

PRESS RELEASE

Bertelsmann and Pearson to Combine Book Businesses

- **Thomas Rabe implements new Bertelsmann strategy in the book publishing business**
- **Bertelsmann to hold 53 percent of new publishing group, Pearson 47 percent**
- **Markus Dohle (Random House) appointed as CEO, John Makinson (Penguin) as Chairman of the Board of Directors**
- **Bertelsmann to appoint five representatives to the Board of Directors, Pearson four**

Gütersloh / New York / London, October 29, 2012 – The international media groups Bertelsmann and Pearson announced today that they will combine the activities of their respective trade-book publishing companies, Random House and Penguin Group. Bertelsmann will own 53 percent, Pearson 47 percent. The closing of the transaction is scheduled to take place in the second half of 2013, following regulatory approval.

The announcement of the combination was made today in Gütersloh, Germany by Thomas Rabe, Chairman and CEO of Bertelsmann, and in London by Marjorie Scardino, Chief Executive of Pearson.

Upon closing, Markus Dohle, Chairman and Chief Executive Officer of Random House worldwide, will be CEO of the new group. John Makinson, Chairman and CEO of Penguin, will become Chairman of the Board of Directors. Additional senior executive appointments will be announced in due course. Bertelsmann will appoint five representatives to the group's Board of Directors, Pearson four. The new name will be Penguin Random House. Until the closing, the companies will maintain their current separate operations and continue conducting business independently.

The new publishing group will include all the publishing divisions and imprints of Random House and Penguin in the United States, Canada, the United Kingdom, Australia, New Zealand, India, South Africa, as well as Penguin's publishing company in China, and Random House's Spanish-language publishing operations in Spain and Latin America. Random House's Munich-based German-language publishing company, Verlagsgruppe Random House, will not be part of the Group and will remain at Bertelsmann. In the new company, the publishing imprints of Random House and Penguin will continue to publish their books with the autonomy they presently enjoy, and retain their distinct editorial identities.

Bertelsmann Chairman & CEO Thomas Rabe says: "With this planned combination, Bertelsmann and Pearson create the best course for the future of our world-renowned trade-book publishers, Random House and Penguin, by enabling them to publish even more effectively across traditional and emerging formats and distribution channels. It will build on our publishing tradition, offering an extraordinary diversity of publishing opportunities for authors, agents, booksellers, and readers, together with unequalled support and resources."

Mr. Rabe also observed, "Today's announcement is a milestone not only for Random House, but also for the entire Bertelsmann group, with its 177-year publishing history. Its significance for our business and for the cultural resonance of our book publishing operations worldwide is on a par with such momentous agreements as the takeover of Goldmann Verlag in 1977; the acquisition of a stake in Bantam Books, our first-ever U.S. investment, that same year; the purchase of Doubleday in 1986; and especially that of Random House in 1998. Each of these steps was aimed at increasing the breadth and quality of Bertelsmann's publishing operations, as our new company will."

For Bertelsmann, the planned combination also marks a significant step in the implementation of its four new strategic priorities under Thomas Rabe, which it recently adopted and announced: strengthening the core, digital transformation, the establishment of growth platforms, and the development of growth regions. The Chairman & CEO comments: "The combination of Random House and Penguin, first of all, significantly strengthens book publishing, one of our core businesses. Second, it advances the digital transformation on an even greater scale, and third, it increases our presence in the target growth markets Brazil, India and China."

Marjorie Scardino, chief executive of Pearson, said: "Penguin is a successful, highly-respected and much-loved part of Pearson. This combination with Random House - a company with an almost perfect match of Penguin's culture, standards and commitment to publishing excellence - will greatly enhance its fortunes and its opportunities. Together, the two publishers will be able to share a large part of their costs, to invest more for their author and reader constituencies and to be more adventurous in trying new models in this exciting, fast-moving world of digital books and digital readers."

Markus Dohle, Chairman & CEO of Random House, adds: "Our new company will bring together the publishing expertise, experience, and skill sets of two of the world's most successful, enduring trade book publishers. In doing so, we will create a publishing home that gives employees, authors, agents, and booksellers access to unprecedented resources. I deeply believe that the support and services that we will be able to offer, coupled with the creative and editorial independence that we will continue to maintain, will benefit everyone in the book publishing environment, especially our passionate readers from today's generation to the next."

About Bertelsmann

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

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