PRESS RELEASE

Embargoed until: Tuesday, March 27, 2018, beginning of the press conference – 10:30 AM CET

Bertelsmann Continues On Growth Path with Record Operating Result and Billion-Euro Profit in 2017

- Revenue increase to €17.2 billion thanks to improved organic growth
- Operating EBITDA reaches record level of more than €2.6 billion
- At nearly €1.2 billion, Group profit at highest level since 2006
- Strategic majorities held in all divisions following share increase in Penguin Random House
- Economic investments of €1.8 billion
- Revenue share from high-growth businesses increases to 32 percent; digital activities generate 46 percent of total revenue
- Group calls for level regulatory playing field for technology platforms and media companies

Berlin, March 27, 2018 – The expansion of its digital and growth businesses continues to pay off for Bertelsmann: In 2017, the international media, services and education company saw a revenue increase, its strongest organic growth in five years, a record operating result, and a further improvement in Group profit. Bertelsmann's strategic advances in 2017 included increasing its shareholding in the world's largest trade publishing group, Penguin Random House, to a three-quarters majority. As a result, the Group holds majorities of 75 percent or 100 percent in all of its divisions.

Bertelsmann increased its revenues in the reporting period by 1.4 percent, to €17.2 billion (previous year: €17.0 billion). The key performance drivers were RTL Group; the music company BMG, which generated revenues of over €500 million for the first time; the services subsidiary Arvato; and the education activities pooled in the Bertelsmann Education Group. The Group's organic growth was 1.7 percent. Bertelsmann's high-growth businesses grew organically by five percent, generating 32 percent of total revenues, while the share of revenues accounted for by the digital activities rose to 46 percent.

At €2.64 billion, Operating EBITDA exceeded the previous year's record figure (€2.57 billion) by 2.7 percent. RTL Group, Gruner + Jahr, BMG and the Bertelsmann Education Group did particularly well. The EBITDA margin grew to 15.3 percent (previous year: 15.2 percent).

Group profit was also above the previous year's figure, and improved to around €1.2 billion (previous year: €1.1 billion). The positive development is due to the higher operating result and lower special items compared to 2016.
Thomas Rabe, Chairman and CEO of Bertelsmann, said: “Bertelsmann is growing faster and more profitably today than it has for years. We are increasingly growing under our own steam. This development is driven by our growth and digital businesses, in which we have invested €4.6 billion in recent years. Our financials for 2017 once again show that this expansion is paying off. Nearly half of our revenues come from digital businesses – and the trend is upward. The company is continuously becoming faster-growing, more digital, more international, and more diversified. We will continue this development in the next few years through further investments and intensified organic growth.”

The revenue contribution from the high-growth businesses reached 32 percent last year (2011: 20 percent). In the next few years, this is on course to increase to above 40 percent. Bertelsmann's growth businesses include the digital activities of RTL Group and Gruner + Jahr; Fremantle Media; BMG; Arvato's logistics and financial services businesses; and the Bertelsmann Education Group. Meanwhile, over the years, the revenue share contributed by structurally declining businesses has fallen from 16 percent (2011) to currently around four percent.

The revenue share from digital activities at Bertelsmann rose to 46 percent in 2017 (2011: 30 percent). The growing digital businesses of RTL Group, Gruner + Jahr, Arvato’s services for high-tech companies, BMG and Bertelsmann's digital education activities contributed to this, in part. The digital revenue share once again increased across all revenue categories, whether from digital advertising, products, distribution, sales or customers. In the years ahead, the digital share in Group revenues is expected to increase to over 50 percent.

Bertelsmann has also strengthened its international presence in recent years. In 2017, the company generated 27 percent of its revenues outside Europe (2011: 20 percent). This means that Bertelsmann's revenues outside Europe have increased by more than 50 percent since 2011. Bertelsmann's regional expansion focuses on Brazil, China, and India, as well as the United States, which is already the Group's second-largest market.

Having increased its shareholding in Penguin Random House, Bertelsmann has held strategic majorities of 75 percent and 100 percent of all its divisions since 2017, which strengthens its diversified Group structure, with eight divisions.

Thomas Rabe emphasized that Bertelsmann had made significant progress on all four of its strategic priorities in 2017 – strengthening the core, digital transformation, expansion of growth platforms, and expansion in growth regions.

**Strengthening the core:** RTL Group’s families of channels renewed important programming contracts such as Formula 1 in Germany, and increased its advertising market shares here, as well as in France. Penguin Random House achieved creative success worldwide and placed 461 titles on “The New York Times” bestseller lists. Its best-selling books in the U.S. included “Wonder” by R.J. Palacio and “Origin” by Dan Brown. Gruner + Jahr launched new magazines such as “Hygge” and “Ideen”; the Ad Alliance, operated jointly with the Mediengruppe RTL Deutschland, developed successfully. Arvato extended contracts with key customers, and the Bertelsmann Printing Group plants achieved good capacity utilization in the course of the year.

**Digital transformation:** RTL Group acquired full ownership of SpotX and announced that it would merge the advertising technology provider with Smartclip by the end of 2018 to create a digital ad sales platform. RTL Group’s online revenues rose by 23 percent in 2017. Gruner + Jahr’s digital revenues, too, increased significantly in the core markets of Germany and France, and the “Stern,” “Brigitte” and “Gala” websites each generated record levels of traffic. Arvato recorded growth with services for digital customers.
With their social media offerings, Bertelsmann companies now reach more than 2.4 billion followers worldwide. Bertelsmann reaches more than one billion people worldwide every day.

**Growth platforms:** Fremantle Media celebrated international audience successes in 2017, especially with the series “American Gods,” which was shown in more than 200 countries via the video service Amazon Prime. By acquiring BBR Music Group, BMG secured a relevant position in the country music market, and signed contracts with renowned artists such as Avril Lavigne, Fergie and Kylie Minogue. Arvato further expanded its supply chain management and financial services. In education, the Bertelsmann e-learning subsidiary Relias grew organically and through acquisitions. The online education platform Udacity, in which Bertelsmann has a stake, tripled the number of its students to around 50,000 thanks to new nanodegrees.

**Growth regions:** Through its four funds, Bertelsmann Asia Investments (BAI), Bertelsmann Brazil Investments (BBI), Bertelsmann India Investments (BII) and Bertelsmann Digital Media Investments (BDMI), the Group made more than 40 new and various follow-up investments in young companies, so that Bertelsmann now has more than 160 shareholdings around the world through its funds. The other divisions also expanded their activities in the growth regions: Arvato increased its stake in financial services provider Intervalor in Brazil, and Relias expanded its offering in China.

One strategic focus for Bertelsmann in the current year is the review of strategic options for Arvato's Customer Relationship Management (CRM) division. In January, the Group announced that it was launching a process toward this end that, beyond partnerships, also includes the sale of all or part of its CRM businesses. The Group expects the review to be completed in the second half of 2018. Bertelsmann will continue to operate the CRM business in the French-speaking territories.

Thomas Rabe: “One topic of high strategic relevance is competition with global tech platforms. Competition is a good thing, and we are facing up to the new players – with quite a bit of success. Every year, we invest around €5 billion in premium content. We offer our customers high reach and safe advertising environments. We have significantly expanded our digital capabilities, for example, in the areas of online video and advertising technology. And we work closely with the platforms where it makes sense. What is currently lacking is a level playing field between the tech platforms and media companies due to unequal regulation, for example, in the application of competition law or the regulation of the advertising markets.”

Bertelsmann's continued business expansion resulted in a high investment volume in 2017; economic investments amounted to nearly €1.8 billion (previous year: €1.3 billion). Besides purchasing additional shares in Penguin Random House and SpotX, Bertelsmann’s other acquisitions in 2017 included the BBR Music Group and the Ediciones B Spanish-language book-publishing group. Investments were also made in music catalogs and film rights packages, and Bertelsmann Investments acquired a stake in more than 40 innovative companies. Since 2012, Bertelsmann has invested more than €600 million through its four investment funds alone.

Bertelsmann CFO Bernd Hirsch said: “We made our financing targets in 2017 – despite the high level of investment, including the increase in our Penguin Random House shareholding. Our dynamic leverage factor of 2.5 is within our limit. Bertelsmann's financial position remains solid and we have strong cash flow from operations, which we will use to continue investing in our digital and growth businesses in the current year.”
Bertelsmann’s equity decreased to €9.1 billion in fiscal 2017 (previous year: €9.9 billion). The decrease is mainly due to the purchase-price payments in connection with the increased shareholdings in Penguin Random House and SpotX, and the payment of a special dividend to the co-shareholder Pearson. The equity ratio was 38.5 percent (previous year: 41.6 percent).

Net financial debt increased to €3.5 billion (previous year: €2.6 billion), mainly due to financing of the increase in the shareholding in Penguin Random House. The broader economic debt also increased accordingly, and amounted to around €6.2 billion as of December 31, 2017 (previous year: €5.9 billion). Adjusted operating free cash flow, by contrast, increased to €1.82 billion (previous year: €1.80 billion).

For the past fiscal year, Bertelsmann employees will receive profit participation totaling €105 million (previous year: €105 million).

In accordance with the terms governing the Bertelsmann 2001 profit participation certificate (ISIN DE0005229942), 15 percent on the nominal value is scheduled to be paid out on May 15, 2018. The payout for the 1992 profit participation certificate (ISIN DE0005229900) will be 8.73 percent (previous year: 8.09 percent).

Bernd Hirsch adds: “We have made a good start to the current year. The organic expansion of our growth platforms will further improve our growth profile. Accordingly, we expect higher revenues and continued high operating profitability in 2018. Our net profit should once again exceed one billion euros.”

**Other key financials:**

**Special items**
Special items were down to €-83 million in 2017 after the previous year’s €-139 million. Bertelsmann Investments made a positive contribution from gains from disposals of shareholdings.

**Cash flow**
In the reporting period, €1.64 billion (previous year: €1.95 billion) in net cash was generated from operating activities. The Group’s long-term operating free cash flow, adjusted for non-recurring items, was €1.82 billion (previous year: €1.80 billion). The adjusted cash conversion rate was 92 percent (previous year: 93 percent).

**Total assets**
Total assets remained near-stable at €23.7 billion (previous year: 23.8 billion) as of December 31, 2017. Cash and cash equivalents amounted to €1.4 billion (previous year: €1.4 billion). Equity decreased to €9.1 billion (previous year: €9.9 billion), mainly due to the increase in the Penguin Random House shareholding and the payment of a special dividend to the co-shareholder Pearson. The equity ratio was 38.5 percent (previous year: 41.6 percent).

**Investments**
Investments increased to €1.8 billion in the financial year (previous year: €1.3 billion). In the period under review, Bertelsmann increased its stake in Penguin Random House to a strategic three-quarters majority. Further investments were made in property, plant and equipment at Arvato, the acquisition of film rights at RTL Group, and of music catalogs at BMG.
Employees
At the close of the 2017 financial year, Bertelsmann employed 119,089 people worldwide. In 2017, 1,225 people were completing apprenticeships at Bertelsmann companies in Germany.

Divisions

RTL Group

RTL Group once again delivered a very gratifying business performance in 2017. The main drivers were Mediengruppe RTL Deutschland and the French Groupe M6, which managed to increase their advertising revenues in their respective stable TV advertising markets. Rapidly growing digital businesses also contributed to the positive business performance. RTL Group’s ad-tech business was expanded by the full takeover of the online video ad-serving platform SpotX. SpotX and Smartclip started merging into an integrated ad-tech powerhouse. RTL Group expanded its presence on numerous online platforms as part of its “Total Video” strategy, and saw strong growth in online video views. Against this backdrop, RTL Group’s revenues increased by 2.2 percent to a record €6.4 billion (previous year: €6.2 billion). Operating EBITDA also reached a new record, rising 5.2 percent to €1.5 billion (previous year: €1.4 billion). A positive one-off effect from the sale of commercial real estate in France and a higher contribution to earnings from Mediengruppe RTL Deutschland and RTL Group’s production arm Fremantle Media contributed to this. The EBITDA margin increased to 23.2 percent after 22.5 percent in the previous year. Mediengruppe RTL Deutschland once again ended the financial year with record revenues and earnings. This was fueled by higher advertising revenues from the TV and digital business, as well as growing platform revenues. The combined average audience share of the family of channels increased to 28.9 percent in the main target group (2016: 28.7 percent). At the same time, the group significantly widened its lead over its biggest commercial competitor to 4.5 percentage points (previous year: 3.4 percentage points). In France, Groupe M6 grew its revenues with higher TV advertising revenues and the first-time consolidation of French cashback market leader iGraal. Earnings decreased slightly as the previous year’s result had included the positive one-off effect from the gradual expiration of a mobile telephony agreement. RTL Group merged its French radio business, RTL Radio (France), with Groupe M6 in October, enabling a strengthening of its commercial offering as well as program and cost synergies. Groupe M6 achieved a combined TV audience share of 22.3 percent in the main target group (previous year: 22.2 percent). RTL Nederland recorded decreased advertising revenues during the reporting period, resulting in lower revenues and earnings. Fremantle Media reported slightly lower revenues for 2017 due to negative exchange rate effects, but increased its operating result as a result of higher profit contributions from North America and Europe. Its greatest creative successes included the fantasy series "American Gods," which was produced by Fremantle Media North America for the US cable channel Starz and has also been available to more than 200 territories since May 2017 through Amazon Prime Video, and UFA Fiction’s historical drama series “Charité,” produced for Das Erste in Germany. RTL Group continued to invest in its three strategic pillars of broadcasting, content and digital and, in addition to taking full ownership of SpotX, acquired a minority stake in the Israeli virtual-reality company Inception. Mediengruppe RTL Deutschland secured important sports rights to Formula 1 motor racing and UEFA Europa League soccer matches.

Penguin Random House

For Penguin Random House, the 2017 financial year was dominated by changes in the ownership structure, a strong bestseller performance and an expansion of the business in the Spanish-language territories. Bertelsmann increased its shareholding in Penguin Random House to a strategic three-quarters majority in October by acquiring another 22 percent from co-shareholder Pearson, thereby strengthening its governance rights. The operating business benefited from hundreds of national and international bestsellers.
“Wonder” by R.J. Palacio, its biggest-selling title in 2017 in the United States, received additional impetus through a movie adaptation and sold close to five million copies in print and e-book formats in its English-speaking territories. While print book revenues remained broadly stable overall, and e-book sales declined moderately, Penguin Random House again recorded strong growth in digital audiobooks. In 2017, the book group continued to expand its direct-to-consumer outreach to readers, and also acquired the world publishing rights for two books by former US President Barack Obama and former First Lady Michelle Obama. Inclusive of Verlagsgruppe Random House, the German publishing group wholly owned by Bertelsmann, Penguin Random House achieved stable revenues of €3.4 billion in 2017 (previous year: €3.4 billion, -0.1 percent). Negative exchange rate effects were largely offset by portfolio effects. The book group’s operating EBITDA declined by 2.9 percent to €521 million (previous year: €537 million) due to exchange rate effects. The EBITDA margin once again reached the high level of 15.5 percent (previous year: 16.0 percent). In the United States, Penguin Random House publishers placed 461 titles on the “New York Times” bestseller lists last year, including 61 at number one. In addition to R.J. Palacio’s “Wonder,” the year’s major successes included “Origin” by Dan Brown, “Camino Island” and “The Rooster Bar” by John Grisham and “Into the Water” by Paula Hawkins. Almost ten million copies of children’s book classics by Dr. Seuss were sold. In the United Kingdom, Penguin Random House UK publishers recorded growth. Titles published by Penguin Random House UK publishers achieved a 43 percent share of “The Sunday Times” top 10 weekly bestseller lists. Top sellers included “5 Ingredients” by Jamie Oliver, “Origin” by Dan Brown, and “Diary of a Wimpy Kid: The Getaway” by Jeff Kinney. Penguin Random House Grupo Editorial also increased its revenues, benefiting from strong frontlist and backlist sales, which more than offset declining economic development in several Latin American countries. With the acquisition of Ediciones B in July, Penguin Random House Grupo Editorial enhanced its position as the largest publisher in Latin America and its market position in Spain. Its bestselling titles in 2017 were “Una Columna de Fuego” (“A Column of Fire”) by Ken Follett and “Más allá del invierno” (“In the Midst of Winter”) by Isabel Allende. In Germany, notwithstanding the industry-wide impact of declining consumer traffic in bookstores, Verlagsgruppe Random House maintains its market-leading position. The publishing group had 401 titles on the “Spiegel” bestseller lists, including 22 at number one. “Die Geschichte der Bienen” (“The History of Bees”) by Maja Lunde was the bestselling book in Germany in 2017. Penguin Random House authors were honored with numerous major international literary awards. Kazuo Ishiguro, who is published by Penguin Random House, won the Nobel Prize in Literature. The publishing group’s authors also received four Pulitzer Prizes, two Man Booker Awards, and a US National Book Award.

**Gruner + Jahr**

Gruner + Jahr achieved a significantly higher operating result, attributable mainly to the growing German business. Revenues fell by 4.2 percent to €1.5 billion (previous year: €1.6 billion), due to portfolio adjustments, notably the sale of the publishing activities in Spain and Austria. However, growing digital revenues and new business, including new magazines, had a positive impact on earnings. Operating EBITDA improved by 6.2 percent to €145 million (previous year: €137 million), causing the EBITDA margin to rise to 9.6 percent (previous year: 8.7 percent). G+J grew both its revenues and earnings in Germany. The decline in the print ad-sales business, which was slight compared to the rest of the market, was offset by surging digital revenues. The German sales business also grew in total. The fast-growing digital business was a major contributor to the good business performance in Germany. The digital share of total revenues in the German core market rose to over a quarter. The AppLike marketing platform, founded in 2016, experienced strong growth. G+J’s most successful online offerings, such as the “Chefkoch” community and the journalistic flagsips “Stern,” “Gala” and “Brigitte,” each achieved record reach and revenues in the 2017 financial year. As in previous years, there were several new magazine launches in 2017, such as “Ideat,” “Hygge” and “Cord.”
Another positive contributor were the activities of the Ad Alliance jointly formed by RTL subsidiary IP Deutschland and G+J eMS, which develops cross-genre advertising concepts. “Der Spiegel” was added last year. The content communication agency Territory did well, and the DDV Media Group had a stable financial year in terms of revenues and earnings. G+J France’s business was dominated by moderate declines in revenues. The earnings fell sharply. In particular, the print advertising business and individual digital businesses came under pressure, including the digital video ad marketer “Advideum.” The journalistic digital offerings of the classic magazine brands such as “Voici,” “Gala” and “Femme actuelle” significantly increased their reach and sales, mainly due to growing revenues in the mobile and video segment. In sum, digital revenues rose year on year.

BMG

Bertelsmann’s music subsidiary BMG significantly grew its publishing and recorded-music business in 2017, expanded its scope to include audiovisual content and continued its international expansion. BMG benefited from the acquisition of the country label BBR Music Group, from prominent artist signings and chart successes, and a continuing upturn in the recorded music industry fueled by streaming and new emerging markets. BMG’s revenues increased by 21.8 percent to €507 million (previous year: €416 million). This is attributable to higher revenues across all market segments and regions through organic growth and acquisition, especially in the recorded music business and in the British, US and Australian publishing business. Operating EBITDA also increased due to organic and acquisition derived growth, rising by 9.5 percent to €104 million (previous year: €95 million). This development was driven by the recording business in the United States as well as by the publishing business in the United Kingdom and United States. The EBITDA margin was 20.5 percent (previous year: 22.8 percent). BMG expanded its portfolio with a series of purchases and catalog acquisitions. In January, the company acquired the BBR Music Group, which includes the country music labels Broken Bow Records, Stoney Creek Records and Wheelhouse Records, as well as the music publisher Magic Mustang Music. The deal secures BMG a significant position in the country music capital of Nashville – and thus in the lucrative country music market. In September, Chrissie Hynde, founder and singer of the British rock band The Pretenders, entrusted her entire song catalog to BMG. In the recorded-music business, BMG added Nickelback, Morrissey, Avril Lavigne, Fergie, Kylie Minogue and the rapper Kontra K to its artist roster. Further expansion of the recorded music business was accompanied by a strong showing in music publishing, with BMG songwriters responsible for each of the top three songs in the Billboard Hot 100 for 13 consecutive weeks in summer 2017. The company has strengthened its international footprint with enhanced representation in Canada and an expansion of its activities in China, including an innovative partnership with mobile social network Momo to develop Chinese talent with the help of BMG songwriters. BMG extended the range of services it offers to artists with an entry into the movie and television business. Its first major production – a documentary about Joan Jett – was selected to premiere at the Sundance Film Festival. Moreover, BMG grouped its production music interests into a new international business unit, focused on commissioning and marketing the rights to music specifically produced for movies, radio, the Internet, video games and advertising. BMG concluded significant partnership agreements with several major entertainment providers in the reporting period. The company now manages the music publishing rights of RTL Group’s content production arm Fremantle Media, the streaming provider Netflix and the production company Amblin Partners, founded by Hollywood legend Steven Spielberg. BMG also developed a mobile application called myBMG, which gives artists and songwriters a 24/7 overview of their constantly updated royalty information.
Arvato

Arvato posted a stable revenue performance and a decline in the operating result in 2017. Arvato's revenues rose by 1.6 percent to €3.8 billion (previous year: €3.8 billion). Especially due to challenges in individual markets and sectors as well as high start-up costs for new business, operating EBITDA in the reporting period was down by 10.0 percent to €320 million (previous year: €356 million). The EBITDA margin was 8.4 percent, after 9.5 percent in the previous year. In July 2017, Bertelsmann Chairman and CEO Thomas Rabe and Bertelsmann CFO Bernd Hirsch took over the management of the Arvato division. Revenues of the Solution Group Arvato CRM Solutions grew slightly in the financial year, but its earnings declined. The main reasons for this were declining business volumes in the telecommunications sector, start-up costs for new clients and the expansion of business with international companies from the IT/high-tech sector. The international network was expanded with the opening of new offices, including in the Philippines and Senegal. Arvato SCM Solutions massively expanded its global logistics network in the past financial year, reflecting its good order-book situation. In Germany, the United States, France, Austria and Poland, new distribution centers took up operations and some existing sites were expanded, including in the Netherlands and Germany. The Solution Group also expanded its services businesses, primarily in the core sectors of e-commerce, fashion & beauty, and healthcare, and significantly strengthened its North American business by taking over US deliveries for a major high-tech client. The start-up costs for these new business activities impacted earnings. Arvato Financial Solutions' financial services businesses did well in terms of both revenues and earnings. Its continued positive business performance was fueled primarily by the steadily growing business in the core market of Germany. To expand the service portfolio in the innovative fintech sector, Arvato Financial Solutions began a collaboration with Solaris Bank. In addition, the shareholding in the Brazilian financial services company Intervalor was increased from 41.5 percent to 81.5 percent. Demand for Arvato Systems' IT services remained high in 2017. To sustainably meet this demand, a nearshore site in Riga was opened, among other things. The expansion of business activities in the field of healthcare IT was successfully advanced, and further investments were made in emerging fields such as solutions for the smart-energy market and cloud services. In particular, the project costs for expanding the cloud capabilities had a negative impact on earnings.

Bertelsmann Printing Group

In the 2017 financial year, the Bertelsmann Printing Group recorded a slight decline in revenue to €1.7 billion (previous year: €1.7 billion, -1.6 percent) and in operating EBITDA, which dipped slightly by 2.3 percent to €118 million (previous year: €121 million). The reason for these changes is the continuing decline in the printing market. At 7.0 percent, the Group's EBITDA margin is on par with the previous year's level of 7.1 percent. The Bertelsmann Printing Group's offset printing business grew slightly in the 2017 financial year, and achieved a good result. Mohn Media was able to renew important customer contracts during the course of the year, including in the retail sector. GGP Media, a company specializing in print solutions for book publishers, successfully defended its position in a competitive market environment, as did the BPG subsidiary Vogel Druck, which specializes in magazines and catalogs with small to medium-size print runs. The gravure printing activities bundled in the Prinovis Group declined slightly overall due to difficult market conditions. In the United Kingdom, the business with the major customers acquired in 2016 was expanded. The German Prinovis sites suffered from chronic volume declines, especially in the magazine segment. This decline was countered by an extensive efficiency and cost reduction program, which was completed at the three German sites during the course of the year. The Bertelsmann Printing Group’s US printing companies faced intense competition in the book printing business. Significant declines in paperback production were at least partially offset by an expansion of the business outside the publishing sector. The US printers’ operating results were below the previous year’s level. Revenues at Sonopress fell slightly due to difficult market conditions in Mexico. At the Gütersloh headquarters, on the other hand, the
company once again bucked the overall market trend by increasing its production volumes, revenues and earnings. Among other things, this development is due to sales successes, also as a result of further market consolidation in Europe. During the year under review, Sonopress also further expanded the production of UHD Blu-ray discs. The print-related marketing services businesses, which were assigned to the Bertelsmann Printing Group since January 2017, offer cross-channel communication services, especially for the retail segment. These businesses showed a stable overall development due to, among other things, the expansion of digital direct-marketing solutions and the extension of important customer contracts.

Bertelsmann Education Group

Bertelsmann’s education holdings, pooled in the Bertelsmann Education Group, continued their expansion last year. With their focus on the e-learning (health and technology) and education services sectors, they recorded overall growth both in revenues and earnings during the reporting period. The revenues of Bertelsmann’s fully consolidated companies increased significantly in the past financial year, by 32.6 percent to €189 million (previous year: €142 million). Operating EBITDA rose to €3 million (previous year: €-17 million), mainly due to the successful development of the e-learning provider Relias and lower start-up and transformation costs in other businesses. The EBITDA margin was 1.8 percent (previous year: -11.6 percent). Relias, currently the most profitable business in the Bertelsmann Education Group, recorded significant growth, continued its expansion path during the reporting period, and grew both organically and through acquisitions. The company expanded its client base to more than 6,500 institutions, whose employees completed about 32.8 million online courses in 2017. Through the acquisition of the US company WhiteCloud Analytics, the Bertelsmann subsidiary further expanded its expertise in the fields of analytics and performance management, thereby expanding its existing business fields. In collaboration with industry leaders, the online learning provider Udacity launched several new Nanodegree programs, focusing on in-demand skills in innovative fields such as deep learning, digital marketing and software development for robotics. Udacity further expanded its international growth activities; the number of paying students on Udacity programs increased to approximately 50,000. Bertelsmann is one of Udacity’s largest shareholders.

Bertelsmann Investments

The Group’s four funds that comprise the Bertelsmann Investments division further expanded their global network of shareholdings in international start-ups in 2017. Bertelsmann Asia Investments (BAI), Bertelsmann Brazil Investments (BBI), Bertelsmann India Investments (BII) and Bertelsmann Digital Media Investments (BDMI) made a total of more than 40 new investments while also completing several exits, so that Bertelsmann held shares in over 160 companies through its corporate funds at year-end. Across all funds, the focus was on investments in lines of business that are very relevant for the Group, such as digital media offerings, e-commerce services, fintech and education. Bertelsmann Investments’ business performance is essentially measured by EBIT, which at €141 million significantly exceeds the previous year’s figure of €35 million. Capital gains from divestments once again made a positive contribution to Group profit in the past financial year. In China, BAI made 29 new investments during the reporting period, and seven follow-on investments, including in the bike-sharing app Mobike and mobile commerce services provider SEE. For the first time, four BAI holdings went public in a single year. In 2017, the premium lifestyle platform Secoo, the fintech company Lexin and the digital marketing platform iClick debuted on the New York technology exchange Nasdaq, and the online automobile retail transaction platform Yixin Group on the Hong Kong Stock Exchange.
In India, BII strengthened its education market activities by investing in the education company Eruditus Executive Education, which develops courses with global Ivy League universities. BII also made six follow-on investments, including in Treebo, a marketplace for budget hotels, and the fintech start-up Lendingkart, which brokers online loans to small and medium-sized companies in more than 900 cities. In Brazil, BBI continued the establishment of a university network focusing on healthcare education and training with its partner Bozano Investimentos, and increased its stake in Medcel, a provider of online preparatory courses for medical students. During the reporting period, BDMI made eleven new investments, including in the video company Wibbitz and the charity platform Omaze. At the same time, the fund made several follow-on investments, including in the next-generation publisher Clique Media. Through their work, all the funds helped to identify innovative and digital trends for the Group and further strengthen Bertelsmann’s position as an attractive business partner. Since 2012, the four investment funds have collectively invested more than €600 million in future-oriented companies.
Overview of figures (in € millions)

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<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>17,190</td>
<td>16,950</td>
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<tr>
<td>Operating EBITDA divisions</td>
<td>2,686</td>
<td>2,634</td>
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<tr>
<td>Corporate / consolidation</td>
<td>(50)</td>
<td>(66)</td>
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<td><strong>Operating EBITDA continuing operations</strong></td>
<td>2,636</td>
<td>2,568</td>
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<td>Special items</td>
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<td>(139)</td>
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<td><strong>Financial result</strong></td>
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<td><strong>Earnings before taxes from continuing operations</strong></td>
<td>1,677</td>
<td>1,555</td>
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<td>Income tax expense</td>
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<td><strong>Earnings after taxes from continuing operations</strong></td>
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<td><strong>Earnings after taxes from discontinued operations</strong></td>
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<td><strong>Group profit or loss</strong></td>
<td>1,198</td>
<td>1,137</td>
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| Economic investments (including financial debt assumed) | 1,776 | 1,262 |

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<th></th>
<th>Balance as of 12/31/2017</th>
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<tbody>
<tr>
<td>Economic debt</td>
<td>6,213</td>
<td>5,913</td>
</tr>
</tbody>
</table>

The figures from the previous year have been adjusted.

<table>
<thead>
<tr>
<th>Division</th>
<th>Revenues (in € millions)</th>
<th>Operating EBITDA (in € millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in € millions)</td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td><strong>RTL Group</strong></td>
<td>6,373</td>
<td>6,237</td>
</tr>
<tr>
<td><strong>Penguin Random House</strong></td>
<td>3,359</td>
<td>3,361</td>
</tr>
<tr>
<td><strong>Gruner + Jahr</strong></td>
<td>1,513</td>
<td>1,580</td>
</tr>
<tr>
<td><strong>BMG</strong></td>
<td>507</td>
<td>416</td>
</tr>
<tr>
<td><strong>Arvato</strong></td>
<td>3,823</td>
<td>3,763</td>
</tr>
<tr>
<td><strong>Bertelsmann Printing Group</strong></td>
<td>1,681</td>
<td>1,709</td>
</tr>
<tr>
<td><strong>Bertelsmann Education Group</strong></td>
<td>189</td>
<td>142</td>
</tr>
<tr>
<td><strong>Bertelsmann Investments</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total divisions</strong></td>
<td><strong>17,445</strong></td>
<td><strong>17,208</strong></td>
</tr>
<tr>
<td><strong>Corporate / consolidation</strong></td>
<td>(255)</td>
<td>(258)</td>
</tr>
<tr>
<td><strong>Total Group</strong></td>
<td><strong>17,190</strong></td>
<td><strong>16,950</strong></td>
</tr>
</tbody>
</table>

The figures from the previous year have been adjusted.
The business development of Bertelsmann Investments is determined primarily on the basis of EBIT. EBIT amounted to €141 million (previous year: €35 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 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 119,000 employees and generated revenues of €17.2 billion in the 2017 financial year. Bertelsmann stands for entrepreneurship and creativity. This combination promotes first-class media content and innovative service solutions that inspire customers around the world.

For further questions, please contact:

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