

PRESS RELEASE

Bertelsmann Increases Its Stake in Penguin Random House to 75 Percent

- **Group acquires another 22 percent of shares from co-shareholder Pearson**
- **Strategic three-quarters majority of the world's largest publishing house**
- **Pearson remains co-owner of Penguin Random House with 25-percent stake**
- **Bertelsmann CEO Thomas Rabe: "The book business is part of Bertelsmann's identity"**

Gütersloh / New York / London, July 11, 2017 – Bertelsmann is significantly expanding its stake in Penguin Random House, the world's leading trade publishing group. The international media, services and education company is acquiring another 22 percent of shares in Penguin Random House from co-owner Pearson, the British media and education company. This will give Bertelsmann a 75-percent stake in the book group, whose enterprise value has been set at US \$3.55 billion for this transaction. The share acquisition is subject to approval by the relevant authorities.

Thomas Rabe, Chairman and CEO of Bertelsmann, said: "Penguin Random House is a success story. We completed the integration in a very short time, and today the group is the clear worldwide number one in book publishing. We are especially pleased about this because the book business has been part of Bertelsmann's identity for over 180 years. Beyond this, the transaction is an attractive proposition economically, as the earnings attributable to Bertelsmann shareholders will increase by more than 60 million euros."

By securing a strategic three-quarters majority, Bertelsmann gains greater governance rights at Penguin Random House, and will, among other things, appoint the Chairman of the book publishing group's Board of Directors. The other 25 percent of the shares in the company, which was created by the combination of the Random House and Penguin Group book publishing companies on July 1, 2013, will remain with Pearson. Markus Dohle, a member of the Bertelsmann Executive Board and CEO of Penguin Random House since the start of the combination, will continue to lead the company.

Thomas Rabe continues: "Today's transaction is also a renewed commitment by Bertelsmann to the value of content in the digital age. We now own 75 percent of RTL Group and 75 percent of Penguin Random House; also, 100 percent of Gruner + Jahr and BMG, where we have increased our shares over the past few years. We have thus achieved our goal of strategic majorities in all our content businesses. Bertelsmann is the company with the world's most diverse creative offerings."

The increase in Bertelsmann's stake has no effect on Penguin Random House; the independence of the group's 250-plus individual publishers remains unaffected. Verlagsgruppe Random House in Germany is still fully controlled by Bertelsmann.

Bernd Hirsch, CFO of Bertelsmann, said: “Bertelsmann and Pearson have agreed on appropriate terms and conditions for the acquisition of shares in Penguin Random House. Our good operating performance and the current low-interest environment offer us ideal conditions for financing the transaction at exceedingly favorable terms. We still have the necessary financial leeway to invest in all eight divisions as planned.”

Markus Dohle, CEO of Penguin Random House, added: “What Bertelsmann and Pearson have just negotiated and decided signals great continuity and stability for Penguin Random House – which makes it the best solution for authors, partners, publishers and employees. We can and will continue to focus on our authors’ creative works, and with that, on publishing the finest books and stories for our readers.”

J.P. Morgan Limited has acted as exclusive financial advisor to Bertelsmann in connection with the transaction.

Penguin Random House is comprised of around 250 individual publishers on five continents, which publish more than 15,000 new books each year. The group’s renowned authors include John Grisham, Dan Brown, Barack and Michelle Obama, as well as Paula Hawkins. Last year, 585 of the publishing group’s titles made it onto the “New York Times” bestseller lists. More than 70 authors signed with Penguin Random House publishers have won the Nobel Prize.

Chronicle

- 1835** Carl Bertelsmann, a printer and bookbinder, founds C. Bertelsmann Verlag in 1835. The program during the first 100 years of the publisher’s history was dominated by the Protestant Christian tradition. The publishing program was gradually expanded to include philology, history, and youth literature, as well as mission literature.
- 1928** Bertelsmann launches its fiction publishing program with “narrative literature” in Protestant magazines.
- 1933-1945** The publishing house’s conservative Christian tradition is increasingly linked with Nationalist Socialist ideology in its program and corporate culture. After the start of World War II, the publisher – as the largest supplier of books to the German Armed Forces – generates profits primarily with the sale of “Feldpost” army editions. A lawsuit concerning illegal procurement of paper stocks, and the mobilization of the entire German economy, leads to the closure of C. Bertelsmann Verlag in 1944. Starting in 1999, an Independent Historical Commission under the direction of historian Saul Friedländer researched Bertelsmann’s history during the period of National Socialism. Its report on “Bertelsmann in the Third Reich” was published in 2002 by C. Bertelsmann Verlag.
- from 1950** Bertelsmann founds the Lesering book club. Its success marks the beginning of a new era in the company’s history and creates the foundation for the company’s rise to become the global media, services and education group it is today.

- 1968** Eleven separate Bertelsmann publishing companies are organizationally grouped into Verlagsgruppe Bertelsmann (from 2001: Verlagsgruppe Random House).
- 1977** Bertelsmann considerably expands its book business by taking over Goldmann Verlag and acquiring stakes in the publishers Plaza y Janes (Spain) and Bantam Books (U.S.).
- 1986** Bertelsmann buys the American publisher Doubleday, and a year later groups its U.S. publishers into the Bantam Doubleday Dell Publishing Group.
- 1998** Bertelsmann acquires the American publisher Random House, with an author roster including Truman Capote, John Irving, Philip Roth, John Le Carré, Michael Crichton, Salman Rushdie, Anne Rice, and Margaret Atwood. The group is merged with Bantam Doubleday Dell. From 2001, Random House becomes the umbrella for Bertelsmann's global book publishing activities.
- 2013** On July 1, Bertelsmann und Pearson combine their book publishing businesses – Random House and Penguin Group – into the world's biggest trade publishing group. Bertelsmann is the majority owner of the merged company Penguin Random House, with a 53-percent stake, while Pearson owns 47 percent. Through acquisitions, Penguin Random House subsequently becomes the number one in the Spanish-language literature market, among others. The group's various bestsellers include: "50 Shades of Gray," "The Girl on the Train," and the "Game of Thrones" series. Penguin Random House author Alice Munro wins the 2013 Nobel Prize in Literature; In all, more than 70 Penguin Random House authors are Nobel laureates.
- 2017** Bertelsmann acquires another 22 percent of the shares in Penguin Random House from co-shareholder Pearson, to achieve its strategic target holding in the world's only global trade publishing group.

About Bertelsmann

Bertelsmann is a media, services and education company that operates in about 50 countries around the world. It includes the broadcaster RTL Group, the trade book publisher Penguin Random House, the magazine publisher Gruner + Jahr, the music company BMG, the service provider Arvato, the Bertelsmann Printing Group, the Bertelsmann Education Group and Bertelsmann Investments, an international network of funds. The company has 116,000 employees and generated revenues of €17.0 billion in the 2016 financial year. Bertelsmann stands for creativity and entrepreneurship. This combination promotes first-class media content and innovative service solutions that inspire customers around the world.

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