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 balance sheet as at December 31, 2017, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in shareholders’ equity for the financial year from January 1 to December 31, 2017, and the 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 statement 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, 2017.

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 § 315e Abs. 1 HGB 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, 2017, and of its financial performance for the financial year from January 1 to December 31, 2017, 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 consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, 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”) and 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 group entities in accordance with the requirements of European law and 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, 2017. 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:

1. Recoverability of goodwill
2. Recoverability of investments in associates
3. Pension provisions
4. Full consolidation of Groupe M6
5. Increase of shareholding in Penguin Random House

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 Matter and issue

Goodwill amounting in total to EUR 8.1 billion (34.1% of consolidated total assets and 88.7% 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 fiscal 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 has been 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 calculated 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 Group's adopted business plan forms the starting point for generally 5 detailed planning periods, which are carried forward with 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 relevant group of cash-generating units, based on groups of comparable companies for the specific business and including premiums for country risks.

The impairment test determined that, even after factoring in the fair value less costs of disposal, it was only necessary to recognize write-downs amounting to a total of EUR 30.2 million with respect to the group of cash-generating units "Gruner + Jahr International".

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 Audit approach and findings

As part of our audit, we reviewed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the Group's business plan, adopted by the Executive Board and approved by the Supervisory Board, we assessed the appropriateness of the calculation, in particular by comparing it with general and sector-specific market expectations. We also assessed whether the basis for including the costs of Group functions was accurate. 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 in particular on the parameters used to determine the discount rate applied, evaluated the specific average costs of capital derived, and verified the calculation procedure.

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 groups of cash-generating units whose carrying amount was only slightly greater than the recoverable amount.

We assured ourselves that the necessary disclosures were made in the notes 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.

The recoverability of the Goodwills of the RTL Group and Groupe M6 have been evaluated based on the market capitalization at the closing date.

Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and fall within reasonable ranges.

③ Reference to further information

The Company's disclosures on recognized goodwill are contained in section 10 of the notes to the consolidated financial statements.

❷ Recoverability of investments in associates

① Matter and issue

The investments accounted for using the equity method reported in the Company's consolidated financial statements include investments in associates of EUR 0.9 billion.

For investments in associates, the first step involves recognizing the investor's share in the impairment losses for the assets of the associate, after adjustments to reflect the effects of the fair value measurement resulting from first-time consolidation. In addition, the investments in associates are tested for impairment by the Company whenever there are indications of impairment to determine any possible need for additional write-downs. 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. The recoverable amount is calculated on the basis of fair value less costs of disposal. 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. Depending on the associate, the detailed planning periods are between 5 and 10 years. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used was the weighted average cost of capital.

The fair value of the investment in Atresmedia, which is material from the Group's point of view, is derived from its stock exchange quotation.

The impairment test determined that, even after factoring in the fair value less costs of disposal, it was necessary to recognize write-downs amounting to a total of EUR 50.5 million with respect to the associates HotChalk, Editora Schwarcz, Affero Lab and Squawka.

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 Audit approach and findings

As part of our audit, we reviewed the methodology employed 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 in particular on the parameters used to determine the discount rate applied, and verified the calculation procedure.

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 groups of cash-generating units whose carrying amount was only slightly greater than the recoverable amount. Though we noted, that the respective book values of the investments, considering the available information, are covered sufficiently by the future discounted cash surpluses.

The determination of the fair value of the investment in Atresmedia has been derived from its stock exchange quotation and noted, that the book value of the investment is sufficiently covered.

Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and fall within reasonable ranges.

③ Reference to further information

The Company's disclosures relating to the recognized investments in associates are contained in section 12 of the notes to the consolidated financial statements.

❸ Pension provisions

① Matter and issue

Pension provisions amounting in total to EUR 1.7 billion are reported in the consolidated financial statements of the Company under the balance sheet item "Provisions for pensions and similar obligations." The pension provisions comprise obligations from defined benefit pension plans amounting to EUR 4.2 billion, plan assets of EUR 2.6 billion and other obligations similar to pensions of EUR 0.1 billion. The majority of these provisions amounting to EUR 3.2 billion relate 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 the yield 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 may in turn be subject to uncertainty derived from estimates made. 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.

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

② Audit approach and findings

Our audit included evaluating the actuarial expert reports obtained and the professional qualifications of the external experts. We also examined the specific features of the actuarial calculations and reviewed the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with standards and appropriateness, in addition to other procedures. In addition, we analyzed the development of the obligation and the cost components on the basis of the actuarial expert reports in the light of changes occurring in the valuation parameters and the changes in numerical data, and verified 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.

On the basis of our audit procedures, we were able to satisfy ourselves that the estimates applied and the assumptions made by the executive directors were sufficiently documented and supported to justify the recognition and measurement of the material pension provisions.

③ Reference to further information

The Company's disclosures on pension provisions are contained in section 19 of the notes to the consolidated financial statements.

❹ Full consolidation of Groupe M6
① Matter and issue

The Group holds fewer than 50% of the voting rights in Groupe M6 via its subsidiary RTL Group. Groupe M6 is included in the consolidated financial statements and makes a significant contribution to the consolidated financial statements of Bertelsmann SE & Co. KGaA, from the perspective of both revenues and assets. For the purpose of assessing whether control exists, the executive directors take into account, among other things, the fact that other holdings in Groupe M6 are widely dispersed and that the other non-controlling shareholders have not organized their interests in such a way that they intend to vote differently from the Group.

The executive directors of Bertelsmann SE & Co. KGaA are therefore of the opinion that de facto control of Groupe M6 exists in the sense of a material majority of the voting rights and that Groupe M6 is required to be included in the consolidated financial statements as a consolidated entity. Given that this assessment involves a high degree of judgment, this matter was of particular significance for our audit.

② Audit approach and findings

As part of our audit, we examined the management structures of Groupe M6, among other things. For this purpose, we evaluated in particular the rules and regulations for the appointment and dismissal of the members of the "Conseil de surveillance" of Groupe M6 as well as the decision-making powers which the RTL Group as a group entity of Bertelsmann SE & Co. KGaA is able to exercise over Groupe M6 by means of its presence in the "Conseil de surveillance."

The extent of the voting rights exercisable by the RTL Group in relation to the voting rights of the other shareholders and voting behavior at past annual general meetings were also factors that we considered. In addition, we investigated whether there were any further rights arising from contractual agreements.

In our view, the executive directors' assessment is sufficiently substantiated and documented.

③ Reference to further information

The Group's disclosures relating to its assessment that it has control of Groupe M6 are contained in the notes to the consolidated financial statements under "Significant accounting judgments, estimates and assumptions."

❺ Increase of shareholding in Penguin Random House
① Matter and issue

In the financial year, the Company increased its stake in the book publisher Penguin Random House by 22% to 75%. The first step in the overall transaction involved a recapitalization of Penguin Random House, which was used for dividend payments to the shareholders. The second step involved the purchase of 22% of the shares in Penguin Random House from the minority shareholder Pearson plc, London. All in all, the recapitalization and the payment of the purchase price resulted in net cash outflows of EUR 0.9 billion in 2017.

The difference between the non-controlling interests recorded in Group's equity up to the acquisition (22 %) of EUR 233 million and the consideration transferred in the amount of EUR 509 million was recognized in equity in accordance with IFRS 10 (equity transaction). All in all, the amount of Group equity attributable to the Bertelsmann shareholders including the reclassification of OCI posts fell by EUR 275 million as a result of the transaction.

The increase of the stake to 75% results in the inclusion of the US part of Penguin Random House in the consolidated US tax group of Bertelsmann.

In our view, this matter was of particular importance, due to the dimension of the transaction and as it has a material impact on the Group's liquidity, equity items and tax items.

② Audit approach and findings

With respect to the recognition of the acquisition of non-controlling interests of Penguin Random House we intensively dealt during our audit with the underlying contracts, the accounting assessment and tax-related assessments of the Company. Though we recognized the tax opinions obtained from the entity from consultants involved in this transaction.

We checked the outflow of liquid assets from the Group's perspective with the help of the underlying documents and recognized the impact on the cash flow statement. In addition we examined the amount of the non-controlling interests for reclassification, as well as the amount of the consideration transferred and the presentation in the statement of changes in equity.

In connection with the change in tax items resulting from the transaction, we assessed whether the requirements for the first-time inclusion in the consolidated US tax group of Bertelsmann had been met, and we reviewed the recognition of the current and deferred tax effects. Furthermore, we recognized the recoverability of the deferred tax assets on allowable temporary differences based on company internal forecasts of the future revenues and the appropriateness of the underlying assessments and assumptions.

Based on our audit procedures, we satisfied ourselves that the acquisition of non-controlling interests in Penguin Random House had been correctly presented.

③ Reference to further information

The Company's disclosures about the acquisition of non-controlling interests and their impact on Group's equity accounts are contained in section 12 "Shares in other companies" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises further the remaining parts of 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 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 Group's financial reporting process for the preparation of the consolidated financial statements and of 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 control.
- 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.
- 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 consolidated 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 12, 2017. We were engaged by the supervisory board on August 30, 2017. We have been the group auditor of the 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 12, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Werner Ballhaus	Christian Landau
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)