

Press Release

Bertelsmann Readies for Growth

- Strategic focus on value creation and organic growth
- Revenues to rise to over €30 billion by 2015
- Mid-term investment volume of between €5 billion to €7 billion

Gütersloh / Berlin, December 13, 2007 – Bertelsmann has charted the course for its future success with a strategic realignment, focusing on growth. The new growth strategy is designed to build Bertelsmann into a globally leading media and services company with attractive lines of business. The group's Chairman & CEO designate Hartmut Ostrowski presented the future strategy today at a meeting of the company's managers in Berlin. Ostrowski, who will be taking up his new position on January 1, 2008, emphasized: "Growth is the basis of everything. Only through growth can we maintain, or attain, market leadership. Only through growth can we increase profits and company value for the long term."

Ostrowski presented his plans, complete with clearly defined targets, to more than 600 of the group's executives. By 2015, revenues are expected to increase from their current level of nearly €20 billion to over €30 billion. Operating EBIT is targeted to improve from €1.9 billion to over €3 billion. Ostrowski is also aiming for a much higher organic growth rate of above four percent a year, and a return on invested capital of over eight percent.

In explaining Bertelsmann's new strategy, Ostrowski highlighted three central guidelines: take the lead; go for growth; and create value. "Only if we succeed in taking the lead, only if we succeed in growing and increasing the value of Bertelsmann – only then will we have done our job," said the designated Chairman & CEO.

To generate enduring organic growth, especially in mature media markets, Ostrowski feels it is more important than ever that every executive take advantage of their entrepreneurial freedom and strive for ambitious goals with maximum individual responsibility.

Ostrowski emphasized that leadership also means "finding young, talented people and training them to take on leadership themselves." He called on his management team to make junior staff development a top priority and actively to seek out and cultivate tomorrow's entrepreneurs.

Bertelsmann's future Chairman and CEO feels that additional growth potential can be tapped in several ways: gearing the portfolio in favour of the group's growth drivers; creating and nurturing a true culture of innovation throughout the group; stepping up investments in burgeoning lines of business like the Internet, education and services; and strengthening the group's position in fast-growing markets like Russia and Asia.

Ostrowski sees numerous opportunities ahead for organic growth within the various divisions. He cited the successful launch of Random House Films as an example of seizing market opportunities by using new distribution paths or broadening the definition of one's markets. Growth in saturated markets is only possible "if we expand our business base and set new targets." Business sectors that haven't met their targets should not burden the company's results indefinitely. "It is equally the responsibility of the entrepreneur to acknowledge that, in most cases, you're not going to turn a lamb into a lion. That means: We have to evaluate our business areas and – if necessary – take tough decisions. It goes without saying that we will keep an especially close eye on operations whose business is shrinking."

Bertelsmann also expects that a new innovation campaign will open up enduring growth opportunities. "We need to develop new ideas and explore paths that no one has ever gone down before," said Ostrowski, calling on Bertelsmann's executives for their support.

Apart from organic growth, Bertelsmann will also rely on targeted investments in burgeoning markets like the education sector, the services industry, and the Internet. In the next five years, the company will have between five and seven billion euros at its disposal for such investments. For instance, Ostrowski believes that, the education sector not only promises high growth rates, but is also a line of business "where Bertelsmann media and Bertelsmann services could complement one another very effectively." Additionally, the combination of education and Internet opens up some interesting business prospects.

Ostrowski explains that Bertelsmann's strategic realignment serves one goal above all: to increase the value of the company. To achieve this, return on sales is to be enduringly increased to ten percent. The Executive Board has also resolved to achieve organic business growth of four percent in the years ahead, even if the relevant markets only show average growth of around one percent.

In closing, Ostrowski expressed his conviction that Bertelsmann, given the realignment and its existing team, is well equipped to master the challenges of the future: "I can imagine no better team for achieving our goals. Bertelsmann will continue its positive development in the future."

About Bertelsmann AG

Bertelsmann is an international media company encompassing television (RTL Group), book publishing (Random House), magazine publishing (Gruner + Jahr), music (BMG), media services (Arvato), and media clubs (Direct Group) in more than 60 countries. Bertelsmann's claim is to inspire people around the world with first-class media and communications offerings – entertainment, information and services – and occupy leading positions in its respective markets. The foundation of Bertelsmann's success is a corporate culture based on partnership, entrepreneurial spirit, creativity, and corporate responsibility. The company strives to bring creative new ideas to market and create value.

Bertelsmann is comprised of the television channels, television production companies, and radio stations of Europe's largest entertainment group, RTL Group (RTL Television, M6, Five, Fremantle Media), and the more than 120 publishing houses of Random House, the world's largest trade book publisher (Alfred A. Knopf, Bantam, Goldman). Gruner + Jahr is Europe's number one magazine publisher (Stern, Geo, Neon, Capital). The Sony BMG joint venture in the BMG division is synonymous with creativity and strong international music brands (Beyoncé, Dixie Chicks, Justin Timberlake, Christina Aguilera). The Arvato media and communications services division brings together distribution, service centers and customer-relationship management, state-of-the art printing manufacturing, storage media production, mobile services, and comprehensive IT services. Bertelsmann's direct-to-customer businesses are unified within the Direct Group: book, DVD, and music clubs (Der Club, France Loisirs), as well as book retailers in France and Portugal.

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