

PRESS RELEASE

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Germany's first EdTech IPO: Babbel plans its Initial Public Offering

- Babbel, a European champion and quality leader, develops and operates a unique interconnected ecosystem of online language learning experiences, focused on supporting the motivated learner's journey in a way that is engaging and effective
- Babbel's ecosystem consists of the following offerings: a language learning app that has sold millions of subscriptions and is grounded in an expert-created learning methodology; *Babbel Live* virtual group classes; and award-winning *Babbel Podcasts*. Babbel's ecosystem includes more than 60,000 expert-created lessons and more than 13,000 hours of evergreen content, available across multiple learning experiences, enabling the study of 15 languages from nine base languages. The ecosystem caters to both consumers, as well as companies via *Babbel for Business*
- Babbel targets motivated learners with high-quality content and a subscription-based business model, which has created high brand loyalty and trust. The results are industry-leading extension rates. 56% of 12-month subscriptions were renewed in 2020, and our consumer review score is 4.6 on Trustpilot*. Both are strong proof points that learners recognize clear benefits from Babbel's products
- Academic research by linguists from Yale University, Michigan State University, City University of New York (CUNY) is testament to Babbel's efficacy. While academics from Yale have demonstrated that 100% of Babbel learners improved oral proficiency within 3 months of using the app, researchers from CUNY showed that 15 hours of Babbel within a two-month period delivers the equivalent results of one semester of college Spanish**
- Babbel, a widely known and established brand in Europe, is rapidly scaling in the US as a leading and trusted brand. Its strong reputation and recognition are reflected in over 80% aided brand awareness in European markets and 64% in the US (up from 11% in 2015) as of Q2 2021
- The Company is operating in a highly attractive market, estimated to be worth around €50bn in 2019, and growing at a CAGR of 4-11% to 2025, with the majority of growth in that period due to growth in the online segment***
- Coming out of a banner-year in 2020, with €147 million in recognized revenues, Babbel's business continued to grow strongly at 18% year-on-year to €83 million sales revenues for H1 2021
- The intended public offering and listing on the regulated market (Prime Standard) of the Frankfurt Stock Exchange targets gross proceeds of approximately €180 million, the net proceeds will be used to further expand Babbel's ecosystem, introduce new learning experiences and/or access new geographic markets and to settle certain claims under existing employee incentive schemes. The Offering further includes shares from the holding of existing shareholders.
- Listing is expected to be completed in 2021, subject to market conditions
- As Babbel is a mission-driven company with a clear purpose, the existing shareholders have committed to pledge around 1% of the pre-IPO share capital to support language-oriented social projects

Berlin, September 7th, 2021– Babbel Group AG ("Babbel") announced today its intention to list its shares on the regulated market of the Frankfurt Stock Exchange (Prime Standard). The initial public offering and listing of Babbel's shares is expected to be completed in 2021, subject to market conditions. The planned offering is expected to comprise newly issued shares from a capital increase targeting gross proceeds of approximately €180 million, existing shares, and

shares in connection with possible over-allotments, covered by a greenshoe option provided by certain selling shareholders (together, the “Offering”). Founded in 2007 in Berlin, Babbel has grown from the world’s first language learning app to a global top-seller in the category. It now offers a whole ecosystem of various language learning experiences, from self-study lessons and reviews to *Babbel Live* virtual group classes, award-winning *Babbel Podcasts* and *Babbel for Business* B2B solutions that are tailored to corporate customers. The company is a European champion, with over 80% aided brand awareness across core European markets and a strongly established brand in the U.S. market, with 64% aided brand awareness.

Arne Schepker, CEO of Babbel, said: “Taking Babbel public is the logical next step for us to leverage our full potential as the first ever German EdTech IPO. After establishing our self-study app, we are now focusing on further expanding our multi-product ecosystem. This is right in line with our mission: to create mutual understanding through languages. Knowing that successful learners rely on various experiences, from podcasts and videos to apps, to effectively learn a language, we will provide these experiences and do so with expert guidance. This is designed to help language learners achieve their objectives, which in many cases profoundly enriches their lives. Seeing this incredible impact every day, as well as working with our fantastic teams, are the reasons why I enjoy being a Babbelonian every day.”

Hermione McKee, CFO at Babbel, adds: “The IPO is a key milestone for Babbel. We are very proud of the company’s growth in the last thirteen years, a true ‘tech success story made in Europe’. And we see further and huge growth potential for Babbel. Our strong operational base and market position means we are well-placed to drive growth through further enhancement and expansion of our ecosystem, scaling our B2B offering, continuing our growth journey in the U.S. and further expanding into new markets. Our company’s success is based on our mission, which we take very seriously. That is also why we, together with our current shareholders, have decided to pledge around 1% of the pre-IPO share capital to support language-oriented social projects.”

A global quality leader providing an ecosystem for everyone

Babbel is a European champion in digital language learning, rapidly scaling in the US as a brand with a strong reputation and recognition. It has built its product, organization and business model around motivated learners with a “learners first” approach. The content and experiences are designed by language experts to enable conversational ability and confidence in this ability. More than 180 didactics experts have utilized recognized academic learning practices and empirically proven strategies to develop a unique teaching method. Research has shown that dedicated learners can reach the equivalent of one college semester with 15 hours of using Babbel in a two-month period**. Combining the human intelligence of Babbel’s language experts with state-of-the-art technology, Babbel’s products leverage a highly scalable infrastructure to provide a seamless experience across devices and ongoing optimizations of the user experience.

Motivated and successful language learners frequently rely on a combination of different learning methods and touchpoints, from classes to podcasts to experiential learning. Babbel strives to provide all parts of such a network, developing an interconnected ecosystem of learning experiences and offering guidance within, and beyond, the app for the language learner’s journey. Babbel’s current offering includes a self-study app tailored to the user’s native language and interests, with features ranging from games to *Babbel Live* virtual group classes led by professionally trained and dynamic teachers, tailored B2B solutions with *Babbel for Business*, and award-winning *Babbel Podcasts* that have been downloaded in the millions. With this ecosystem, Babbel is able to deepen and improve learner engagement and outcomes by providing our learners with learning experiences that fit their needs.

Babbel promises to help learners speak their new language as fast as possible, no matter if they are learning for their next trip, out of cultural interest or for professional pursuits.

Attractive addressable market

Babbel operates in a highly attractive, growing market. The global language learning market in 2019 is estimated to have been around €50 billion and is expected to grow at 4-11% compound annual growth rate until 2025, with the vast majority of growth in the online segment. In fact, online solutions are expected to represent more than 40% of the market by 2025.***

In addition to the general mass adoption of learning online, partially driven by the COVID-19 pandemic, there are a number of other structural global changes driving language learning online. These include globalization, increasing mobility, technological improvements, the on-demand convenience of online learning and a higher return on both time and money invested compared to offline language learning.

The language learning industry is highly fragmented across learning methodologies, with only a limited number of players with sizable established presence***. Through its self-study platform, Babbel has achieved a position as a market leader in Europe and is growing quickly in the U.S., a market that offers a large opportunity for growth. In addition to vast experience in marketing its products, Babbel also has the pedagogical and technological credibility to continue to expand its market share.

Profitable growth, strong operational base and high scalability

Babbel introduced a premium subscription-based business model in 2009 and has since sold more than 10 million subscriptions, experiencing significant and continuing growth of revenues. Coming off a banner year 2020, with €147.3 million in sales revenues, Babbel has grown its business by 18% to €83 million for H1 2021, from €70 million in H1 2020.

Babbel's technology platform and content library, combined with its unique ecosystem, deliver meaningful cost and operational efficiencies as the company expands across markets and learning methodologies. Growth measures such as the expansion of Babbel's ecosystem, scaling of the B2B offering and expanding operations in North America and new markets have historically been funded organically through its strong cash generation. In the future, these growth levers will be complemented by strategic M&A activities.

Babbel intends to use the net proceeds from the sale of the newly issued shares to expand its B2B business, introduce new learning experiences and/or access new geographic markets and to settle certain claims under existing employee incentive schemes. The Offering further includes shares from the holding of existing shareholders.

BNP Paribas and Morgan Stanley are acting as Joint Global Coordinators and Joint Bookrunners, Berenberg and Citigroup are acting as further Joint Bookrunners.

* Status August 17th 2021

** Vesselinov, R., & Grego, J. *The Babbel Efficacy Study (Rep.)*, 2016, September

Van Deusen-Scholl & Lubrano. *Measuring Babbel's Efficacy in Developing Oral Proficiency*, 2019

*** OC&C Strategy and Analytics GmbH *Digital Language Market Study*, 2021

About Babbel:

Babbel develops and operates an ecosystem of interconnected online language learning experiences and is driven by the purpose of creating mutual understanding through language. This means building products that help people connect and communicate across cultures. The

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Babbel App, Babbel Live, Babbel Podcasts and Babbel for Business products focus on using a new language in the real world, in real situations, with real people. And it works: Studies by linguists from institutions such as Michigan State University, Yale University and the City University of New York demonstrated the efficacy of Babbel's language learning methods.

The key is a blend of humanity and technology. Babbel offers more than 60,000 lessons across 15 languages, hand-crafted by more than 180 didactics experts, with user behaviors continuously analyzed to shape and tweak the learner experience. This results in constantly adapting, interactive content with live classes, games, podcasts and videos that make understanding a new language easy, from Spanish to Indonesian.

Because Babbel is for everyone, its team is as diverse as its content. From its headquarters in Berlin and its U.S. office in New York, 750 people from more than 65 nationalities represent the backgrounds, characteristics and perspectives that make all humans unique.

Babbel sold over 10 million subscriptions by creating a true connection with users.

More information: <https://ir.babbel.com>

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The date of the admission to trading of the Company’s shares on the regulated market segment (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) (together, the “Admission”) may be influenced by things such as market conditions. There is no guarantee that Admission will occur and no financial decision should be based on the Company’s intentions in relation to Admission at this stage. Acquiring investments to which this release relates may expose an investor to a significant risk of losing all of the amount invested. Persons considering making such investments should consult an authorized person specializing in advising on such investments. This release does not constitute a recommendation concerning the Offering. The value of shares can decrease as well as increase. Potential investors should consult a professional advisor as to the suitability of the Offering for the person concerned.

In connection with the Offering, the Underwriters and their respective affiliates may take up a portion of the shares offered in the Offering as a principal position and in that capacity may retain, purchase, sell, offer to sell for their own accounts such shares and other securities of the Company or related investments in connection with the Offering or otherwise. Accordingly, references in the securities prospectus, once published, to the shares being offered, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or acquisition, placing or dealing by, the Underwriters and their respective affiliates acting in such capacity. In addition, the Underwriters and their respective affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which the Underwriters and their respective affiliates may from time to time acquire, hold or dispose of shares of the Company. The Underwriters do not intend to disclose the extent of any such investment or transactions, other than in accordance with any legal or regulatory obligations to do so.

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