

PRESS RELEASE

Bertelsmann Achieves First-Half Operating Group Profit Exceeding Half-Billion Euros for the First Time

- **Revenues rise to €8.1 billion**
- **Growth businesses grow their revenues by nine percent**
- **Operating EBITDA of €1.1 billion continues stable, at a high level**
- **Investment activity again strengthened, to €643 million**
- **Progress on all strategic priorities**
- **Closing of Penguin Random House share increase scheduled for 4th quarter**
- **Positive outlook for full year confirmed**

Gütersloh, August 31, 2017 – Bertelsmann had a successful first half of 2017. The international media, services, and education company reports revenue growth, operating EBITDA at a high level, and a first-half operating Group result of over €500 million for the first time in its history. The Group achieved further progress in implementing its growth strategy, and among other major initiatives signed an agreement to increase its stake in the world's largest trade publishing group, Penguin Random House, to a strategic majority of 75 percent.

Bertelsmann increased its Group revenues by 2.1 percent to €8.1 billion in the reporting period (H1 2016: €8.0 billion). Organic growth improved to 1.4 percent (H1 2016: 1.3 percent). RTL Group's digital TV businesses, the digital activities of Gruner + Jahr and BMG, Arvato SCM Solutions and the Bertelsmann Education Group in particular developed positively. Growth businesses grew by 9 percent to €2.7 billion (H1 2016: €2.3 billion). For the first time, they accounted for more than 30 percent of total sales.

At €1.10 billion (H1 2016: €1.11 billion), operating EBITDA nearly reached the record level of the prior-year period, although that previous result reflected a positive €43 million effect at RTL Group. In the first six months of 2017, RTL Group and the Bertelsmann Education Group incurred €37 million in start-up losses for digital and new business.

Consolidated net income amounted to €502 million (H1 2016: €482 million). The Bertelsmann Asia Investments (BAI) fund once again made a significant contribution to earnings, with €63 million in gains on disposals.

Bertelsmann Chairman & CEO Thomas Rabe said: “Bertelsmann looks back on a successful first half. The increase in revenues and earnings, as well as our improved growth profile, are the result of the systematic implementation of our strategy. The Penguin Random House ownership share increase, which we have been preparing over the past few months and will complete in the second half of the year, is especially worth noting. Bertelsmann will possess a strategic three-quarters majority in the world's largest trade publishing group – the best possible conditions for successfully further developing this core business that is part of our identity.”

Rabe emphasized that Bertelsmann has made significant progress on all four of its strategic priorities this year – strengthening its core businesses, transforming to digital, extending its growth platforms and expanding in growth regions.

Bertelsmann strengthened its **core** in book publishing in particular with the announced increase in its Penguin Random House shareholding, from 53 percent to 75 percent. The completion of the share takeover is planned for the fourth quarter of 2017. Penguin Random House placed 263 titles on the “New York Times” bestseller lists, 37 of them at number one. The international publishing group’s Spanish-language businesses were augmented with the acquisition of the Ediciones B publishing group. In addition to Penguin Random House, other core businesses also expanded their activities: RTL Group’s families of channels increased their share of the viewer and advertising market in both Germany and France. Gruner + Jahr launched the new magazine “Hygge” among other accomplishments, and the Bertelsmann Printing Group’s capacities were well utilized.

Bertelsmann continued the **digital transformation** of its businesses. RTL Group announced its full acquisition of the advertising technology company SpotX. Among other initiatives, the Group also increased its share in VideoAmp; G+J further expanded the app-discovery platform AppLike. Compared to the same period of the previous year, digital revenues at RTL Group surged by 47 percent to €389 million in the first half of this year, and at Gruner + Jahr by 23 percent in the core markets to €128 million. Bertelsmann companies now collectively reach more than two billion followers worldwide on social media.

The Fremantle Media **growth platform** achieved worldwide audience successes, especially with the new series “American Gods.” BMG acquired the BBR Music Group in Nashville, the largest single acquisition in the recordings business since the music subsidiary was founded. The company also signed prominent artists such as Kylie Minogue and Fergie. Arvato expanded its international logistics network with new sites in Germany, the Netherlands, and the U.S. and acquired a stake in the Fintech start-up Solaris Bank. The educational activities also developed positively: The online education provider Relias Learning grew both organically and through acquisitions; Udacity was able to more than double its number of students during the reporting period.

Bertelsmann increased its footprint in the **growth regions**. In the first six months of the year, BAI made ten new investments. Bertelsmann India Investments bought a shareholding in the Indian education company Eruditus. Also in India, Arvato also took over the analytics start-up Ramyam, and in Brazil increased its stake in Intervalor to over 80 percent.

The result of the strategic measures is a **significantly improved growth profile** for Bertelsmann: the **revenue contribution of high-growth businesses** to Group revenues increased to 31 percent (H1 2016: 29 percent). The share of structurally declining business remained around four percent. In the medium term, the high-growth businesses are expected to generate a revenue share of around 40 percent.

Bertelsmann’s Chief Financial Officer Bernd Hirsch said: “Bertelsmann has a solid financial position and a high equity ratio of 42 percent. Even after the Penguin Random House share increase, we will continue our conservative financial policy and continue to be guided by our self-imposed financing objectives. We are confident about the operating performance for the rest of the year, and continue to expect higher revenues, continued high operating profitability, and Group profit of over a billion euros.”

Corporate divisions:

RTL Group

Highlights

- *“American Gods”*: The series, eagerly awaited by fans worldwide, launches on the US cable network Starz and can be watched internationally via the Amazon Prime Video streaming service.
- *“American Idol”*: Fremantle Media brings one of the world’s most popular and iconic TV shows back to screens for the 2017–18 season on the US network ABC.
- *“Sing meinen Song – Das Tauschkonzert,” “Kitchen Impossible” and others*: Vox secures its position among the leading TV channels in Germany with local formats – ahead even of competitor ProSieben in terms of total audience.

RTL Group’s revenues increased by 3.5 percent to €3.0 billion in the first half of 2017 (H1 2016: €2.9 billion). Key contributors to this development were the fast-growing digital businesses and the group’s three largest business units – Mediengruppe RTL Deutschland, Groupe M6 and Fremantle Media. Operating EBITDA declined by 7.7 percent year on year to €624 million (H1 2016: €676 million). In the previous year, RTL Group benefited from a positive effect from the phase-out of the M6 Mobile contract at Groupe M6. Adjusted for this, RTL Group’s operating profit was only slightly down. In a challenging environment, RTL Group’s families of channels delivered a positive performance in a number of areas. In its core markets of Germany and France, RTL Group was able to expand its leading positions in terms of both audience shares and advertising revenue. In Germany, RTL Television was the only broadcaster to attract a double-digit audience share in the target group, further increasing its lead over its largest commercial competitor. In France, the flagship channel M6 recorded a slight decline in audience share, but remained the clear number two in the target group. In the previous year, M6 benefited from very high ratings thanks to live broadcasts from soccer’s European Championship in France. In the first half of 2017, Fremantle Media recorded higher revenues as well as a slight improvement in its earnings contribution, mainly due to higher revenues at Fremantle Media International and from Europe and North America. In particular, the production *“American Gods”* contributed significantly to the growth in revenues – through its sales to the US cable network Starz and to the international streaming service Amazon Prime Video. RTL Group’s digital businesses continued to grow dynamically. In the reporting period, their revenues increased by 47.3 percent to €389 million (H1 2016: €264 million). RTL Group also recorded higher platform revenues. TV advertising accounted for less than 50 percent of RTL Group’s revenue.

Penguin Random House

Highlights

- *Penguin Random House secures worldwide rights to each of the two books being written by former US President Barack Obama and former First Lady Michelle Obama and will publish globally in all its territories.*
- *Penguin Random House Grupo Editorial expands its strong market positions in Spain and Latin America with the acquisition of Ediciones B publishing group.*
- *“Into the Water,” the second thriller by “The Girl on the Train” author Paula Hawkins, sells more than 600,000 copies in the English- and German-speaking territories in just two months.*

Penguin Random House published numerous bestsellers in the first half of 2017 and recorded a positive business performance with earnings growth. Including Verlagsgruppe Random House, the German publishing group wholly owned by Bertelsmann, Penguin Random House's revenues remained stable at €1.5 billion, a 1.1 percent year-on-year rise (H1 2016: €1.5 billion). Further growth in audio sales, higher revenues in the Asia Pacific region and expansion of the third-party publisher services business contributed to offset a decline in e-book revenues in the English-speaking countries. Operating EBITDA rose by 11.4 percent to €206 million (H1 2016: €185 million). In addition to positive impetus from the businesses in North America, Spain and Australia, further post-merger operational improvements were impactful. In the United States, Penguin Random House publishers had 263 titles on the "New York Times" bestseller lists in the first half of the year, 37 of them at number one. The biggest-selling single title for the period was the novel "Thirteen Reasons Why" by Jay Asher, which benefited from a media adaptation and sold more than a million copies across all formats. Other major bestsellers were "Into the Water" by Paula Hawkins and "Camino Island" by John Grisham. In addition, various classics from Dr. Seuss sold more than five million copies. In February, Penguin Random House secured the worldwide rights to each of the two books being written by former US President Barack Obama and former First Lady Michelle Obama and announced plans for a global publication event. In the United Kingdom, 45 percent of the books included in the top 10 of the "Sunday Times" weekly bestseller lists were Penguin Random House titles. In addition to "Into the Water" and Lee Child's "Night School," several classic Roald Dahl children's books were among the division's bestselling titles. Penguin Random House Grupo Editorial recorded a positive business performance, boosted in part by increasing e-book revenues. The acquisition of the Ediciones B publishing group expands and strengthens its market positions in Spain and Latin America. In Germany, Verlagsgruppe Random House placed 238 titles on the "Spiegel" bestseller lists. Numerous Penguin Random House authors won internationally renowned awards, including four of five Pulitzer prizes for Letters and the Man Booker International Prize. In the reporting period, Bertelsmann owned 53 percent of shares in Penguin Random House; Pearson, 47 percent. In July, Bertelsmann agreed to an increase in its shareholding to 75 percent, while Pearson retains the remaining 25 percent. The completion of the acquisition is scheduled for the fourth quarter.

Gruner + Jahr

Highlights

- *Portfolio expansion: New lifestyle magazine "Hygge" from G+J subsidiary Deutsche Medien-Manufaktur is the fifth title since it was founded in 2016; others include "Essen & Trinken mit Thermomix."*
- *On an expansionist path: G+J's historic title "Schöner Wohnen" now also offers a furniture collection, once again extending the brand's range of offers.*
- *Digital growth: The app-discovery platform AppLike is already active in markets in 15 countries, making it the most international digital business at G+J.*

Gruner + Jahr continued its strategic transformation. The first half of the year was characterized by a successful business in Germany and continued growth in the digital business. Revenues declined by 4.4 percent to €743 million (H1 2016: €777 million) in particular due to the sale of the News Group in Austria and the publishing business in Spain in the second half of 2016. Operating EBITDA rose to €59 million (H1 2016: €52 million), an improvement of 13.5 percent year on year.

G+J Germany significantly increased its revenues and earnings in the first half of the year due to organic double-digit growth in the digital business, Deutsche Medien-Manufaktur (particularly its publications “Landlust,” “Essen & Trinken mit Thermomix” and “Hygge”), and the more than a dozen new magazine titles that G+J has successfully launched in Germany over the past two years. Thanks to the new businesses, revenues from print ads remained stable, on a par with the previous year’s level, while revenues from magazine sales actually increased considerably. The content communication provider Territory and the DDV Media Group in Dresden also recorded slightly higher revenues year on year. In France, Prisma Media’s revenues declined moderately as a result of the general market trend. The sustained growth in G+J’s digital business continued in the first half of the year. Digital revenues in the core markets of Germany and France rose by 23 percent. The reason for this was the organic business in line with the “content, community, commerce” strategy, acquisitions from 2016 – including Webguerillas and the advertising platform LiquidM – and the company’s successful digital start-ups, especially AppLike.

BMG

Highlights

- *BMG acquires the BBR Music Group, securing a relevant position in the lucrative country music market.*
- *BMG signs contracts with international artists such as Avril Lavigne, Fergie, Kylie Minogue and Mando Diao.*
- *BMG clients, including Nickelback (records) and DJ Khaled (music publishing), experience significant chart success.*

Bertelsmann’s music subsidiary BMG continued to grow its business and expand its market position in the first six months of the 2017 financial year. Revenues increased by 28.0 percent to €233 million (H1 2016: €182 million). This development was driven primarily by the recording and music publishing business in the United Kingdom and the United States, as well as the music publishing business in Australia. Operating EBITDA was €40 million, a year-on-year increase of 25.0 percent (H1 2016: €32 million). With the acquisition of the BBR Music Group (BBRMG) in the reporting period, BMG made its biggest single acquisition in the recording business since its launch in 2008. BBRMG includes the country music labels Broken Bow Records, Stoney Creek Records, Wheelhouse Records and Red Bow Records, as well as the music publishing company Magic Mustang Music. It also represents the rights to well-known country music artists like Jason Aldean and Dustin Lynch. The deal gives BMG a significant position in the country music capital of Nashville, Tennessee – and thus in the lucrative country music market. BMG also strengthened its portfolio in the recorded-music rights sector by signing a number of contracts with international artists including Avril Lavigne and Fergie in the United States, Kylie Minogue in the United Kingdom and Mando Diao in Germany. The Bertelsmann music subsidiary also achieved success in the publishing segment, for example, renewing contracts with the American singer-songwriter Hillary Lindsey and DJ Khaled. In the first half of 2017, BMG clients achieved significant chart success, including shares in the international hits “I’m the One,” “Despacito” and “Wild Thoughts” and Roger Waters’s album “Is This the Life We Really Want?”

Arvato

Highlights

- *Arvato acquires the IT and analytics company Ramyam. The Indian start-up will help Arvato structure large volumes of data, as well as develop and market new big data solutions.*

- *In the supply chain management business, Arvato expands its existing network of European sites – for example, in France for the key customer Zalando.*
- *Arvato invests in the Fintech start-up Solaris Bank, thereby securing long-term access to innovative financial technology.*

In the first six months of this year, the services subsidiary Arvato increased its revenue and achieved a first-half operating result that was below the previous year. Revenues grew by 0.3 percent to €1.9 billion (H1 2016: €1.9 billion), while operating EBITDA decreased by 18.5 percent to €145 million (H1 2016: €178 million). In the first half of the year, the operating result of Arvato CRM Solutions' service center business was impacted by a decline in the volume of business in the telecommunications sector and by high start-up costs for expanding the business with new and existing customers from other sectors. Arvato made a strategic investment for CRM Solutions in January with the acquisition of Ramyam, an Indian IT and analytics company. Arvato SCM Solutions' supply chain management revenues showed a positive development. This was achieved, among other things, by expanding existing national and international business relationships. Arvato also expanded its existing SCM network and opened several new distribution centers – including in France for its key customer Zalando. Start-up costs were incurred for these construction measures and the launch of new operations, for example, for customers in the high-tech industry. Revenues for the first half of 2017 also developed positively for the financial services businesses pooled in Arvato Bertelsmann Interim Report January–June 2017 15 Financial Solutions. Arvato made several investments during the reporting period. By acquiring a stake in the Fintech start-up Solaris Bank, the company secured long-term access to innovative financial technology to strengthen its own portfolio. Moreover, Arvato increased its stake in the Brazilian financial services provider Intervalor from 40 percent to over 80 percent. The IT services provider Arvato Systems expanded its business, especially in the Netherlands, the United Kingdom and Scandinavia. It was particularly successful with its positioning in the healthcare market: Arvato Systems provides solutions for the serialization of medicinal products and introduced them to the market in 12 European countries during the reporting period.

Bertelsmann Printing Group

Highlights

- *Offset printing businesses in Germany and gravure printing in the United Kingdom enjoy high capacity utilization, counter to the market downtrend.*
- *Mohn Media commissions a third 96-page offset press as part of expanding its brochure business.*
- *Sonopress grows its market share in Ultra HD storage media replication.*

In the first six months of the 2017 financial year, the Bertelsmann Printing Group saw its revenues decline by 0.6 percent to €811 million (H1 2016: €816 million) compared to the same period last year. One reason for this was the overall decline in gravure and storage media replication markets. Operating EBITDA also fell from €49 million to €47 million. At the beginning of February, parts of Arvato's digital marketing business were retroactively integrated into the Bertelsmann Printing Group with effect from January 1, 2017. In particular, these included AZ Direct's activities in Germany, Austria and Switzerland, as well as DeutschlandCard. The Bertelsmann Printing Group's offset printing businesses in Germany recorded a positive development in their revenues and operating EBITDA during the reporting period. The offset printing company Mohn Media bucked the market, enjoying consistently high capacity utilization.

As part of the expansion of the brochure business, a third 96-page offset press was put into operation. Prinovis Group's gravure printing activities similarly stood their ground, counter to the general market trend. The German sites had a high level of capacity utilization, as did Prinovis UK in Liverpool, which successfully added new customers in the first half of 2017. In the book printing segment, the Bertelsmann Printing Group's US printing plants were able to increase their revenues in an environment that continued to be fiercely competitive. However, the operating result was slightly below that of the previous year. Given the general market situation, worldwide revenues from storage media replication declined as expected. Meanwhile, at its headquarters in Gütersloh, Sonopress further expanded its replication activities in the innovative Ultra HD format due to new customer acquisition. Sonopress managed to further increase its market share in this segment.

Bertelsmann Education Group

Highlights

- *On a growth course: The e-learning provider Relias Learning wins additional customers and further expands its activities in the hospital segment.*
- *Acquisition: Relias Learning fully takes over the data analysis company WhiteCloud Analytics.*
- *IT training: The e-learning provider Udacity develops new Nanodegrees and increases student numbers.*

The education activities pooled in the Bertelsmann Education Group, with their focus on e-learning (health and technology) and education services, developed positively on the whole during the reporting period. The businesses that are fully consolidated by Bertelsmann achieved a significant increase in revenues of 43.8 percent to €92 million (H1 2016: €64 million). Operating EBITDA improved to €4 million (H1 2016: €-13 million), mainly due to the expansion of the e-learning provider Relias Learning and lower start-up losses compared to the previous year. Relias Learning grew both organically and through acquisitions. The Bertelsmann subsidiary expanded its customer base from some 5,900 to around 6,400 institutions, whose employees completed more than 17.5 million online courses in the first six months of the current year. Relias also continued expanding its activities in the hospital segment, and during the reporting period it took over WhiteCloud Analytics, a company specializing in data analysis and the improvement of clinical outcomes. The e-learning provider Udacity, together with renowned partner companies, accelerated the development of its range of courses and was able to more than double student numbers during the reporting period, including through the successful launch of new Nanodegrees on topics such as deep learning and robotics. Bertelsmann is one of the largest shareholders in Udacity. The education service provider HotChalk continued its partnerships with universities in the United States and supported them in the establishment and expansion of online degrees. Several thousand students at a number of universities are currently enrolled in programs supported by HotChalk. In the reporting period, Alliant International University, which specializes in psychology, continued its transformation by developing, among other things, a digital range of courses.

Bertelsmann Investments

Highlights

- *Bertelsmann digital funds invest in 14 companies with innovative business models and now have stakes in some 150 start-ups worldwide.*
- *Bertelsmann strengthens its activities in growth regions with relevant investments and successful trend scouting.*

- *Bertelsmann Asia Investments (BAI) again makes a relevant contribution to Group profit through capital gains from the sale of shareholdings.*

The Group's investment funds, forming the division Bertelsmann Investments, expanded their portfolio of holdings in international start-ups. Bertelsmann Asia Investments (BAI), Bertelsmann Brazil Investments (BBI), Bertelsmann India Investments (BII), and Bertelsmann Digital Media Investments (BDMI) made 14 new investments during the reporting period, so that Bertelsmann owned stakes in approximately 150 companies worldwide through the four funds as of June 30, 2017. The funds also made several follow-on investments in existing shareholdings. Across all countries, the investments focused on companies with innovative, digital business models, for example, in the Fintech sector, in education and in virtual reality. Bertelsmann Investments' business performance is mainly determined based on its EBIT, which at nearly €41 million was nearly on par with the first half of the previous year (H1 2016: €42 million). Capital gains from divestments – especially at BAI – once again made a relevant contribution to Group profit. During the reporting period, BAI also bought new stakes in 10 companies in China, including the financial service provider Linklogis and VeeR, an online platform for virtual reality videos. Follow-on investments were made in companies already in the portfolio, for example, the bike-sharing app Mobike and the financial service provider Meixin. In India, Bertelsmann strengthened its activities in the education market by acquiring a stake, through BII, in Eruditus Executive Education. The company develops executive education programs in partnership with prestigious universities such as Wharton, INSEAD and Harvard and markets and administers them in India, Southeast Asia and the Middle East. In Brazil, BBI and its partner Bozano Investimentos continued their establishment of a network of universities focusing on education in the healthcare sector. In the reporting period, BDMI made three new investments including charity start-up Omaze, as well as several follow-on investments, including in the next-generation publisher Clique Media.

Overview of Figures (in €millions)

	1,1.2017 – Jun 30, 2017	Jan 1, 2016 – Jun 30, 2016
Revenues	8,134	7,966
Operating EBITDA divisions	1,116	1,160
Corporate / Consolidation	(17)	(49)
Operating EBITDA	1,099	1,111
Special items	(15)	-
EBIT (Earnings before interest and taxes)	805	805
Financial result	(105)	(117)
Earnings before taxes	700	688
Income taxes	(197)	(206)
Earnings after taxes from discontinued operations	(1)	-
Group profit or loss	502	482

Investments (including financial debt assumed)	643	605
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	Balance as of Jun 30, 2017	Balance as of Dec 31, 2016
Economic debt	6,291	5,913

Division	Revenues		Operating EBITDA	
	Jan 1, 2017 – Jun 30, 2017	Jan 1, 2016 – Jun 30, 2016	Jan 1, 2017 – Jun 30, 2017	Jan 1, 2016 – Jun 30, 2016
(in € millions)				
RTL Group	2,978	2,878	624	676
Penguin Random House	1,532	1,516	206	185
Gruener + Jahr	743	777	59	52
BMG	233	182	40	32
Arvato	1,862	1,857	145	178
Bertelsmann Printing Group	811	816	47	49
Bertelsmann Education Group	92	64	(4)	(13)
Bertelsmann Investments*	-	-	(1)	1
Total Divisions	8,251	8,090	1,116	1,160
Corporate / Consolidation	(117)	(124)	(17)	(49)
Total Group	8,134	7,966	1,099	1,111

The comparable figures of the preceding period have been adjusted.

* The business development of Bertelsmann Investments is determined primarily based on EBIT. EBIT totaled €41 million (H1 2016: €42 million).

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 Gruener + 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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