	59	51	67	284
Loans	99	–	–	–	–	–	32
Securities and financial assets	156	–	–	–	–	–	47
Trade accounts receivable	2,063	265	92	152	43	45	216
Accounts receivable from participations	22	–	–	–	–	–	–
Other receivables	405	43	10	15	1	1	16
Carrying amount as of 12/31/2010	2,745	308	102	167	44	46	311

No impairments were recognized for unsettled receivables not yet due as of the reporting date, as there was no indication of default.

Reconciliation of Changes in Impairment According to IFRS 7

in € millions	Previous year	Additions	Usage	Reversal	Change of consolidation scope	Exchange rate effect	Period under review
Loans	(32)	(5)	2	4	2	(1)	(30)
Investments in affiliates	(607)	–	554	–	–	–	(53)
Other investments	(66)	(10)	–	11	1	(1)	(65)
Securities and financial assets	(9)	(2)	–	–	–	–	(11)
Trade accounts receivable	(196)	(73)	42	37	21	–	(169)
Accounts receivable from participations	–	–	–	–	–	–	–
Other receivables	(39)	(8)	32	6	(15)	–	(24)
Total 2011	(949)	(98)	630	58	9	(2)	(352)
Loans	(33)	(3)	3	14	(12)	(1)	(32)
Investments in affiliates	(605)	(1)	(9)	8	–	–	(607)
Other investments	(68)	(4)	5	2	1	(2)	(66)
Securities and financial assets	(11)	(2)	2	2	–	–	(9)
Trade accounts receivable	(202)	(74)	30	49	7	(6)	(196)
Accounts receivable from participations	–	–	–	–	–	–	–
Other receivables	(31)	(9)	(5)	5	1	–	(39)
Total 2010	(950)	(93)	26	80	(3)	(9)	(949)

As a result of the Bertelsmann Group's global activities and the diversified customer structure there is no material concentration of default risks. The carrying amount of all receivables, loans, and securities constitutes the Group's maximum

default risk. The following table shows the remaining term of the financial liabilities. The figures are based on undiscounted cash flows at the earliest date at which the Group can be held liable for payment.

Contractual Maturity of Financial Liabilities

in € millions	Carrying amount	Undiscounted cash flows			Total
		up to 1 year	1 to 5 years	over 5 years	
Profit participation capital	413	–	–	413	413
Fixed interest bonds and promissory notes	3,314	455	2,866	–	3,321
Liabilities to banks	99	88	11	–	99
Lease liabilities	100	15	61	47	123
Other financial debt	60	44	15	1	60
Trade accounts payable	2,568	2,413	135	20	2,568
Liabilities to participations	11	11	–	–	11
Derivative financial instruments with hedge relation	17	16	1	–	17
Derivative financial instruments without hedge relation	14	13	1	–	14
Financial guarantees	10	3	7	1	11
Sundry liabilities	939	897	42	–	939
Balance as of 12/31/2011	7,545	3,955	3,139	482	7,576
Profit participation capital	413	–	–	413	413
Fixed interest bonds and promissory notes	3,511	–	2,520	1,000	3,520
Liabilities to banks	206	105	101	–	206
Lease liabilities	124	29	62	64	155
Other financial debt	78	52	25	1	78
Trade accounts payable	2,585	2,465	104	16	2,585
Liabilities to participations	11	11	–	–	11
Derivative financial instruments with hedge relation	19	18	1	–	19
Derivative financial instruments without hedge relation	12	12	–	–	12
Financial guarantees	8	2	4	2	8
Sundry liabilities	851	819	18	14	851
Balance as of 12/31/2010	7,818	3,513	2,835	1,510	7,858

Current cash outflows from financial obligations are offset by planned cash inflows from receivables and other assets. To cover current cash flows, Bertelsmann AG also has ad-

equated financial reserves in the amount of the cash and cash equivalents and unutilized lines of credit in place as of the balance sheet date.

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Based on the remaining contractual terms of its financial liabilities at the balance sheet date, the Group will have to make the following future interest payments:

Future Undiscounted Interest Payments

in € millions	Undiscounted interest payments			Total
	up to 1 year	1 to 5 years	over 5 years	
Profit participation capital	45	181	45	271
Fixed interest bonds and promissory notes	175	416	–	591
Liabilities to banks	7	2	–	9
Lease liabilities	4	12	7	23
Other financial debt	2	2	1	5
Interest derivatives	1	1	–	2
Balance as of 12/31/2011	234	614	53	901
Profit participation capital	44	181	90	315
Fixed interest bonds and promissory notes	186	575	48	809
Liabilities to banks	10	5	–	15
Lease liabilities	5	17	9	31
Other financial debt	3	2	1	6
Interest derivatives	1	1	–	2
Balance as of 12/31/2010	249	781	148	1,178

Carrying Amounts and Measurement Methods by Measurement Category Assets

in € millions	Category according to IAS 39					Derivatives with hedge relation
	Loans and receivables	Available-for-sale	Financial assets initially recognized at fair value through profit or loss	Financial assets held for trading		
	At amortized cost	At cost	Fair value recognized in equity	Fair value recognized in profit or loss	Fair value recognized in profit or loss	
Measurement						
Loans	74	-	-	-	-	-
Investments in affiliates	-	16	-	-	-	-
Other investments	-	81	81	-	-	-
Securities and financial assets	-	3	27	135	-	-
Trade accounts receivable	2,591	-	-	-	-	-
Accounts receivable from participations	23	-	-	-	-	-
Other financial instruments	6	-	1	-	-	-
Derivative financial instruments	-	-	-	-	6	103
Other receivables	633	-	-	-	-	-
Cash	1,181	-	-	-	-	-
Other securities < 3 months	583	-	-	-	-	-
	5,091	100	109	135	6	103

The assets disclosed on December 31, 2011 as “Financial assets initially recognized at fair value through profit or loss” relate to the participation in NMG Group in the amount of €76 million (previous year: €72 million participation in Ren TV).

The market valuation of securities in the category “Financial assets initially recognized at fair value through profit or loss” resulted in a total loss of €-20 million (previous year: profit of €10 million).

Liabilities

in € millions	Category according to IAS 39		Derivatives with hedge relation	Payables out of scope of IAS 39
	Financial liabilities at amortized cost	Financial liabilities held for trading		
	At amortized cost	Fair value recognized in profit or loss		
Measurement				
Profit participation capital	413	-	-	-
Bonds and promissory notes	3,314	-	-	-
Liabilities to banks	99	-	-	-
Lease liabilities	-	-	-	100
Other financial debt	60	-	-	-
Trade accounts payable	2,568	-	-	-
Liabilities to participations	11	-	-	-
Derivative financial instruments	-	14	17	10
Social security liabilities	-	-	-	91
Financial guarantees	10	-	-	-
Sundry liabilities	939	-	-	-
	7,414	14	17	201

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Balance as of 12/31/2011	Category according to IAS 39						Derivatives with hedge relation	Balance as of 12/31/2010
	Loans and receivables	Available-for-sale		Financial assets initially recog- nized at fair value through profit or loss	Financial assets held for trading			
	At amortized cost	At cost	Fair value recognized in equity	Fair value recognized in profit or loss	Fair value recognized in profit or loss			
74	99	-	-	-	-	-	99	
16	-	25	-	-	-	-	25	
162	-	51	86	-	-	-	137	
165	-	2	37	155	-	-	194	
2,591	2,680	-	-	-	-	-	2,680	
23	22	-	-	-	-	-	22	
7	11	-	1	-	-	-	12	
109	-	-	-	-	23	53	76	
633	452	-	-	-	-	-	452	
1,181	1,325	-	-	-	-	-	1,325	
583	680	1	-	-	-	-	681	
5,544	5,269	79	124	155	23	53	5,703	

Balance as of 12/31/2011	Category according to IAS 39				Derivatives with hedge relation	Payables out of scope of IAS 39	Balance as of 12/31/2010
	Financial liabilities at amortized cost	Financial liabilities held for trading					
	At amortized cost	Fair value recognized in profit or loss					
413	413	-	-	-	-	413	
3,314	3,511	-	-	-	-	3,511	
99	206	-	-	-	-	206	
100	-	-	-	-	124	124	
60	78	-	-	-	-	78	
2,568	2,585	-	-	-	-	2,585	
11	11	-	-	-	-	11	
41	-	12	19	6	-	37	
91	-	-	-	94	-	94	
10	8	-	-	-	-	8	
939	851	-	-	-	-	851	
7,646	7,663	12	19	224	-	7,918	

Assets Measured at Fair Value Categorized Using the Fair Value Measurement Hierarchy

	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Not observable market data	Balance as of 12/31/2011
in € millions				
Financial assets initially recognized at fair value through profit or loss	–	59	76	135
Available-for-sale financial assets	24	51	34	109
Financial assets held for trading	–	6	–	6
Derivatives with hedge relation	–	103	–	103
	24	219	110	353

	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Not observable market data	Balance as of 12/31/2010
in € millions				
Financial assets initially recognized at fair value through profit or loss	–	83	72	155
Available-for-sale financial assets	46	35	43	124
Financial assets held for trading	–	23	–	23
Derivatives with hedge relation	–	53	–	53
	46	194	115	355

It is possible to allocate the financial instruments measured at fair value in the balance sheet to the three stages of the fair value hierarchy by classes based on the tables for carrying amounts by valuation category.

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Financial Assets Measured at Fair Value Based on Level 3

	Financial assets initially recog- nized at fair value through profit or loss	Available- for-sale financial assets	Financial assets held for trading	Derivatives with hedge relation	Total
in € millions					
Balance as of 1/1/2011	72	43	–	–	115
Total gain or loss	4	(9)	–	–	(5)
- in profit or loss	4	–	–	–	4
- in other comprehensive income	–	(9)	–	–	(9)
Transfers from "Investments accounted for using the equity method"	–	–	–	–	–
Purchases	72	–	–	–	72
Issues	–	–	–	–	–
Sales/Settlements	(72)	–	–	–	(72)
Transfers out/in Level 3	–	–	–	–	–
Balance as of 12/31/2011	76	34	–	–	110
Gain (+) or loss (-) for assets still held at the end of the reporting period	4	–	–	–	4
Balance as of 1/1/2010	384	69	–	–	453
Total gain or loss	5	(3)	–	–	2
- in profit or loss	5	(2)	–	–	3
- in other comprehensive income	–	(1)	–	–	(1)
Transfers from "Investments accounted for using the equity method"	67	–	–	–	67
Purchases	–	3	–	–	3
Issues	–	–	–	–	–
Settlements	(384)	–	–	–	(384)
Transfers out/in Level 3	–	(26)	–	–	(26)
Balance as of 12/31/2010	72	43	–	–	115
Gain (+) or loss (-) for assets still held at the end of the reporting period	5	(2)	–	–	3

Liabilities Measured at Fair Value Categorized Using the Fair Value Measurement Hierarchy

	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Not observ- able market data	Balance as of 12/31/2011
in € millions				
Financial liabilities held for trading	–	14	–	14
Derivatives with hedge relation	–	17	–	17
	–	31	–	31
	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Not observ- able market data	Balance as of 12/31/2010
in € millions				
Financial liabilities held for trading	–	12	–	12
Derivatives with hedge relation	–	19	–	19
	–	31	–	31

Level 1: The fair value of the existing financial instruments is determined on the basis of stock exchange listings at the balance sheet date.

Level 2: To determine the fair values of unlisted derivatives, Bertelsmann uses various financial methods reflecting the prevailing market conditions and risks at the respective balance sheet date. Irrespective of the type of financial instrument, future cash flows are discounted as of the balance sheet date based on the respective market interest rates and interest rate structure curves on the balance sheet date. The fair value of forward exchange transactions is calculated using the average spot prices as of the balance sheet date and

taking into account forward markdowns and markups for the remaining term of the transactions. The fair value of interest rate derivatives is calculated on the basis of the respective market rates and interest rate structure curves on the balance sheet date. The fair value of forward commodity transactions is derived from the stock exchange listings published on the balance sheet date. Any incongruities to the standardized stock exchange contracts are reflected through interpolation or additions.

Level 3: Cash-flow-based valuation methods were mostly used to determine the fair values for which no observable market data was available.

Net Result Financial Instruments

	Loans and receivables	Available-for-sale, at cost	Available-for-sale, at fair value recognized in equity	Financial assets initially recognized at fair value through profit or loss	Financial liabilities at amortized cost	Derivatives with hedge relation	Financial instruments held for trading	Other currency effects
in € millions								
Dividends	–	13	–	–	–	–	–	–
Interest	23	–	–	–	(200)	(1)	1	–
Impairment	(39)	(3)	(1)	–	–	–	–	–
Fair value measurement	–	–	–	(20)	–	(5)	–	–
Currency translation differences	–	–	–	–	–	9	(6)	(8)
Disposal/Derecognition	(26)	6	–	–	3	–	4	–
Net income 2011	(42)	16	(1)	(20)	(197)	3	(1)	(8)
Dividends	–	11	–	–	–	–	–	–
Interest	19	–	–	–	(238)	(1)	1	–
Impairment	(53)	(4)	(3)	–	20	–	–	–
Fair value measurement	–	–	–	10	–	1	–	–
Currency translation differences	–	–	–	–	–	(4)	45	(54)
Disposal/Derecognition	–	7	–	–	–	–	–	–
Net income 2010	(34)	14	(3)	10	(218)	(4)	46	(54)

Other currency translation differences consist of the exchange rate effects of categories “Loans and Receivables” and “Liabilities at Amortized Cost.”

Accounting of Derivative Financial Instruments and Hedges

All derivatives are recognized at their fair value. When a contract involving a derivative is entered into, it is determined whether that contract is intended to serve as a fair value hedge or as a cash flow hedge. Some derivatives do not meet the requirements for recognition as hedges, however, even though they function as such in financial terms. Bertelsmann documents all relationships between hedging instruments and hedged items as well as its risk management objectives and

strategies in connection with the various hedges. This method includes linking all derivatives used for hedging purposes to the underlying assets, liabilities, firm commitments, and forecasted transactions. Furthermore, the Bertelsmann Group assesses and documents the degree to which changes in the fair values or cash flows of hedged items are effectively offset by changes in the corresponding hedging instruments, both when the hedges are initiated and on an ongoing basis.

Financial Derivatives

Bertelsmann uses standard market financial derivatives, primarily unlisted (OTC) instruments, and in particular forward agreements, currency swaps, currency options, interest rate swaps and individual commodities forwards. Transactions are entered into solely with banks with an excellent credit rating. As a rule, the Central Financial Department's transactions are only performed with a group of banks approved by the Executive Board. The nominal volume is the total of all underlying buying and selling amounts.

The majority of the financial derivatives at the balance sheet date are used to hedge against exchange rate risks from operating business (64 percent). Financial derivatives used to hedge currency risks from intercompany financing activities totaled €528 million (21 percent) as of the balance sheet date. Financial derivatives are also used to hedge against interest rate risks from financing. No financial derivatives were purchased for speculative purposes.

Nominal Amounts of Financial Derivatives

in € millions	Nominal amounts as of 12/31/2011				Nominal amounts as of 12/31/2010			
	< 1 year	1–5 years	> 5 years	Total	< 1 year	1–5 years	> 5 years	Total
Currency derivatives								
Forward contracts and currency swaps	1,542	539	22	2,103	1,340	304	8	1,652
Currency options	–	6	–	6	–	6	–	6
Interest rate derivatives								
Interest rate swaps	102	261	–	363	117	254	1	372
Other derivative financial instruments	5	–	–	5	–	10	–	10
	1,649	806	22	2,477	1,457	574	9	2,040

Fair Values of Financial Derivatives

in € millions	Nominal amounts		Fair values	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Currency derivatives				
Forward contracts and currency swaps	2,103	1,652	73	32
Currency options	6	6	–	–
Interest rate derivatives				
Interest rate swaps	363	372	2	9
Other derivative financial instruments	5	10	3	4
	2,477	2,040	78	45

Currency forwards are used to hedge the exchange rate risk relating to the purchase of program rights and output deals for the TV business. Bertelsmann hedges between 80 and 100 percent of the future cash flows from the purchase of program rights in foreign currencies, which represent a fixed obligation (within one year) or a future transaction with a high probability of occurrence and between 15 percent and 85 percent of the longer-term (two to five years) transactions expected in the future under output deals. The derivatives used for this purpose are recognized as hedging instruments in connection with cash flow hedges. The effective portion of the changes in the fair value of hedging instruments is parked

in OCI until the effects of the hedged items are recognized in profit or loss. The portion remaining in OCI at December 31, 2011 will thus impact the income statement in fiscal years 2012 through 2016. The ineffective portion of cash flow hedges amounted to €-5 million as of December 31, 2011 (previous year: €1 million).

The following table provides an overview of the carrying amounts of the Group's derivative financial instruments, which correspond to their fair values. A distinction is made between derivatives that are included in an effective hedging relationship in accordance with IAS 39 and those that are not.

Derivative Financial Instruments

in € millions	Carrying amount as of 12/31/2011	Carrying amount as of 12/31/2010
Assets		
Forward contracts and currency swaps		
Without hedge relation	6	8
In connection with cash flow hedges	96	53
Currency options		
Without hedge relation	–	–
Interest rate swaps		
Without hedge relation	–	15
In connection with cash flow hedges	4	(4)
Other in connection with cash flow hedges	3	4
Equity and Liabilities		
Forward contracts and currency swaps		
Without hedge relation	13	12
In connection with cash flow hedges	16	17
Interest rate swaps		
Without hedge relation	1	–
In connection with cash flow hedges	1	2
Other in connection with IFRS 2	10	6

Financial Instruments

Financial Risk Management

The Bertelsmann Group is exposed to various forms of financial risk through its international business operations. This includes above all the effects of exchange and interest rate movements. Bertelsmann's risk management activities are designed to effectively mitigate these risks. The Executive Board establishes basic risk management policy, outlining general procedures for hedging currency and interest rate risk and the utilization of derivative financial instruments. The Corporate Treasury and Finance Department advises

subsidiaries on operating risk and hedges risks using derivative financial instruments as necessary. However, subsidiaries are not obliged to use the services provided by this department for their operating risks. Some subsidiaries, such as RTL Group in particular, have their own finance departments. These report their hedge transactions to the Corporate Treasury and Finance Department each quarter. Further information on financial market risks and financial risk management can be found in the Group management report.

Exchange Rate Risk

Bertelsmann is exposed to exchange rate risk in various currencies. Its subsidiaries are advised, but not obliged, to hedge themselves against exchange rate risks in the local reporting currency by signing forward agreements with banks that have an excellent credit rating. Loans within the Group that are subject to exchange rate risk are hedged using derivatives. A number of subsidiaries are based outside the euro zone. The

resulting translation risk is managed through the relationship of economic debt to operating EBITDA of key currency areas. Over the long term, the Group aims to achieve a reasonable relationship between financial debt and results of operations. Bertelsmann's focus is on the maximum leverage factor permitted for the Group.

Interest Rate Risk

There are interest rate risks for interest-bearing assets and financial debt. Interest rate risk in the Bertelsmann Group is analyzed centrally and managed on the basis of the Group's planned net financial debt. A key factor in this management is the Group's interest result over time and its sensitivity to interest rate changes.

The Group aims for a balanced relationship between floating-rate and long-term fixed interest rates depending on the absolute amount, forecast performance of the interest-bearing liability, and the interest level. This is implemented using underlying and derivative instruments for control.

Liquidity Risk

Liquidity risks may arise through a lack of rollover financing (liquidity risk in a narrower sense), delayed receipt of payment and unforeseen expenditure (budgeting risk). Budgeting risk is determined by comparing deviations in actual spending with budget and reserve amounts. In a narrower sense, liquidity risk depends on the volume of debt due within a given period. Liquidity risk is monitored on an ongoing basis with reference to the budget for current and future years. New

and unplanned transactions (e.g., acquisitions) are continuously tracked. The maturity profile of financial assets and liabilities is also reconciled on a regular basis. Budget risks are managed through effective cash management and constant monitoring of projected versus actual cash flows. Debt maturities are also diversified to ensure that rising financing costs do not have a short-term impact. Lines of credit are also maintained for unplanned expenditures.

Counterparty Risk

The Group is exposed to default risks in the amount of the invested cash and cash equivalents and the positive fair value of the derivatives in its portfolio. Transactions involving money market securities and other financial instruments are exclusively conducted with a defined group of banks with an excellent credit rating ("core banks"). The credit ratings of core banks are constantly monitored on the basis of quantitative and qualitative criteria (rating, CDS spreads, stock

price, etc.). Counterparty limits determined on the basis of credit ratings reflect cash holdings and positive fair value; the use of limits is monitored daily. Funds are invested very short-term in some cases to preserve flexibility in the event of credit rating changes. Default risks arising from trade accounts receivable are partially mitigated through credit insurance coverage.

Capital Management

The financing guidelines adopted by the Bertelsmann Group are designed to ensure a balance between financial security, return on equity, and growth. The Group's net indebtedness is based specifically on the requirements for a credit rating of "BBB+/Baa1." Bertelsmann manages its transactions using quantified financing objectives that are a central factor in ensuring the corporation's independence and capacity to act. These objectives, as elements of the planning process and regular monitoring, are part of corporate management. The key performance indicator for limiting economic debt

within the Group is the leverage factor of maximum 2.5. The interest coverage ratio is to remain above 4. The equity ratio is not to fall below 25 percent of total assets. Management of the equity ratio is based on the definition of equity in IFRS. Although non-controlling interests in partnerships represent equity in financial terms, they are classified as debt for accounting purposes. In the year under review, the equity ratio amounted to 33.9 percent (previous year: 34.7 percent), meeting the internal target set by the Group.

Interest Rate and Exchange Rate Sensitivity

For the analysis of interest rate risk, a distinction is made between cash flow and present value risks. Financial debt, cash and cash equivalents and interest rate swaps with variable interest terms are subject to a greater degree of cash flow risk, as changes in market interest rates impact the Group's net interest income almost immediately. In contrast, medium and long-term interest rate agreements are subject to a greater degree of present value risk. The accounting treatment of present value risks depends on the respective financial instrument or a hedging relationship documented in conjunction with a derivative (micro-hedge). Originated financial debt is measured at amortized cost. Changes in fair value are limited to opportunity effects, as changes in interest rates have no effect on the balance sheet or the income statement. The recognition of originated financial debt at fair value is only permitted for transactions for which a micro-hedge is documented in accordance with IAS 39 in

conjunction with the conclusion of an interest rate or exchange rate hedge transaction involving derivatives. In this case, changes in the fair value of the respective items are recognized in the income statement in order to substantially balance out the offsetting effects of the fair value measurement of the related derivatives. For derivative financial instruments, the effects of changes in interest rates are recognized in the income statement. In the case of documented hedging relationships (cash flow hedges), however, these effects are taken directly to equity. The cash flow or present value risks on the balance sheet date are analyzed using a sensitivity calculation as an after-tax observation. A parallel shift in the interest rate curve of +/-1 percent is assumed for all major currencies. The analysis is performed on the basis of financial debt, cash and cash equivalents, and derivatives at the balance sheet date.

The results are shown in the following table:

Sensitivity Analysis of Cash Flow and Present Value Risks

in € millions	12/31/2011		12/31/2010	
	Shift +1%	Shift (1)%	Shift +1%	Shift (1)%
Cash flow risks (income statement)	10	(10)	12	(12)
Present value risks (income statement)	2	(2)	–	–
Present value risks (equity)	3	(3)	5	(5)

The analysis of exchange rate sensitivity includes the Group's financial debt and operating transactions at the balance sheet date, as well as the hedging relationships entered into (forward agreements and options). The calculation is performed for the unsecured net exposure on the basis of an assumed 10 percent write-up of the euro versus all foreign currencies and is presented after tax. A uniform devaluation of foreign currencies would have resulted in a change in the carrying amount recognized in profit or loss of €3 million (previous year: €5 million). Of this figure, €1 million (previous year: €1 million) relates to fluctua-

tions in the US dollar exchange rate with a net exposure of US\$-16 million (previous year: US\$-23 million). Shareholders' equity would have declined by €-52 million (previous year: €-42 million) as a result of fluctuations in the fair values of documented cash flow hedges. Of this figure, €-54 million (previous year: €-42 million) relates to fluctuations in the US dollar exchange rate on the basis of a documented cash flow hedge volume of US\$1,042 million (previous year: US\$854 million). If there had been a uniform increase in the value of foreign currencies, this would have led to opposite changes in these amounts for the Group.

Factoring

In individual cases, Bertelsmann sells receivables to banks. These exceptions are limited to agreements in which Bertelsmann grants financing to its customers in separate contracts. The volume of receivables sold amounted to €501 million at the balance sheet date (previous year: €541 million). As part of the contractual agreements on the sale of receivables, in the majority of cases neither all

rewards nor all risks that are associated with the receivables were neither transferred nor retained. In particular, parts of the default and late payment risks were retained by Bertelsmann, with the result that a receivable was accounted for in the amount of the continuing involvement of €67 million. The carrying amount of the associated liability is €84 million.

26 Cash Flow Statement

The Bertelsmann Group's cash flow statement has been prepared in accordance with IAS 7 and is intended to facilitate analysis of the Group's ability to generate cash and cash equivalents. Cash flows are divided into those relating to operating activities, investing activities, and financing activities. Cash flows from operating activities are presented using the indirect method, with Group EBIT adjusted for non-cash items. Income and expenses relating to cash flows from investing activities are also eliminated.

The operational management of the Bertelsmann Group utilizes indicators that include operating EBIT, which is before interest. Operating results and the resulting cash flow from operating activities should therefore be consistent and comparable. Accordingly, the net balance of interest paid and interest received during the fiscal year is shown in the cash flow statement as part of financing activities. Contributions to pension plans are a cash outflow reported as a separate item in the cash flow from investing activities. The change in provisions for pensions and similar commitments represents the balance of service costs and company payments for these obligations (see note 19).

The consolidated cash flow statement includes the effects of changes in foreign currencies and changes in the scope of consolidation. Items in the consolidated cash flow statement thus cannot be compared with changes in items disclosed on the consolidated balance sheet.

Investing activities include investments for non-current assets and purchase price payments for investments acquired as well as proceeds from the disposal of non-current assets and participations. See section "Acquisitions and Disposals" concerning acquisitions made during the year under review. Significant disposals during the period are also described in that section. Financial debt of €2 million was assumed as part of acquisitions. Cash flow from financing activities tracks changes in shareholders' equity affecting cash, changes in financial debt, and net interest paid or received. The item "Proceeds from/redemption of other financial debt" includes receipts in the amount of €81 million (previous year: €106 million) and payments in the amount of €-152 million (previous year: €-121 million).

27 Segment Reporting

IFRS 8 Operating Segments stipulates that external segment reporting must be based on internal organizational and management structure and on management and reporting indicators used internally. The Bertelsmann Group comprises four operating segments, which differ according to the type of products and services they offer, and Corporate:

- TV, radio, and TV production group RTL Group
- Global book publishing group Random House
- European magazine publisher Gruner + Jahr
- Media and communications service provider Arvato.

After the sale of the Direct Group companies in France, which was completed at the end of May 2011, Direct Group was finally disbanded as an independent division of Bertelsmann AG. The remaining immaterial companies in Germany and Spain are no longer controlled separately by the Group's management, accordingly the operating segment "Direct Group" is no longer shown separately in the segment reporting. The four operating segments RTL Group, Random House, Gruner + Jahr, and Arvato remain, as well as Corporate. The club and direct marketing businesses in German-speaking regions and in Spain are shown under Corporate.

Gruner + Jahr AG & Co. KG has transferred its entire interest in the gravure printing company Prinovis Ltd. & Co. KG of 37.45 percent to the Arvato segment. This has thus impacted the composition of the segments with a reporting requirement during the year under review. To date, Bertelsmann's interest in Prinovis of 74.9 percent had previously been disclosed proportionately, at 50 percent each for Gruner + Jahr and Arvato. This is now fully disclosed by Arvato. The previous year's figures have been adjusted accordingly in the segment reporting. In addition, the direct distribution company for knowledge media in the German-speaking region, Inmediaone, changed from Arvato to Corporate.

Each of these segments is run by a segment manager who is responsible for results. This manager reports to Bertelsmann AG's Executive Board in its role as the chief operating decision maker within the meaning of IFRS 8. The Corporate division includes the Bertelsmann Group's Corporate Center and Corporate Investments. The responsibilities of the Corporate Center comprise in particular activities in the areas of accounting and reporting, taxes, legal, human resources, information technology, internal auditing, as well as management, internal control and strategic development of the Group, financing, risk management, and the optimization

of the Group's portfolio. Within the meaning of IFRS 8, Corporate includes the other business activities of the Bertelsmann Group. In segment reporting Corporate is shown separately.

Other non-operating activities not allocated to any of these divisions and intersegment-link eliminations are carried in the column "Consolidation/Other."

As in the past, specific segment information is defined according to the definitions on which Group management is based. As a rule, accounting and measurement in the segment reporting uses the same IFRS principles as in the consolidated financial statements. Notwithstanding the IFRS principles, 66 percent of the net present value of the operating leases is considered in the calculation of invested capital. Intercompany revenues are recognized at the same arm's-length conditions applied to transactions with third parties.

The performance of the operating segments is assessed using operating EBIT. This represents the operating earnings before taxes and capital costs recorded by the respective segment's management and is calculated by adjusting EBIT for special items such as capital gains and losses, impairments, restructuring costs, severance payments, and other valuation allowances. The elimination of these extraordinary factors allows the determination of a normalized result, thus simplifying forecasting and comparability. Segment depreciation and amortization includes the depreciation of property, plant and equipment, and amortization of intangible assets as set out in the statement of selected non-current assets.

Segment assets constitute the operating assets for each segment. These consist of property, plant and equipment, intangible assets including goodwill, and financial assets. Also included are 66 percent of the net present value of the operating leases and current assets with the exception of cash and cash equivalents, tax receivables, and other non-operating assets. Segment liabilities consist of operating liabilities and provisions. Pensions and similar obligations, tax liabilities, financial debt, or other non-operating liabilities and provisions are thus not included. Additions to non-current assets are balance sheet additions to property, plant and equipment and intangible assets including goodwill. Each segment shows the earnings of, and investments in, associated companies, provided these companies can be clearly allocated to the segment concerned. The results of associated companies are shown before impairment.

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The number of employees as of the balance sheet date and the average number of employees for the year are also shown. In addition to the segment breakdown, revenues are broken down by customer location and revenue source. Non-current

assets are also stated according to the location of the respective company. For information on the segment information tables, please refer to pages 78f.

The following table shows the reconciliation of segment information to the consolidated financial statements:

Reconciliation of Segment Information to the Group Financial Statements

in € millions	2011	2010 (adjusted)
Total amount of segments' EBIT	1,637	1,703
Corporate	(187)	(78)
Consolidation/Other	(7)	4
EBIT from continuing operations	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 or loss	612	656
in € millions	12/31/2011	12/31/2010
Total assets of the segments	12,661	12,876
Corporate	2,851	2,753
Consolidation/Other	(88)	(93)
Total assets of the Group¹⁾	15,424	15,536
Operating leases (66% of net present value)	(625)	(645)
Cash and cash equivalents	1,764	2,006
Deferred tax assets	1,148	1,155
Other assets (not allocated) ²⁾	437	650
Total assets	18,148	18,702
Total liabilities of the segments	5,295	5,084
Corporate	281	214
Consolidation/Other	(43)	(51)
Total liabilities of the Group	5,533	5,247
Profit participation capital	413	413
Provisions for pensions and similar obligations	1,738	1,565
Financial debt	3,573	3,919
Deferred tax liabilities	95	82
Other liabilities (not allocated) ³⁾	647	990
Total debt and liabilities of the Group	11,999	12,216
Equity	6,149	6,486
Total equity and liabilities	18,148	18,702

The figures from the previous year have been adjusted in accordance with IFRS 5.

¹⁾ Continuing operations; including 66 percent of the net present value of the operating leases.

²⁾ Includes assets held for sale.

³⁾ Comprises liabilities related to the assets held for sale.

28 Reconciliation to Operating EBITDA

Based on operating EBIT, operating EBITDA is calculated by adding the other amortization and depreciation of non-

current assets deducting amounts already carried under special items.

Reconciliation to Operating EBITDA (Continuing Operations)

in € millions	2011	2010 (adjusted)
Operating EBIT	1,746	1,825
Amortization, depreciation and impairment charges for intangible assets and property, plant and equipment	646	636
Adjustments on amortization, depreciation and impairment charges for intangible assets and property, plant and equipment included in special items	(158)	(106)
Operating EBITDA	2,234	2,355

29 Relationships with Related Parties

For the Bertelsmann Group, related parties as defined in IAS 24 are those persons and entities that control or exercise a significant influence over the Bertelsmann Group, as well as those persons and entities controlled by the Bertelsmann Group, jointly controlled or over which it exercises a significant influence. Accordingly, certain members of the Mohn family, the members of the Executive Board and Supervisory Board of Bertelsmann AG including close members of the family, including the companies that are controlled or jointly managed by them, as well as the joint ventures and associates forming

part of the Bertelsmann Group are defined as related parties. Bertelsmann Verwaltungsgesellschaft mbH, Gütersloh, has control of the Bertelsmann Group. This is a holding company with no operating activities. Johannes Mohn GmbH, Bertelsmann Beteiligungs GmbH, Reinhard Mohn Verwaltungsgesellschaft mbH, and Mohn Beteiligungs GmbH have informed Bertelsmann AG that they each own more than one-quarter of shares. Both direct and indirect shareholdings were taken into account when calculating these interests.

Remuneration for key members of management includes:

Remuneration for Key Members of Management

in € millions	2011	2010
Short-term employee and termination benefits	37	26
Post-employment benefits	2	2
Other long-term benefits	5	5
Share-based payment	–	–

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Transactions with material subsidiaries are eliminated in the course of consolidation and are not discussed in further detail in these notes. In addition to transactions with material

subsidiaries, the following transactions with related persons and entities were conducted in the year under review:

Business Relationships with Related Persons and Entities

in € millions	Parent and entities with significant influence	Key members of management	Joint ventures	Associated companies	Other related parties
2011					
Goods delivered and services provided	–	2	38	42	–
Goods and services received	–	(2)	(28)	(1)	–
Accounts receivable against	–	–	13	27	–
Commitments provided	–	13	26	13	–
2010					
Goods delivered and services provided	–	–	38	49	–
Goods and services received	–	(2)	(28)	(5)	–
Accounts receivable against	–	–	13	37	–
Commitments provided	–	14	13	11	–

No guarantees (previous year: €5 million) were entered into for associated companies. In addition, there are also contribution obligations to University Ventures Fund in the amount of €30 million. As was the case in the previous year, Bertelsmann has no share in the contingent liabilities at the associated companies. Joint ventures have obligations to the

Bertelsmann Group from operating leases in the amount of €11 million (previous year: €10 million) and contingent liabilities in the amount of €7 million (previous year: €0 million). The Group has entered into contingent liabilities for its joint ventures totaling €3 million (previous year: €0 million).

30 Events After the Reporting Date

In January 2012, Bertelsmann announced that the gravure printing activities and all of Arvato's international printers will be compiled in their own business unit, outside the Arvato division. The sale of the interests in RTL Group to

Alpha Media Group was subject to approval by the Greek Competition Commission. After approval was issued on February 9, 2012, the transaction was concluded on February 20, 2012.

31 Exemption for Domestic Companies from Preparation, Audit, and Publication of Financial Statements

The following subsidiaries took advantage of the exemption regulations set out in section 264 (3) of the German Commercial Code (HGB) relating to additional requirements for limited liability companies to prepare annual financial

statements and a management report, as well as the requirements for audit of, and publication by, limited liability companies for the year ended December 31, 2011:

„I 2 I“ Musikproduktions- und Musikverlagsgesellschaft mbH	Cologne
ADiS Merchandising Services GmbH	Gütersloh
arvato AG	Gütersloh
arvato analytics GmbH	Gütersloh
Arvato backoffice services Erfurt GmbH	Erfurt
arvato digital services GmbH	Gütersloh
arvato direct services Brandenburg GmbH	Brandenburg
arvato direct services Cottbus GmbH	Cottbus
arvato direct services Dortmund GmbH	Dortmund
arvato direct services eiweiler GmbH	Heusweiler-Eiweiler
arvato direct services Frankfurt GmbH	Frankfurt
arvato direct services GmbH	Gütersloh
arvato direct services Gütersloh GmbH	Gütersloh
arvato direct services Münster GmbH	Münster
arvato direct services Neckarsulm GmbH	Neckarsulm
arvato direct services Neubrandenburg GmbH	Neubrandenburg
arvato direct services Potsdam GmbH	Potsdam
arvato direct services Rostock GmbH	Rostock
arvato direct services Schwerin GmbH	Schwerin
arvato direct services Stralsund GmbH	Stralsund
arvato direct services Stuttgart GmbH	Kornwestheim
arvato direct services Wilhelmshaven GmbH	Schortens
arvato distribution GmbH	Harsewinkel
arvato infoscree GmbH	Baden-Baden
arvato IT services GmbH	Gütersloh
arvato Logistics, Corporate Real Estate & Transport GmbH	Gütersloh
arvato media GmbH	Gütersloh
arvato online services GmbH	Munich
arvato Print Management GmbH	Gütersloh
arvato services Chemnitz GmbH	Chemnitz
arvato services Duisburg GmbH	Duisburg
arvato services Erfurt GmbH	Erfurt
arvato services München GmbH	Munich
arvato services Rostock GmbH	Rostock
arvato services Saarbrücken GmbH	Saarbrücken
arvato services Schwerin GmbH	Schwerin
arvato services solutions GmbH	Gütersloh
arvato services Stralsund GmbH	Stralsund
arvato services technical information GmbH	Harsewinkel
arvato services Teltow GmbH	Teltow
arvato systems GmbH	Gütersloh
arvato systems GmbH Infrastructure Consulting	Dortmund
arvato systems Mittelstand GmbH	Gütersloh
arvato systems Technologies GmbH	Rostock
arvato telco services Erfurt GmbH	Erfurt
AVE Gesellschaft für Hörfunkbeteiligungen mbH	Berlin
AVE V Vermögensverwaltungsgesellschaft mbH	Berlin
AZ Direct Beteiligungs GmbH	Gütersloh
AZ Direct GmbH	Gütersloh
BAG Business Information Beteiligungs GmbH	Gütersloh
BC Bonusclub GmbH	Berlin
Be Accounting Services GmbH	Gütersloh
Bertelsmann Aviation GmbH	Gütersloh
Bertelsmann Business Consulting GmbH	Gütersloh
Bertelsmann Capital Holding GmbH	Gütersloh
Bertelsmann Music Group GmbH	Gütersloh
Bertelsmann Treuhand- und Anlagegesellschaft mit beschränkter Haftung	Gütersloh
BFS finance GmbH	Verl
BFS finance Münster GmbH	Münster
BFS health finance GmbH	Dortmund
BFS risk & collection GmbH	Verl
CBC Cologne Broadcasting Center GmbH	Cologne
DeutschlandCard GmbH	Munich
DirectSourcing Germany GmbH	Munich
European SCM Services GmbH	Gütersloh
Fremantle Licensing Germany GmbH	Berlin
Gerth Medien GmbH	Aßlar
GGP Media GmbH	Pößneck
Global Assekuranz Vermittlungsgesellschaft mit beschränkter Haftung	Gütersloh
Grundy UFA TV Produktions GmbH	Berlin
Gute Zeiten - Schlechte Zeiten Vermarktungsgesellschaft mbH	Cologne
Hotel & Gastronomie Gütersloh GmbH	Gütersloh
infoNetwork GmbH	Cologne
informa Insurance Risk and Fraud Prevention GmbH	Baden-Baden
informa Solutions GmbH	Baden-Baden
infoscree Business Support GmbH	Baden-Baden
infoscree Consumer Data GmbH	Baden-Baden
infoscree Finance GmbH	Baden-Baden

infoscree Forderungsmangement GmbH	Baden-Baden
inmediaONE] GmbH	Gütersloh
IP Deutschland GmbH	Cologne
maul + co - Chr. Belser GmbH	Nuremberg
MEDIASCORE Gesellschaft für Medien- und Kommunikationsforschung mbH	Cologne
Medien Dr. phil. Egon Müller Service GmbH	Verl
Medienfabrik Gütersloh GmbH	Gütersloh
Mohn Media Energy GmbH	Gütersloh
MOHN Media Kalender & Promotion Service GmbH	Gütersloh
Mohn Media Mohndruck GmbH	Gütersloh
Nayoki Interactive Advertising GmbH	Munich
NIONEX GmbH	Gütersloh
Norddeich TV Produktionsgesellschaft	Cologne
Nürnberger Inkasso GmbH	Nuremberg
Print Service Gütersloh GmbH	Gütersloh
Probind Mohn media Binding GmbH	Gütersloh
PSC Print Service Center GmbH	Oppurg
Random House Audio GmbH	Cologne
RCB Radio Center Berlin GmbH	Berlin
Reinhard Mohn GmbH	Gütersloh
rewards arvato services GmbH	Munich
RM Buch und Medien Vertrieb GmbH	Gütersloh
RM Customer Direct GmbH	Nordhorn
RM Filial-Vertrieb GmbH	Rheda-Wiedenbrück
RM Kunden-Service GmbH	Gütersloh
RTL Creation GmbH	Cologne
RTL Group Cable & Satellite GmbH	Cologne
RTL Group Central & Eastern Europe GmbH	Cologne
RTL Group Deutschland GmbH	Cologne
RTL Group Deutschland Markenverwaltungs GmbH	Cologne
RTL Group Licensing Asia GmbH	Cologne
RTL Hessen GmbH	Frankfurt
RTL interactive GmbH	Cologne
RTL Nord GmbH	Hamburg
RTL Radio Berlin GmbH	Berlin
RTL Radio Deutschland GmbH	Berlin
RTL Radiovermarktung GmbH	Berlin
RTL West GmbH	Cologne
rtv media group GmbH	Nuremberg
SSB Software Service und Beratung GmbH	Munich
teamWorx Television & Film GmbH	Potsdam
UFA Cinema GmbH	Potsdam
UFA Cinema Verleih GmbH	Berlin
UFA Entertainment GmbH	Berlin
UFA Film & TV Produktion GmbH	Berlin
UFA Film und Fernseh GmbH	Cologne
UFA Filmproduktion GmbH	Berlin
Ufa Programmgesellschaft in Bayern mbH	Ismaning
UFA-Fernsehproduktion Gesellschaft mit beschränkter Haftung	Berlin
Universum Film GmbH	Munich
Verlag RM GmbH	Gütersloh
Verlagsgruppe Random House GmbH	Gütersloh
Verlegerdienst München GmbH	Gilching
Viasol Reisen GmbH	Berlin
Vogel Druck und Medienservice GmbH	Höchberg
VOX Holding GmbH	Cologne
Wahl Media GmbH	Munich
wer-kentt-wen.de GmbH	Cologne
Zweite BAG Beteiligungs GmbH	Gütersloh

The exemption provisions set out in section 264b of the German Commercial Code (HGB) were again used for the following companies for the year ended December 31, 2011:

„ALWA“ Gesellschaft für Vermögensverwaltung mbH & Co. Grundstücksvermietung KG	Schönefeld
11 Freunde Verlag GmbH & Co. KG	Berlin
AZ fundraising services GmbH & Co. KG	Gütersloh
Berliner Presse Vertrieb GmbH & Co. KG	Berlin
Dresdner Druck- und Verlagshaus GmbH & Co. KG	Dresden
G+J / Klambt Style-Verlag GmbH & Co. KG (vormals Klambt Style-Verlag GmbH & Co. KG)	Hamburg
G+J Entertainment Media GmbH & Co. KG	Munich
G+J Immobilien GmbH & Co. KG	Hamburg
G+J Season Verlag GmbH & Co. KG	Hamburg
G+J Wirtschaftsmedien AG & Co. KG	Hamburg
Gruner + Jahr AG & Co. KG	Hamburg
in Verlag GmbH & co. KG	Berlin
Motor Presse International GmbH & Co. KG	Stuttgart
Motor Presse Stuttgart GmbH & Co. KG	Stuttgart
PRINOVIS Ltd. & Co. KG	Hamburg

Income Statement
Statement of Comprehensive Income
Balance Sheet
Cash Flow Statement
Statement of Changes in Equity
Notes

Supervisory
Board

The consolidated subsidiary Sonopress Ireland Limited in Dublin, Ireland, has used the option offered in Section 17 of

the Republic of Ireland Companies (Amendment) Act 1986 for publication requirements for its annual financial statements.

32 Additional Information according to Section 315a HGB

Compensation of the members of the Supervisory Board for 2011 amounted to €2,127,667 plus statutory value-added tax. Compensation of the Executive Board in the year under review was €25,869,232, including €14,711,259 from Bertelsmann AG. Former members of the Executive Board and their surviving dependents received compensation of €17,126,961 including €16,767,444 from Bertelsmann AG. The provision for pension obligations to former members of the Executive Board accrued at Bertelsmann AG amounts to €48,729,965. The members

of the Executive Board and Supervisory Board are listed on pages 152ff. The fees for the group auditors Pricewaterhouse-Coopers AG Wirtschaftsprüfungsgesellschaft totaled €4 million during the fiscal year. Of this total, €3 million was due to fees for the audit of the financial statements. Less than €1 million was due to other audit-related services. Pricewaterhouse-Coopers AG Wirtschaftsprüfungsgesellschaft was paid a total of less than €1 million for tax consulting services. Expenses for further services totaled less than €1 million.

33 Proposal for the Appropriation of Retained Earnings

€44 million is expected to be disbursed to profit participation certificates on May 7, 2012, in line with the articles of association from Bertelsmann AG's retained earnings of €1,283 million. The Executive Board will propose to the

Annual General Meeting that the remaining net retained profits of €1,239 million after the disbursement to the holders of the profit participation certificates be appropriated as follows:

Net Retained Earnings of Bertelsmann AG

in € millions	
Remaining retained earnings	1,239
Dividends to shareholders	(180)
Transfer to retained earnings	(300)
Carryforward to new fiscal year	759

The dividend per ordinary share thus totals €2,149. Bertelsmann AG's Executive Board approved the consolidated financial statements for submission to the Supervisory Board

on March 13, 2012. The Supervisory Board's task is to review the consolidated financial statements and to declare whether it approves these.

Gütersloh, March 13, 2012

Bertelsmann AG
The Executive Board

Dr. Rabe Buch Dr. Buchholz

Dohle Dr. Hesse Zeiler

Corporate Governance at Bertelsmann

The recognized standards stipulated in the German Corporate Governance Code in the version dated May 26, 2010, which is still valid, form the basis for Bertelsmann AG's guidelines on good corporate management and governance. In accordance with the requirements for a German joint-stock corporation, Bertelsmann AG has a dual management system which draws a clear distinction, in personnel terms, between the Executive Board as a management body and the Supervisory Board as a supervisory body. The Bertelsmann AG boards are obliged to secure the continuity of the company and to enhance the enterprise value in the long term through responsible and sustainable corporate management.

Corporate Management: Transparent Structures and Clear Decision-Making Processes

The Bertelsmann AG Executive Board is responsible for independently managing the company. Its duties consist of determining the corporate objectives, the strategic direction of the Group, Group management, as well as corporate planning and financing. The Executive Board provides the Supervisory Board with regular, prompt, and comprehensive reports on all matters that are relevant to the company's business development and strategy implementation, planning, financial and earnings position, as well as risk situation and risk management. It ensures compliance with the provisions of law and corporate guidelines within the Group. The Executive Board Chairman coordinates the cooperation between the Executive Board and the Supervisory Board and has regular consultation meetings with the Supervisory Board Chairman. In addition to its existing committees, the Executive Board has established the Group Management Committee (GMC) which advises it on important corporate strategy and development matters as well as other issues that affect the Group as a whole. This committee, with its international and complementary composition, includes members of the Executive Board and selected executives from the Group.

The Supervisory Board monitors the Executive Board and advises it on strategic matters and significant business operations. The Executive and Supervisory Boards work in close cooperation and are therefore able to reconcile the demands of effective corporate governance with the need for rapid decision-making. Fundamental matters of corporate strategy and its implementation are discussed openly and coordinated in joint sessions. Any significant measures to be taken by the Executive Board are subject to the approval of the Supervisory

Board. The Bertelsmann AG shareholders exercise their rights and vote at the Annual General Meeting. The Annual General Meeting votes on amendments to the articles of association and the appropriation of net income, for example, and elects members to the Supervisory Board. The Supervisory Board, in turn, appoints the members of the Executive Board. The members of both the Executive and Supervisory Boards are obliged to serve the company's best interests in their work.

For some time, an integral component of the Supervisory Board's work at Bertelsmann has been the delegation of tasks to committees of experts. This serves to increase the monitoring efficiency and advisory expertise of the Supervisory Board. In addition to the Personnel Committee, the Bertelsmann AG Supervisory Board has formed a Strategy and Investment Committee, an Audit and Finance Committee, and a Working Group of Employee Representatives on the Supervisory Board. The Personnel Committee also performs the tasks of a nomination committee, in which capacity it recommends suitable candidates to the Supervisory Board for its proposed resolutions to the Annual General Meeting. The Audit and Finance Committee is also regularly involved in the accounting process and monitors the effectiveness of the internal control system, risk management system and internal auditing system. It also monitors compliance within the Group. These committees prepare the topics to be addressed during the Supervisory Board's plenary meetings. The chairmen of the committees then report to the plenary meetings on the work performed. The Supervisory Board's decision-making powers have been transferred to the committees to the extent permitted by law. The breadth and range of responsibilities and tasks delegated to these committees is continuously reviewed through various evaluation processes. The appropriate size of the Supervisory Board and the professional expertise of its members who are drawn from a broad range of industries and areas of activity are key factors in Bertelsmann's effectiveness and independence.

Diversity in Practice

At a global company like Bertelsmann, active diversity should contribute to the Group's economic success. This is reflected at senior management level, including the composition of the GMC, in which 30 percent of the executives are female and the members come from seven different countries. Furthermore, Bertelsmann aims to promote diversity at all levels of the company. Corresponding initiatives for the development of diversity are being continuously expanded.

The diversity within the management positions is also reflected in the heterogeneous composition of the Bertelsmann Supervisory Board as three of its members are women. The Supervisory Board does take into account the aim of achieving diversity in its body when nominating candidates for election by the Annual General Meeting. The Supervisory Board already has a relatively high proportion of female members and therefore opposes a binding female quota. Age limits for members of the Supervisory Board are regulated in the articles of association.

Closed Group of Shareholders

Three foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG-Stiftung) indirectly hold 80.9 percent of Bertelsmann AG shares, with the remaining 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the Bertelsmann AG Annual General Meeting. BVG is responsible for upholding the interests of the Bertelsmann Stiftung foundation and the Mohn family as Bertelsmann AG shareholders and ensuring the continuity of the company's management as well as Bertelsmann's distinctive corporate culture. BVG is controlled by a steering committee, which is composed of three representatives of the Mohn family and three additional members, who are not members of the Mohn family.

Bertelsmann AG is a capital-market-oriented company but is unlisted. Nevertheless, its corporate governance activities closely follow the recommendations of the German Corporate Governance Code in the version published on May 26, 2010, which are primarily aimed at listed companies. Exceptions relate primarily to those guidelines which, in the opinion of Bertelsmann AG, apply to publicly held enterprises with large numbers of shareholders or anonymous shareholders. The individual remuneration and incentives paid to the members of the Bertelsmann AG Executive Board and Supervisory Board are not made public but are disclosed to the shareholders of Bertelsmann AG. Accordingly, no remuneration report is prepared. The company does not pay any performance-based remuneration to the members of the Supervisory Board in order to avoid any potential conflicts of interest and to reinforce the independence of the Supervisory Board.

Compliance

Social responsibility and correct conduct towards employees, customers, business partners, and public authorities are key elements of Bertelsmann's value system. This means that

Bertelsmann has always given the highest priority to the principle of adhering to statutory provisions and internal regulations on the prevention of legal risks and their consequences.

The Code of Conduct, introduced in 2008, reinforces awareness of correct business conduct and provides information about the options for expressing concerns and reporting violations of the Code of Conduct.

The Executive Board has continuously developed and expanded Bertelsmann's compliance structure and organization over time, including during 2011. In particular, with the intensification of legal regulations (e.g., UK Bribery Act), the Group has started to expand its anti-corruption measures (specifically with anti-corruption guidelines and corresponding training sessions), which are scheduled to be implemented in 2012.

The Corporate Compliance Committee (CCC), established as part of the compliance organization, held regular meetings during the period under review. The responsibilities of the CCC include monitoring the follow-up on reports of compliance violations and the measures taken. The CCC submitted the annual Compliance Report to the Executive Board and advised it on specific and general responses to violations and compliance activity. The Ethics & Compliance (E&C) department has operational responsibility for compliance in the Bertelsmann Group, whose other responsibilities include conducting training sessions, reviewing the reports received through the various whistle-blowing channels, and coordinating investigations. It is supported within Corporate and within the divisions by E&C representatives who are responsible for implementing the E&C program at all levels of the company.

The Executive Board and CCC submitted the annual Compliance Report to the Supervisory Board. All the reports of compliance violations received were investigated, and appropriate actions were taken in response to compliance violations. The report also included suggestions for increasing the effectiveness of measures designed to ensure compliance.

The Executive Board

The Supervisory Board

Report of the Supervisory Board



PROF. DR. GUNTER THIELEN
Chairman of the Supervisory Board of Bertelsmann AG

Advising and Monitoring the Executive Board

In fiscal year 2011 the Supervisory Board diligently fulfilled the duties incumbent upon it by law and under the articles of association and bylaws. Its members regularly advised and monitored the Executive Board in its management of the company. The Supervisory Board was directly involved at an early stage in all important company decisions and transactions, and discussed and reviewed these at length on the basis of reports from the Executive Board. The Executive Board properly disclosed to the Supervisory Board all transactions requiring Supervisory Board approval pursuant to applicable law, the Bertelsmann AG articles of association, or the bylaws. The Supervisory Board voted on the approval of these actions following thorough review and consultation.

The Supervisory Board was kept regularly informed by the Executive Board through timely and comprehensive written and verbal reporting. A wide range of topics and projects requiring approval were presented for discussion and decision at the meetings of the Supervisory Board. Reporting

concerned, but was not limited to, the position and operating results of the company, especially the current business situation and earnings position, material business transactions such as planned investments and divestments, HR topics, and fundamental corporate planning and strategy issues. Instances where business performance deviated from official projections and targets were discussed in detail with the Supervisory Board, which reviewed these matters on the basis of the documentation submitted. The Supervisory Board obtained regular information concerning financial debt levels. The risk situation and risk management were also a focus. The internal control system, risk management system, and internal auditing system were also the subject of regular reports and discussions. The Executive Board and the Supervisory Board extensively discussed and coordinated the strategic growth strategy of the company and significant business transactions. The Supervisory Board also monitored and carefully followed corporate governance and compliance developments at Bertelsmann on an ongoing basis. The Executive Board and the Supervisory Board report jointly on corporate governance and compliance at Bertelsmann on pages 146-147.

Supervisory Board Committees

The Supervisory Board has established three committees in the interest of conducting its work efficiently. With the exception of the Audit and Finance Committee, the Supervisory Board Chairman chairs all the committees. These committees prepare the topics to be addressed during the plenary meetings. The committee chairmen report on the work of their respective committees to the Supervisory Board at the next plenary meeting. The committees were empowered with Supervisory Board decision-making authority as permitted by law. In addition to these committees, there is a Working Group of Employee Representatives on the Supervisory Board. This arrangement has proven to be very useful in practice for the work of the Bertelsmann Supervisory Board.

The Personnel Committee is comprised of three other Supervisory Board members in addition to the Supervisory Board Chairman, who chairs the committee. In accordance with its mandate, the Personnel Committee supported the Supervisory Board in reviewing important personnel-related decisions, management continuity issues, and fundamental issues concerning management hierarchies and human-resources. The Personnel Committee also prepared the discussion of the remuneration structure of the

Executive Board and the remuneration of the individual members of the Executive Board at the plenary meeting, and also produced extensive analyses and comparisons for this purpose. The Personnel Committee passed resolutions on behalf of the Supervisory Board concerning Executive Board member employment contract provisions, while the remuneration was stipulated by the Supervisory Board's plenary meetings in accordance with the law. The Personnel Committee also has taken on the task of a Nomination Committee, in which capacity it recommends to the Supervisory Board suitable candidates for endorsement at the Annual General Meeting. It takes into account the aim of achieving diversity in its body when proposing candidates to be nominated. A key topic was the resignation of the Chairman and CEO, Hartmut Ostrowski, from the Executive Board and the appointment of Dr. Thomas Rabe as the new Chairman and CEO. For this the committee submitted a number of corresponding proposed resolutions to the plenary meeting.

The Audit and Finance Committee is currently composed of six members; the Supervisory Board Chairman is not a member of this committee. In particular, and in accordance with its mandate, the Audit and Finance Committee discussed issues of corporate financing and financial planning as well as any negative deviations of business performance from budgeted performance. A key topic for the Audit and Finance Committee in the last fiscal year was the retender for the auditor mandate. After an extensive selection procedure the Audit and Finance Committee decided to recommend a change of auditor. A further focus is the auditing of the annual financial statements and the consolidated financial statements. In this connection the committee also addressed the independence of the auditor and the additional services to be performed by the latter. The Audit and Finance Committee discussed initial findings from the audit of the annual financial statements in a conference call with the auditor before the actual balance sheet meeting. The 2011 Interim Report was extensively discussed with the committee prior to publishing. In the year under review the committee also thoroughly examined the accounting process, the effectiveness of the internal control system, the risk management system, and the internal audit system, and it also requested regular reports from the Head of Corporate Audit & Consulting. In fiscal year 2011, the Audit and Finance Committee also closely addressed the issue of compliance and/or the compliance structures in the Bertelsmann Group and requested regular reports from the Executive Board. The committee's work also

focused on discussing the tax policy and the investment of the pension assets and issues concerning the balance sheet treatment of pension liabilities.

The Strategy and Investment Committee is currently composed of nine members. The Supervisory Board Chairman chairs this committee. The committee supported the Supervisory Board in its strategic dialog with the Executive Board, addressing in particular the development of Group strategy, Group planning and the evaluation of planned investments and divestments. Within the framework established by the Supervisory Board, decisions were taken concerning said proposals. In the last fiscal year the committee also asked for regular reports about the progress of the projects approved by the Supervisory Board. The committee was extensively informed about proposals to strengthen and expand the core businesses and to develop the Group portfolio. The Executive Board also reported regularly to the Strategy and Investment Committee on growth initiatives being pursued by the various divisions.

The Supervisory Board established a Working Group of Employee Representatives alongside the Supervisory Board committees. This Working Group facilitates the Executive Board's dialog with employee representatives on the Supervisory Board about corporate culture issues as well as the preparation and discussion of matters relevant to the Supervisory Board. The creation of this Working Group is indicative of the special corporate culture at Bertelsmann, and this idea has proven highly productive in practice.

In its plenary meetings the Supervisory Board regularly heard reports from the Executive Board on the current business and financial position of the Group and of the individual divisions. Other important topics were management development within the Group and the long-term development of relevant media markets. As stipulated by law, the articles of association, or bylaws, the plenary meeting took decisions concerning Group planning, the annual financial statements and consolidated financial statements, Executive Board matters, as well as particularly significant business proposals.

In fiscal year 2011, the Supervisory Board convened for four regular meetings and one extraordinary Supervisory Board meeting in the form of a conference call. The Strategy and Investment Committee met four times during the period under review. The Personnel committee met five times, including

conference calls, while the Audit and Finance Committee met seven times, including conference calls. The Working Group of Employee Representatives on the Supervisory Board convened four times. Between meetings, the Supervisory Board was notified in writing of projects and plans of special relevance and urgency for the company, and its opinion and/or decision on matters was sought where necessary.

The Supervisory Board Chairman maintained ongoing contact with the Executive Board outside the framework of Supervisory Board meetings, in particular with the Executive Board Chairman, in order to stay abreast of the current business situation and significant transactions. During a full-day meeting with the Executive Board, the Supervisory Board discussed fundamental issues of strategic Group development. All Supervisory Board members attended more than half of the meetings convened and no potential conflicts of interest arose on the Supervisory Board.

The Supervisory Board addressed the German Corporate Governance Code and Bertelsmann's compliance therewith. A joint report by the Supervisory and Executive Boards on corporate governance within the company is provided on page 146f. of this annual report. As a non-listed company, Bertelsmann opted not to issue a formal declaration of compliance as per section 161 of the German Stock Corporation Act.

In fiscal year 2011, there was a routine evaluation of the work of the Supervisory Board. The outcome of this evaluation was a positive assessment of the work of the plenary meeting and the committees. Nevertheless, a number of suggestions were identified as part of an ongoing further development process, some of which have already been implemented.

Audit of the Annual and Consolidated Financial Statements

PricewaterhouseCoopers AG, Frankfurt, audited the annual and consolidated financial statements produced by the Executive Board for the fiscal year January 1 through December 31, 2011, as well as the Bertelsmann AG management and Group management reports dated December 31, 2011, each of which received an unqualified auditor's opinion. The annual financial statements were produced in accordance with HGB (German Commercial Code), and the Bertelsmann AG consolidated financial statements were produced in accordance with the International Financial Reporting Standards (IFRSs)

as applicable in the European Union in line with section 315a HGB. The Supervisory Board's Audit and Finance Committee had mandated the auditor of the annual financial statements and consolidated financial statements in accordance with the Annual General Meeting resolution. The auditor performed the audit in observance of German accepted auditing principles established by the German Institute of Independent Auditors (IDW). The auditor was additionally instructed to audit Bertelsmann AG's risk early warning system, which it found to be satisfactory as per section 91 (2) AktG (German Stock Corporation Act). The auditor of the annual and consolidated financial statements promptly submitted financial statement documents and the audit report to the Supervisory Board by the specified deadline in advance of the financial review meeting.

On March 23, 2012, the auditor attended the financial review meetings in both the Audit and Finance Committee and the plenary session of the Supervisory Board, gave an extensive report and answered questions. He was able to confirm that in the course of the audit, no significant weaknesses had been identified in the accounting-related internal control system. The Audit and Finance Committee discussed the annual financial statement documents and auditor's reports in detail. The findings of the auditor and Group auditor of the annual and consolidated financial statements were carefully reviewed in an internal audit of the annual and consolidated financial statements. The Audit and Finance Committee reported comprehensively to the plenary session of the Supervisory Board concerning the audit of the annual and consolidated financial statements and the audit reports.

The plenary session of the Supervisory Board reviewed the annual financial statements, management report, consolidated financial statements and Group management report, taking into account the recommendations of the Audit and Finance Committee and of the audit reports and following further discussion with the auditor. The Supervisory Board concurred with the audit findings. After its own final scrutiny of the annual and consolidated financial statements and the management and Group management reports, the Supervisory Board – acting in accordance with the Audit and Finance Committee's recommendation – has raised no objections. The financial statements produced by the Executive Board are thus approved and the annual financial statements adopted.

The Supervisory Board furthermore reviewed and concurred with the Executive Board proposal to shareholders as to the amount of net retained profits for appropriation. The amount of the proposed dividend is appropriate in the view of the Supervisory Board, in consideration of the economic environment, the company's economic situation and the interests of the shareholders.

Executive Board and Supervisory Board Membership Changes

The year under review saw the following changes to the Bertelsmann AG Executive Board: Dr. Thomas Rabe was appointed as the new Chairman and CEO of Bertelsmann AG on October 10, 2011, effective as of January 1, 2012. On November 29, 2011, Dr. Thomas Hesse was appointed as member of the Executive Board of Bertelsmann AG, effective as of February 1, 2012. With effect from December 31, 2011, Hartmut Ostrowski, Chairman and CEO of Bertelsmann AG, resigned from the Executive Board of Bertelsmann AG. The Supervisory Board would like to thank Hartmut Ostrowski for his extraordinary contribution to the success of the company and his successful management of the Group in a difficult economic environment. He hands over the company in a good economic and financial position.

The year under review saw the following changes to the composition of the Supervisory Board: The Annual General Meeting of Bertelsmann AG on May 30, 2011 marked the end of the terms of office of the Supervisory Board members Prof. Dr. Gunter Thielen, Prof. Dr. Joachim Milberg, Dr. Brigitte Mohn, Lars Rebien Sørensen, and Prof. Dr. Jürgen Strube. As he had reached the maximum age, Prof. Dr. Jürgen Strube was no longer eligible for reelection. Prof. Dr. Gunter Thielen, Prof. Dr. Joachim Milberg, Dr. Brigitte Mohn, as well as Lars Rebien Sørensen were reelected. The Supervisory Board would like to thank Prof. Dr. Jürgen Strube for many years of very trusting and constructive cooperation. The following were elected as new members of the Bertelsmann AG Supervisory Board: Hans Dieter Pötsch, CFO of Volkswagen AG, Kasper Rorsted, CEO of Henkel AG & Co. KGaA, and Bodo Uebber, Member of the Executive Board of Daimler AG, Controlling & Financial Services.

Bertelsmann's core markets were impacted to varying degrees in fiscal 2011 by the slowing pace of the global economy and the uncertain economic climate. The European television advertising markets performed unevenly following

their strong recovery in the previous year. The book markets were largely stable with a rising share of e-books. The trend in European magazine advertising markets was mixed, with some magazine circulations and printing markets shrinking. The global replication market posted sharp declines, while the markets for services trended upward. Overall, the Group achieved modest revenue growth and solid operating earnings with a return on sales down from the previous year's high.

The Supervisory Board would like to express its gratitude for the excellent work of the Executive Board during fiscal year 2011 and would like to thank all executives and employees for their commitment and achievements.

Gütersloh, March 23, 2012



Prof. Dr. Gunter Thielen

Supervisory Board

Prof. Dr. Gunter Thielen

Chairman

Chairman of the Executive Board,
Bertelsmann Stiftung

- Sixt AG (Chairman)
- Sixt Allgemeine Leasing GmbH & Co. KGaA (Chairman)
- Groupe Bruxelles Lambert
- Leipziger Messe GmbH

Liz Mohn

Chairwoman of the Board,
Bertelsmann Verwaltungsgesellschaft mbH (BVG)

Vice Chairwoman of the Executive Board,
Bertelsmann Stiftung

Prof. Dr. Jürgen Strube

Vice Chairman (until May 30, 2011)

Honorary Chairman of the Supervisory Board, BASF SE

- Fuchs Petrolub AG (Chairman until May 11, 2011)

Prof. Dr.-Ing. Joachim Milberg

Vice Chairman

(since June 7, 2011)

Chairman of the Supervisory Board,
BMW AG

- BMW AG (Chairman)
- Festo AG (Chairman since March 24, 2011)
- SAP AG
- ZF Friedrichshafen AG (until December 31, 2011)
- Deere & Company

Dr. Wulf H. Bernotat

- Allianz SE
- Metro AG
- Deutsche Telekom AG

Kai Brettmann

Editorial Director Online, RTL Nord GmbH, Hamburg

Chairman of the RTL Group European Works Council

Chairman of the Mediengruppe RTL Deutschland Corporate Works Council

Chairman of the Works Council of RTL Nord

Christa Gomez

Vice Chairwoman of the Bertelsmann AG Corporate Works Council

Ian Hudson

Chairman of the Bertelsmann Management Representative Committee (BMRC)

Dr. Karl-Ludwig Kley

Chairman of the Executive Board,
Merck KGaA

- BMW AG (Vice Chairman)
- I. FC Köln GmbH & Co. KGaA (Chairman)

Dr. Brigitte Mohn

Chairwoman of the German Stroke Foundation

Member of the Executive Board,
Bertelsmann Stiftung

- Rhön-Klinikum AG
- Phineo gAG

Christoph Mohn

Managing Director, Christoph Mohn Internet Holding GmbH

Hans Dieter Pötsch (since May 30, 2011)

Member of the Executive Board,
Volkswagen AG,
Finance and Controlling division
Chief Financial Officer,
Porsche Automobil Holding SE

- AUDI AG, Ingolstadt
- Autostadt GmbH, Wolfsburg (Chairman)
- Dr. Ing. h.c. F. Porsche AG
- VOLKSWAGEN FINANCIAL SERVICES AG, Braunschweig (Chairman)
- Bentley Motors Ltd., Crewe
- Porsche Austria Gesellschaft m.b.H., Salzburg
- Porsche Holding Gesellschaft m.b.H., Salzburg
- Porsche Retail GmbH, Salzburg
- Scania AB, Södertälje
- VfL Wolfsburg Fußball GmbH, Wolfsburg
- Volkswagen (China) Investment Company Ltd., Beijing
- Volkswagen Group of America, Inc., Herndon, Virginia

Kasper Rorsted (since May 30, 2011)

Chairman of the Executive Board,
Henkel AG & Co. KGaA

- Danfoss A/S

Erich Ruppik

Chairman of the Bertelsmann AG Corporate Works Council

Lars Rebien Sørensen

President and CEO,
Novo Nordisk A/S

- Danmarks Nationalbank
- DONG Energy A/S
- Thermo Fischer Scientific (since July 12, 2011)

Bodo Uebber (since May 30, 2011)

Member of the Executive Board,
Daimler AG

Finance & Controlling/Daimler Financial Services

- Daimler Financial Services AG (Chairman)
- Daimler Luft- und Raumfahrt Holding AG (Chairman)
- Dedalus GmbH & Co. KGaA
- Mercedes-Benz Bank AG
- Talanx AG (until August 31, 2011)
- EADS Participations B.V. (Chairman)
- European Aeronautic Defence and Space Company EADS N.V. (Chairman)

- Membership of statutory domestic supervisory boards.
- Membership of comparable domestic and foreign supervisory bodies of business enterprises.

Committees of the Supervisory Board 2011

Personnel Committee

Prof. Dr. Gunter Thielen (Chairman)
Dr. Karl-Ludwig Kley (since June 7, 2011)
Prof. Dr.-Ing. Joachim Milberg
Liz Mohn
Prof. Dr. Jürgen Strube (until May 30, 2011)

Audit and Finance Committee

Prof. Dr. Jürgen Strube (Chairman until May 30, 2011)
Ian Hudson
Dr. Karl-Ludwig Kley (Chairman since June 7, 2011)
Christoph Mohn
Hans Dieter Pötsch (since June 7, 2011)
Erich Ruppik
Bodo Uebber (since June 7, 2011)

Strategy and Investment Committee

Prof. Dr. Gunter Thielen (Chairman)
Dr. Wulf H. Bernotat
Kai Brettmann
Prof. Dr.-Ing. Joachim Milberg
Dr. Brigitte Mohn
Christoph Mohn
Liz Mohn (since November 29, 2011)
Kasper Rorsted (since June 7, 2011)
Lars Rebien Sørensen
Prof. Dr. Jürgen Strube (until May 30, 2011)

Working Group of Employee Representatives on the Supervisory Board

Liz Mohn (Chairwoman)
Kai Brettmann
Christa Gomez
Ian Hudson
Erich Ruppik

Executive Board

Hartmut Ostrowski

Chairman (until December 31, 2011)

- Arvato AG
(Chairman until December 31, 2011)
- Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft
(Chairman until December 31, 2011)
- Bertelsmann, Inc.
(Chairman until December 31, 2011)
- RTL Group S.A. (until December 31, 2011)

Dr. Thomas Rabe

Chairman (since January 1, 2012)

Chief Financial Officer

- Arvato AG
(Vice Chairman until January 23, 2012, Chairman since January 23, 2012)
- BMG RM Germany GmbH (Chairman)
- Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft
(Chairman since January 1, 2012)
- IKB AG¹⁾ (until February 21, 2012)
- Symrise AG¹⁾
(Chairman since May 18, 2011)
- Bertelsmann Capital Investment S.A.
- Bertelsmann Digital Media Investments S.A.
- Bertelsmann, Inc.
(Chairman since January 1, 2012)
- Edmond Israel Foundation¹⁾
- RTL Group S.A.
- Springer Science+Business Media S.A.¹⁾

Rolf Buch

Chairman of the Executive Board, Arvato AG

- Berryville Graphics, Inc. (Chairman)
- Coral Graphic Services of Kentucky, Inc. (Chairman)
- Coral Graphic Services of Virginia, Inc. (Chairman)
- Coral Graphic Services, Inc. (Chairman)
- Dynamic Graphic Finishing, Inc.
- Media Finance Holding, S.L. (Chairman)
- Offset Paperback MFRS., Inc.
- Phone Assistance, S.A.
- Phone Serviplus, S.A.
- Phone Group, S.A.
- Printer Industria Gráfica Newco, S.L. (Chairman)
- PRINOVIS LIMITED (Chairman)

Dr. Bernd Buchholz

Chairman of the Executive Board, Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft

- G+J Business Information GmbH
- Henri-Nannen-Schule
Hamburger Journalistenschule
Gruner + Jahr – DIE ZEIT GmbH (Chairman)

Markus Dohle

Chairman and Chief Executive Officer, Random House

- Random House Children's Entertainment LLC
- Random House Films LLC
- Random House, Inc. (Chairman)
- Random House Mondadori, S.A.
- Random House VG LLC (Chairman)
- Triumph Books Corp.
(until August 31, 2011)

Dr. Thomas Hesse

Member of the Executive Board, Bertelsmann AG (since February 1, 2012)
President Corporate Development and New Businesses

(since February 1, 2012)

- Arvato AG
(Vice Chairman since January 23, 2012)
- DEAG Classics AG¹⁾
- Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft (since January 1, 2012)
- MySpace Music LLC¹⁾
- RTL Group S.A. (since January 1, 2012)
- VEVO LLC¹⁾

Gerhard Zeiler

Chief Executive Officer, RTL Group

- Alpha Doryforiki Tileorasi SA
- CLT-UFA S.A.
- Ediradio S.A.
(as representative of CLT-UFA S.A.)
- Métropole Télévision S.A.
- Plus Productions S.A.
- RTL Television GmbH (Chairman)
- RTL Radio Deutschland GmbH

• Membership of statutory domestic supervisory boards.
• Membership of comparable domestic and foreign supervisory bodies of business enterprises.
¹⁾ External mandates.

Auditor's Report

We have audited the consolidated financial statements prepared by Bertelsmann AG, comprising the income statement and the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and the notes to the consolidated financial statements, together with the Group management report for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by the Company's Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Bielefeld, March 14, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

signed	signed
Werner Ballhaus	Christoph Gruss
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group management report includes a fair review of the

development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Gütersloh, March 13, 2012

Bertelsmann AG
The Executive Board

Dr. Rabe	Buch	Dr. Buchholz
Dohle	Dr. Hesse	Zeiler

Selected Terms at a Glance

Bertelsmann Value Added (BVA)

A central performance indicator for assessing the profitability of operations and return on invested capital. The BVA is the difference between net operating profit after tax (NOPAT), defined as operating EBIT adjusted for a uniform tax rate of 33 percent, and cost of capital. Cost of capital is the product of the weighted average cost of capital (a uniform 8 percent after taxes) and invested capital (operating assets less non-interest-bearing operating liabilities).

Business Process Outsourcing

Business process outsourcing refers to the outsourcing of entire business processes to a third-party company.

Cash Conversion Rate (CCR)

Indicator for assessing cash flow generated by operations. CCR is calculated based on the ratio of operating free cash flow to operating EBIT.

Contractual Trust Arrangement (CTA)

Concept of funding and insolvency protection of pension obligations by transfer of assets into a structure similar to a trust. Assets are classified as plan assets under IFRS and netted against the company's pension liabilities.

Coverage Ratio

The (interest) coverage ratio is an important financing target. It represents the ratio of operating EBITDA to financial result. Amounts reported in the annual financial statements are modified in calculating the coverage ratio.

IFRS

International Financial Reporting Standards. Accounting standards intended to ensure internationally comparable accounting and reporting.

Impairment

Write-down of intangible assets and property, plant and equipment.

Leverage Factor

The leverage factor is the ratio of economic debt to operating EBITDA. In calculating the leverage factor, modifications are made to the balance sheet figures to better reflect the Group's actual financial strength from an economic viewpoint.

Operating EBIT

Earnings before interest, taxes, and special items.

Operating EBITDA

Earnings before interest, taxes, depreciation, amortization, and special items.

Rating

Expression of creditworthiness of a creditor or financial instrument by an agency specialized in creditworthiness analysis.

Special Items

Income and expense items which are distinguished by their nature, amount, or frequency of occurrence, and the disclosure of which is relevant for assessing the earnings power of the entity or its segments in the period affected. They include, for example, restructuring measures, impairments, and gains or losses on disposals of participations.

Syndicated Line of Credit

Syndicated loan facility involving a consortium of banks.

Financial Calendar

May 7, 2012

Payout of dividends on profit participation certificates for the 2011 fiscal year

August 31, 2012

Announcement of figures for the first half of 2012

May 10, 2012

Announcement of figures for the first three months of 2012

November 13, 2012

Announcement of figures for the first nine months of 2012

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This Annual Report and current information about Bertelsmann are also posted at:

www.bertelsmann.com

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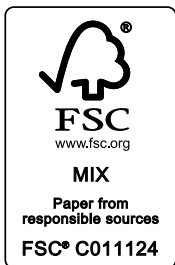
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Innovative use of combined heat and power technology when printing this product reduced CO₂ emissions by up to 52% in comparison to conventional methods in Germany.
Dr. Schorb, ifeu-Institut



creativity
meets
entrepreneurship

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