Independent Auditor's Report

To Bertelsmann SE & Co. KGaA, Gütersloh

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of Bertelsmann SE & Co. KGaA, Gütersloh, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2019, the consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Bertelsmann SE & Co. KGaA, which is combined with the Company's management report, including the non-financial report pursuant to § [Article] 289b Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and § 315b Abs. 1 HGB, for the financial year from January 1 to December 31, 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1, 2019 through December 31, 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Recoverability of goodwill
❷ Recoverability of investments in associates
❸ Pension provisions
❹ Presentation of the Majorel Group

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

❶ Recoverability of goodwill

① Goodwill amounting in total to EUR 8.5 billion (31.3% of consolidated total assets or 81.7% of consolidated equity) is reported in the Company's consolidated financial statements. Goodwill is tested for impairment by the Company once a year on December 31 of the respective financial year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant goodwill is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is initially determined on the basis of fair value less costs of disposal. If this amount is higher than the carrying amount, a calculation of the value in use is no longer required. Since there are normally no available prices from active markets (exception: quoted price of the RTL Group and Groupe M6) or comparable transactions from the recent past for the cash-generating units, their fair value less costs of disposal, as well as value in use, is generally determined using discounted cash flow models (DCF).

For this purpose, the adopted business plan of the Group forms the starting point for in general between three and five detailed planning periods which are extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account.

The discount rate used is the weighted average cost of capital ("WACC") for the respective group of cash-generating units.

The impairment test determined that, even after taking into account the fair value less costs of disposal, it was necessary to recognize write-downs amounting to a total of EUR 27 million with respect to the CGU Education Services.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the business plan of the Group, adopted by the Board of Directors and approved by the Supervisory Board, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, evaluated the specific average costs of capital derived, and assessed the calculation model.

In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company and carried out our own sensitivity analyses for those groups of cash-generating units with low headroom (recoverable amount compared with the carrying amount).

We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the relevant goodwill.

We assessed the recoverability of goodwill of the RTL Group and of Groupe M6 on the basis of the stock exchange quotation as of the balance sheet date.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and fall within the ranges considered by us to be reasonable.

③ The Company's disclosures on goodwill are contained in section 9 of the notes to the consolidated financial statements.

❷ Recoverability of investments in associates

① The investments accounted for using the equity method reported in the Company's consolidated financial statements include investments in associates of EUR 0.6 billion.

A two-step impairment test is performed for investments in associates. The first step involves recognizing the investor's share in the impairment losses for the assets of the associate. If there are indications that the carrying amount of the investment in the associate may be impaired, the investment as a whole is tested for impairment in a second step and, if necessary, an additional impairment loss is recognized. This involves comparing the carrying amount of the relevant investment in an associate with the corresponding recoverable amount in the context of the impairment test. In general, the recoverable amount is initially determined on the basis of fair value less costs of disposal. If this amount is higher than the carrying amount, a calculation of the value in use is no longer required. Since, with the exception of Atresmedia, there are no available prices from active markets or comparable transactions from the recent past for the investments in associates, their fair value less costs of disposal, as well as value in use, is generally determined using discounted cash flow models (DCF).

For this purpose, the associate's business plan forms the starting point (three- and five-year detailed planning period). Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account in the associate's business plans. The discount rate used is the weighted average cost of capital ("WACC").

The recoverable amount of the investment in Atresmedia, which is material from the Group's point of view, is derived from the value in use.

The impairment test determined that it was necessary to recognize a write-down amounting to EUR 50 million with respect to the associate Atresmedia.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective associates, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the business plan for the associate, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the recoverable amount calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model.

In order to reflect the uncertainty inherent in the projections, we reproduced the sensitivity analyses performed by the Company and carried out our own sensitivity analyses with respect to those investments in associates with low headroom (recoverable amount compared with the carrying amount). Taking into account the information available, we determined that the respective carrying amounts of the investments were adequately covered by the discounted future cash flows.

We assessed the measurement of the recoverable amount of the investment in Atresmedia on the basis of the value in use and evaluated the calculation for the impairment.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and fall within the ranges considered by us to be reasonable.

③ The Company's disclosures relating to the recognized investments in associates are contained in section 11 of the notes to the consolidated financial statements.

❸ Pension provisions

① In the consolidated financial statements of the Company a total of EUR 2.0 billion is reported under the "Provisions for pensions and similar obligations" balance sheet item.

The pension provisions comprise obligations from defined benefit pension plans amounting to EUR 4.6 billion and plan assets of EUR 2.8 billion (net defined benefit liability of EUR 1.8 billion recognized in the balance sheet, of which EUR 1.9 billion in pension provisions) and other obligations similar to pensions of EUR 0.1 billion. The majority of these provisions amounting to EUR 3.6 billion relates to old-age pension commitments in Germany. The other obligations relate primarily to the United Kingdom and the USA, including a small amount of obligations from medical care plans in the USA. Obligations under defined benefit plans are measured using the projected unit credit method. This requires assumptions to be made in particular about future increases in salaries and pensions, average life expectancy (biometrics), and staff turnover. Furthermore, as of each balance sheet date the discount rate must be determined by reference to market yields on high-quality corporate bonds with matching currencies and terms which are consistent with the expected maturities of the obligations. The plan assets are measured at fair value, which in turn involves making estimates that are subject to estimation uncertainties. A large portion of the plan assets is managed by Bertelsmann Pension Trust e.V. as trustee in the context of a Contractual Trust Arrangement ("CTA") for pension commitments of Bertelsmann SE & Co. KGaA and several German subsidiaries.

From our point of view, these matters were of particular significance in the context of our audit because the recognition and measurement of this significant item in terms of its amount are based to a large extent on estimates and assumptions made by the Company's executive directors.

② As part of our audit we evaluated the actuarial expert reports obtained and the professional qualifications of the external experts. We also examined the specific features of the actuarial calculations and assessed the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with the standard and appropriateness, in addition to other procedures. In addition, we analyzed the development of the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and assessed their plausibility. For the purposes of our audit of the fair value of the plan assets, we obtained relevant bank confirmations for the fund units included in the plan assets. We also compared the fair values of the assets included in the plan assets with their respective market prices on the basis of appropriate sample testing.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented to justify the recognition and measurement of the material pension provisions.

③ The Company's disclosures relating to pension provisions are contained in section 18 of the notes to the consolidated financial statements.

❹ Presentation of the Majorel Group

① During the financial year, the Company merged its customer relationship management business ("Arvato CRM") with the CRM business of the Morocco-based Saham Group to form the Majorel Group ("Majorel") and in doing so decreased its shareholding in the Arvato CRM businesses. Both shareholders ultimately each hold a 50% interest in Majorel. Majorel is included in the consolidated financial statements since the Company has rights to appoint the majority of members to the relevant decision-making bodies and thus controls Majorel within the meaning of IFRS 10.

The decrease in the shareholding was recognized directly in equity as a transaction between shareholders in accordance with IFRS 10. The consolidated equity attributable to the Bertelsmann shareholders (including the reclassification of OCI items) increased by a total EUR 20 million.

The acquisition of the customer relationship management businesses of the Saham Group was accounted for as a business combination in accordance with IFRS 3 using the acquisition method.

The Majorel Group makes a significant contribution to the consolidated financial statements of Bertelsmann SE & Co. KGaA, from the perspective of both revenue and assets. In our view, this matter was of particular importance for our audit due to the complexity of the overall transaction and the material effect on the amounts involved on the Group's net assets, financial position and results of operations.

② As part of our audit and with respect to the presentation of the merger of the customer relationship management businesses to form the Majorel Group, we first obtained an understanding of the contractual bases and assessed the executive directors' decisions with regard to the accounting treatment.

We then assessed whether Bertelsmann controls Majorel within the meaning of IFRS 10. For this purpose we examined, among other things, the management structures and the decision-making powers that Bertelsmann is able to exercise within the relevant decision-making bodies.

With regard to the presentation in the statement of changes in equity, we reconciled the consideration received from the perspective of the Bertelsmann shareholders with the contractual agreements and other underlying documents, and assessed the addition to the non-controlling interests. We also verified and assessed the accounting treatment of the business combination with respect to the Saham CRM businesses.

Based on our audit procedures, we were able to satisfy ourselves overall that the merger of the CRM businesses of Bertelsmann and the Saham Group was properly accounted for and that the executive directors' assumptions underlying this accounting treatment are substantiated and sufficiently documented.

③ The Company's disclosures relating to its assessment that it has control of Majorel are contained in the notes to the consolidated financial statements under "Significant accounting judgments, estimates and assumptions." The Company's disclosures relating to the effects of merging the customer relationship management businesses on the Group's equity accounts are contained in section 11 "Interests in other entities" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the consolidated financial statements and the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Group.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on May 21, 2019. We were engaged by the Supervisory Board on July 4, 2019. We have been the group auditor of Bertelsmann SE & Co. KGaA, Gütersloh, without interruption since the financial year 2011.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Christian Landau.

Bielefeld, March 16, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christian Landau	Volker Voelcker
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)