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Annual Report

axel springer

Contents

Group Key Figures

in € millions	Change yoy	2017	2016
Group			
Revenues	**8.3 %**	**3,562.7**	**3,290.2**
Digital media revenues share [1]		*71.5 %*	*67.4 %*
EBITDA, adjusted[2]	**8.5 %**	**645.8**	**595.5**
EBITDA margin, adjusted [2]		*18.1 %*	*18.1 %*
Digital media EBITDA share[1]		*80.0 %*	*72.5 %*
EBIT, adjusted[2]	7.0 %	504.0	471.1
Net income[3]	–16.0 %	378.0	450.0
Net income, adjusted[2] [3]	9.2 %	327.5	299.9
Segments[4]			
Revenues			
Classifieds Media	14.6 %	1,007.7	879.5
News Media	1.9 %	1,509.8	1,481.6
Marketing Media	15.0 %	984.5	856.2
Services/Holding	–16.8 %	60.7	72.9
EBITDA, adjusted[2]			
Classifieds Media	16.5 %	413.2	354.6
News Media	2.0 %	218.8	214.4
Marketing Media	16.3 %	95.6	82.2
Services/Holding	–	–81.7	–55.7
Liquidity and financial position			
Free cash flow (FCF)[2]	83.9 %	497.4	270.5
FCF excl. effects from headquarter real estate transactions[2] [5]	48.5 %	341.1	229.7
Capex[6]	–	–200.9	–156.8
Capex excl. effects from headquarter real estate transactions[5] [6]	–	–152.5	–130.4
Total assets[7]	–0.3 %	6,435.6	6,456.2
Equity ratio [2] [7]		*43.5 %*	*40.9 %*
Net liquidity/debt[2] [7]	–	–1,020.2	–1,035.2
Share-related key figures[8]			
Earnings per share, adjusted (in €)[2] [3] [9]	8.1 %	2.60	2.41
Earnings per share (in €)[3] [9]	–19.1 %	3.19	3.94
Dividend (in €)[10]	5.3 %	2.00	1.90
Closing price (in €)	41.2 %	65.13	46.13
Market capitalization[11]	41.2 %	7,027.2	4,977.2
Average number of employees	**3.3 %**	**15,836**	**15,323**

1) Based on the operating business (without the segment Services/Holding).
2) Explanations regarding relevant key performance indicators on page 33.
3) Continuing operations, for the portion attributable to discontinued operations see notes to the consolidated financial statements under note (2d).
4) Adaption of segment names to Classifieds Media (Classified Ad Models), News Media (Paid Models) and Marketing Media (Marketing Models), cf. page 12.
5) Referring to the new headquarter building in Berlin as well as the sale of the office building complex in Hamburg.
6) Cash flow from operating activities minus capital expenditures, plus cash inflows from disposals of intangible assets and property, plant and equipment.
7) As of December 31, 2017 and December 31, 2016, respectively.
8) Quotations based on XETRA closing prices.
9) Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 107.9 million).
10) The dividend for the financial year 2017 is subject to the condition of approval by the annual shareholders' meeting.
11) Based on shares outstanding at the closing price, excluding treasury shares (107.9 million; PY: 107.9 million).

Foreword

Dr. Mathias Döpfner
Chairman of the Executive Board

In the past year, the world has changed even faster than in previous years. Politically, economically, socially and technologically. The media market is affected by all four dimensions. The change happens quickly and profoundly. The end is not to be foreseen. Axel Springer was and is very well prepared for this. That's why we can look back on a very successful year together with you. We are more digital than ever before and therefore grow stronger.

At the beginning of the year 2017, we have positioned four key messages on the capital market:

1. In the Classifieds Media segment, we now regularly publish more information about our most important businesses. This enables our shareholders to better understand the good development.
2. For the News Media segment, we have given a stable outlook (adjusted EBITDA) for the year 2019.
3. In terms of our digital journalistic offerings, we want to show that these business models can be profitable before we make further significant acquisitions in this area.
4. Our focus is on Classifieds Media and News Media.

We have consistently implemented these messages. A winning formula that has been better understood, even outside of Axel Springer. As well as the fact that in the digital world we rely on both journalism and classifieds offerings: We give our customers more and more exactly what they need – precise information for important life decisions, for example when looking for a job or a flat.

Therefore, the Axel Springer share benefited from significant valuation premiums. The price increase of 41.2 % and the clear outperformance of all benchmark indices confirm this. In the second half of 2017 in particular, the share reached new all-time highs several times.

Axel Springer owns one of the world's largest portfolios of online classifieds companies, including brands such as StepStone, SeLoger and Yad2. This business is perceived much more by analysts and investors than ever before. For many of them, it now accounts for the majority of the company value. These classifieds again saw outstanding organic growth - stronger than we expected. Here, in addition to outstanding market positions and excellent management, we benefit from the continuing trend from print to online. As announced, this year we have introduced a new transparency with regard to our classifieds business. At two capital market days in London and New York, we gave analysts and investors a detailed insight into the business models.

The result in News Media was not only stable, it even increased slightly. Our strong media brands are seen by many people as a trusted source of information and entertainment, both in print and in the growing digital environment. This is reflected in the business: The subscription numbers in the digital sector continue to grow, advertising revenues have risen. Here again it shows that print as a business model is more stable than is often claimed.

Also noteworthy is the development of Business Insider. Our colleagues use the considerable reach of their content, e. g. videos, more and more to achieve higher revenues. Overall, Business Insider's growth in 2017 was over 45 %. And thus above the expected average growth that we had envisaged in the acquisition. In addition, we accelerated the internationalization of Business Insider through new country editions. Reach and user intensity of our offer for users of Samsung mobile phones, Upday, continue to be very good.

On the publishing side, we have tackled the reorganization of the national publishing units (WELT, BILD). With this modification, we want to further strengthen the brands, align our publications more closely to print and digital target groups, leverage synergies between the brands and thus further improve the overall economic prospects. Editorial departments that have already integrated print and digital are not affected.

With these measures we will not only live up to our economic responsibility. Especially in the area of "News Media" this was particularly challenging - and important in this year. "Fake News" and populist trends on the net are countered by our media with critical, profoundly researched journalism. This, too, was the key to success in 2017 for Axel Springer.

There were also important developments in the portfolio of our Marketing Media segment: In January 2018 we concluded an agreement for the sale of our shareholding in aufeminin at a very attractive price, subject to approval by the responsible competition authorities. In addition, we created a good starting position for further development with the merger between Awin and affilinet.

Our Supervisory Board appointed Dr. Stephanie Caspar to the Executive Board as of March 1, 2018. She assumes group-wide responsibility for a newly created division for technology and data. We have thus firmly established a paramount technology and data strategy at Axel Springer at the Executive Board level.

In addition to the major strategic lines, Axel Springer was strengthened by a series of individual projects. These include, among others, successful real estate transactions in Berlin. In this way, we reduce our capital tied up in real estate and achieve high level profits. Adjacent to our company headquarters, our new building is currently under construction. I am happy that we will build it together with Rem Koolhaas. It will match our idea of modern, digital work. The cultural change of Axel Springer is also evident in the Tuesday Townhall Talk. The regular event introduced last year enables all employees of all companies of Axel Springer to have discussions with the Executive Board. And with the expansion of the share participation program to other companies within the Group, we have enabled even more employees to participate in the economic success. Many employees take part in it and thus strengthen their ties to Axel Springer.

I am particularly happy that we have reached a goal in 2017 that is personally important to me: As of December 31, 2017, Axel Springer employed a proportion of 32 % women in management positions. We achieved this goal without quota. It is part of our cultural change. Diversity will continue to play a key role at Axel Springer, and the proportion of women should continue to rise.

My joy over the commercial success of the year 2017 is only surpassed by one other message. Since 16th February our employee Deniz Yücel is free. For over a year he was detained in Turkey, without being charged. His freedom makes us all very happy.

Many heartfelt regards

Mathias Döpfner

Executive Board

Dr. Mathias Döpfner

Chairman

Born 1963, journalist. Career milestones: Frankfurter Allgemeine Zeitung, Gruner+Jahr; Chief Editor Wochenpost, Hamburger Morgenpost, and DIE WELT. Member of the Executive Board since 2000, Chairman since 2002.

Jan Bayer

President News Media

Born 1970, Master's degree in media studies. Career milestones: Süddeutsche Zeitung; Publisher Volksstimme, Magdeburg; Publisher Süddeutsche Zeitung; Chairman of the Executive Board of the WELT Group. Member of the Executive Board since 2012.

Dr. Julian Deutz

Chief Financial Officer

Born 1968, Master's degree in business administration. Career milestones: OC&C Strategy Consultants; head of M&A/Investor Relations Pixelpark AG; CFO Venturepark AG; CFO Steilmann-Gruppe; Axel Springer International; Head of Group Controlling/Corporate Development Axel Springer SE. Member of the Executive Board since 2014.

Dr. Andreas Wiele

President Classifieds Media

Born 1962, lawyer. Career milestones: Editor, Hamburger Morgenpost; Head of Publishing Capital and Geo, Gruner+Jahr, Paris/France; Executive Vice President and Chief Operating Officer of Gruner+Jahr USA Publishing, New York. Member of the Executive Board since 2000.

Dr. Stephanie Caspar

Since March 2018
President Technology and Data

*1973, Master's degree in business administration. Career milestones: Engagement Manager McKinsey; Director Consumer Categories eBay; Member of the Management Team/Leiterin UX Immobilien Scout; CEO Mirapodo; Managing Director WeltN24; Managing Director Spring GmbH. Member of the Executive Board since 2018.

The Axel Springer share

Successful stock market year 2017

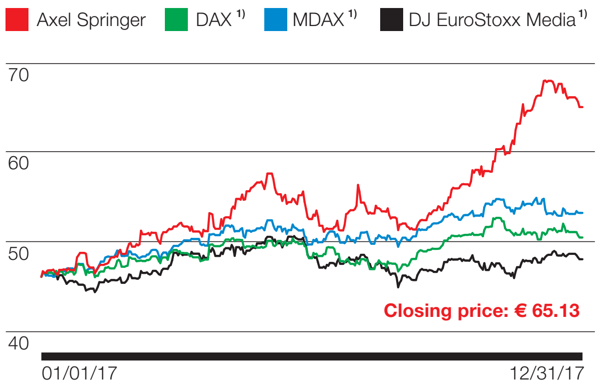
The stock exchanges can look back on a good year. The leading German index, the DAX (price index), closed the reporting year with growth of 9.6 %, while the MDAX (price index), which also includes the Axel Springer share, increased by 15.5 %. At the end of the year, the European media sector index DJ EuroStoxx Media was up 4.3 % on the previous year-end. The Axel Springer share gained 41.2 % for the full year, thus outperforming the benchmark indices. Market capitalization at the end of 2017 was around € 7.0 billion.

Share Information[1]

€	2017	2016	Change
Earnings per share, adjusted[2] [3] [4]	2.60	2.41	8.1 %
Earnings per share[3] [4]	3.19	3.94	– 19.1 %
Dividend[5]	2.00	1.90	5.3 %
Total dividend payout (€ millions)[5]	215.8	205.0	5.3 %
Year-end share price	65.13	46.13	41.2 %
Highest price	68.10	51.34	32.6 %
Lowest price	46.34	39.91	16.1 %
Market capitalization (€ millions)[6]	7,027.2	4,977.2	41.2 %
Daily traded volume (Ø, € thousands)	9,371.7	6,799.2	37.8 %
Dividend yield[5] [6]	3.1 %	4.1 %	-
Dividend yield per share per year[7]	45.3 %	– 6.6 %	-

[1] Quotations based on XETRA closing prices.
[2] Explanations with respect to the relevant key performance indicators on page 33.
[3] Continuing operations, for the portion attributable to discontinued operations see notes to the consolidated financial statements under note (2d).
[4] Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 107.9 million).
[5] The dividend for the financial year 2017 is subject to the condition of approval by the annual shareholders' meeting.
[6] Based on shares outstanding at the closing price, excluding treasury shares (107.9 million; PY: 107.9 million).
[7] Share price development plus dividend payment.

Performance Axel Springer Share in €



[1] Indexed on the year-end share price of Axel Springer SE as of December 31, 2016.

Analyst Coverage

The number of analysts publishing ratings of the Axel Springer share increased from 17 to 18 in the 2017 financial year. At the time of preparation of the annual financial statements, eight brokers recommend our share for purchase, eight classify it as "hold/neutral" and two recommend our share for sale. You can find the latest recommendations and share price targets in the Investor Relations section on our website at www.axelspringer.de.

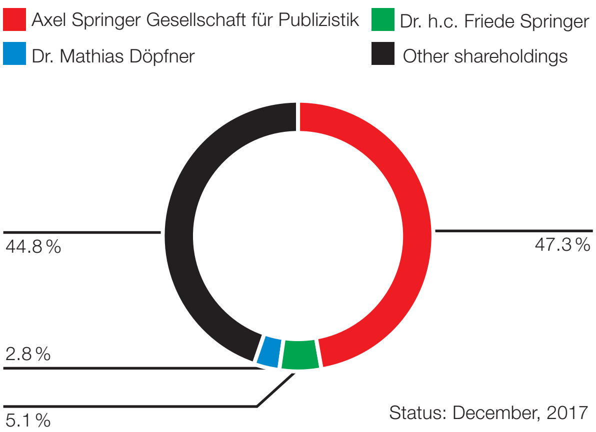
Investor Relations

The company's Management and Investor Relations team presented the company and its strategy at investor conferences and road shows in Europe and the United States on a total of 19 days. In addition, we held regular dialogues with investors, analysts and other capital market participants in numerous discussions and telephone conferences throughout the year. As usual, the telephone conferences held in connection with the publication of our financial reports were broadcasted live on the Internet as audio webcasts and will continue to be available on our website.

At the end of June, we also held two Capital Market Days in London and New York for the first time, which were dedicated exclusively to the classifieds business of Axel Springer. Almost all companies in the Classifieds

Media segment were represented by presentations from top management. For the first time, revenues and earnings of the individual companies were presented for these companies in addition to detailed operating figures. We will continue to maintain our high level of transparency in the future and provide semi-annual information about the developments in our classified offers. Both events enjoyed great interest: A total of around 100 analysts and investors accepted the invitation on site. In addition, many market participants watched the event live as a webcast. A video recording of the event can be found on our website www.axelspringer.de/cmd2017.

Shareholder Structure



Status: December, 2017

Annual shareholders‘ meeting

The annual shareholders' meeting of Axel Springer SE took place in Berlin on April 26, 2017. Around 410 shareholders or 87.5 % of capital carrying voting rights participated. All resolutions proposed by the Management - including the proposal to increase the dividend by 5.6 % to € 1.90 (PY: € 1.80) per qualifying share - were approved by majorities of at least 93.8 %. Based on the 2016 year-end price, our share achieved a dividend yield of 4.1 %. A total of € 205.0 million (PY: € 194.2 million) was distributed to our shareholders.

Share participation program

In recent years, employees and executives have benefited from the company's performance through a share participation program. So far, participation was only possible for employees of Axel Springer SE and its domestic subsidiaries. The existing share participation program was fundamentally revised, inter alia with the aim of extending the circle of eligible persons to a larger number of companies belonging to the Group. The new share participation program started in July 2017, initially with a six-month pilot phase for Axel Springer SE and all 100 % (subsidiary) companies in Germany, France, the UK and Belgium. Since January 2018, the program takes place with the regular attendance period of twelve months each. Eligible employees determine an amount of their basic salary, with which the corresponding number of shares are acquired each month. At the end of the year, employees receive a share grant of 30 % of the converted base salary. The subsequent holding period is two years.

Information on Listing

Share type	Registered share with restricted transferability
Stock exchange	Germany (Prime Standard)
Security Identification Number	it Juli 2017, z
ISIN	DE0005501357, DE0005754238
Capital stock	€ 107,895,311.00 / divided up into 107,895,311 registered shares with no par value
Thomson Reuters	SPRGn.DE

Combined Management Report

Summary of business performance and operating results in 2017

Axel Springer has had a very successful conclusion to the 2017 financial year. The forecast published in March 2017 and partially raised in August was met (see page 58).

In the reporting year, **revenues** of € 3,562.7 million were 8.3 % higher than the prior-year figure (€ 3,290.2 million). This increase was mainly due to the good operational development. In addition, consolidation effects also contributed, while currency effects had a negative impact overall. Organically, i.e. adjusted for consolidation and currency effects, sales revenues were 6.3 % higher than in the previous year. All operating segments contributed to this revenue growth.

The transformation towards an increasingly digital company is reflected in the share of digital business in our key figures: In 2017, we generated 71.5 % of our revenues and 87.1 % of our advertising revenue in the digital field.

Compared with the prior year, **adjusted EBITDA** increased by 8.5 % to € 645.8 million (PY: € 595.5 million). The return remained stable at 18.1 % (PY: 18.1 %). The partially significant increase in earnings in the operating segments was only opposed by a deterioration in earnings in the Services/Holding segment. Overall, we generated 80.0 % of our operating result in the past financial year with digital activities.

Adjusted earnings per share from continuing operations of € 2.60 were 8.1 % above the prior year's figure of € 2.41.

At the annual shareholders' meeting to be held on Wednesday, April 18, 2018, the Executive Board and Supervisory Board will propose a **dividend** of € 2.00 (PY: € 1.90) per qualifying share.

Outlook 2018

For the financial year 2018, we expect Group **revenues** to increase by an amount in the low to mid single-digit percentage range. Organically, we also anticipate an increase in the low to mid single-digit percentage range.

For **adjusted EBITDA**, we expect a rise in the lower double-digit percentage range. For the organic growth in EBITDA, we expect an increase in the mid to high single-digit percentage range.

For the **adjusted EBIT**, due to higher depreciation, we expect an increase in the lower single-digit percentage range, organically a rise in the lower to mid single-digit percentage range.

For the **adjusted earnings per share**, we expect an increase in the lower to mid single-digit percentage range. For the organic development, we anticipate an increase in the mid to high single-digit percentage range.

You can find detailed information on our forecasts on page 58.

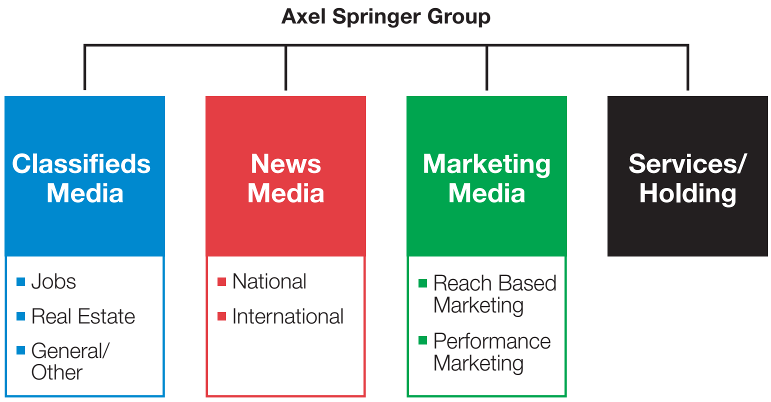
Introductory remarks

The combined management report for Axel Springer SE and the Group are summarized. The information contained in this combined management report relates to the economic situation and business performance of the Axel Springer Group. These statements are also largely applicable to Axel Springer SE. Additional information on the economic situation of the parent company Axel Springer SE is provided in a separate chapter on page 39.

For explanations of the key performance indicators used and the adjustments of our operating results, please refer to page 33 of the combined management report and the notes to the consolidated financial statements section (31).

Fundamentals of the Axel Springer Group

Segments



Business model

Axel Springer is a leading digital publisher with an emphasis on digital classifieds and journalism. Already today, 71.5 % of total revenues and 80.0 % of adjusted EBITDA are generated by digital activities. Axel Springer operates one of the world's largest portfolios of digital classifieds. From an economic point of view, these offers are the most important pillar in the Group, particularly those in the subsegment Jobs and Real Estate. In addition, the offers in the News Media segment include a broad-based portfolio of successfully established brands such as the BILD and WELT Group in Germany or Business Insider in the USA. The Marketing Media segment comprises all business models that generate revenues predominantly through reach-based or performance-based forms of advertising.

Legal structure, locations

Axel Springer SE, as the holding company of the Axel Springer Group, is a listed stock corporation with its registered head office in Berlin. The Group also maintains offices at other locations in Germany. In addition, the Group comprises numerous companies abroad. The consolidated shareholdings of the Group are listed in section (42) in the notes to the consolidated financial statements.

Segments of the Axel Springer Group

Axel Springer's business activities are bundled in three operating segments: Classifieds Media, News Media and Marketing Media. In addition, there is the Services/-Holding segment.

As part of the publication of the nine-month figures for 2017, we have adjusted the names of our segments. The former Classified Ad Models have been renamed Classifieds Media, the Paid Models have become News Media and the segment previously called Marketing Models has been changed to Marketing Media.
The content composition of the segments remained unchanged.

Classifieds Media

The Classifieds Media segment encompasses all business models that generate their revenues primarily through advertisers paying for advertising of jobs, real estate, cars, etc.

Portfolio and market position

Axel Springer has established one of the world's largest portfolios of leading online classifieds portals over the last few years. The activities of the Classifieds Media segment are divided into three subsegments: Jobs, Real Estate and General/Other.

The following graph gives an overview of the main brands in the Classifieds Media portfolio.

Portfolio Classifieds Media

Jobs	Real Estate	General/ Other
■ StepStone ■ Totaljobs/Jobsite ■ Saongroup	■ SeLoger ■ Immowelt ■ Immoweb	■ LaCentrale ■ Yad2 ■ @Leisure ■ meinestadt.de[1]

[1] As of 2018 part of the subsegment Jobs.

Jobs comprises the StepStone Group and its subsidiaries, the leading company among the private-sector job boards in Germany, the UK, Ireland, South Africa and other countries. With its portals specialized in expert and managerial staff, according to the market research institute TNS, StepStone delivers around two and a half times more applications than its nearest competitor in Germany. The Totaljobs Group and the Jobsite Group, which alongside the general main brands, also include among others the specialist portals Caterer.com, CWJobs.co.uk, CityJobs.com and eMedcareers.com, together deliver significantly more applications in the UK than their competitors.

In **Real Estate**, Axel Springer is the leading provider in France and Belgium with SeLoger and Immoweb. SeLoger is the largest company in France in the field of specialized real estate classifieds in France and has been able to increase its average revenue per agent through price measures as well as an expansion of its offering in recent years, reaching an average value of € 724 in 2017 (PY: € 676) per month. The SeLoger's portfolio also includes some highly specialized niche portals such as: bellesdemeures.com for luxury real estate. Since the first quarter of 2018, Logic-Immo.com is also part of the portfolio (see page 24). In Belgium, Immoweb achieved an average revenue per agent of € 514 per month (PY: € 460). The Real Estate subsegment also includes the German Immowelt Group, which was created in 2015 from the merger of Immowelt and Immonet and is the clear number two of the German real estate portals. In the year 2017, the focus of the Immowelt Group was again on the marketing of the DUO offer, which enables agents to place their properties on both portals. This resulted in another significant increase in average revenue per agent. In 2017, this averaged € 294 per month (PY: € 252).

General/ Other includes Car&Boat Media, based in Paris. The company operates LaCentrale, the leading specialist classifieds portal for used cars in France as well as other portals related to cars and boats. LaCentrale's average revenue per agent in 2017 was € 410 per month. The Yad2 Group includes the leading generalist classifieds portal in Israel for real estate, cars and classifieds, as well as a leading job board (Drushim). The subsegment also includes @Leisure, a leading operator of online holiday property rental portals. The group of companies based in Amsterdam includes, among others, the portals belvilla and casamundo as well as the company TraumFerienwohnungen and the DanCenter Group (previously Land & Leisure Group), which, among others, operates the portal DanCenter. The German regional portal meinestadt.de generates the majority of its revenues through digital classifieds.

Business model and key factors

The offers in the Classifieds Media segment generate revenues mainly through sales of classified ads. A certain price per ad is paid by HR departments for placing job ads, by estate agents for advertising real estate, and by car dealerships for publishing car ads. In addition, revenues are generated by marketing online advertising spaces and cooperations as well as through the provision of software functionalities for customers. Long-term growth drivers are, among others, the continuing relocation of classified ads to the Internet, the acquisition of new customers and the increasing monetization of the offer. Moreover, business developments are significantly determined by the economic environment in the respective market segments, the market position in the respective segment, and online usage behavior of advertisers and seekers.

Within **Jobs**, ads are sold to job providers and logins are offered to online CV databases that belong to the respective portals in which the job advertisers can actively search for suitable candidates.

Real Estate primarily generates revenues by selling advertising and display space to agents, project developers, housing agencies, or private individuals.

Within **General/Other**, revenues are based on the focus of the relevant portal. These include, among others, commercial automobile retailers, landlords of vacation homes, real estate agents and project developers. The portals are also partially aimed at private individuals who predominantly sell second-hand goods via this marketplace.

News Media

The News Media segment includes primarily business models that are based on content creation and funded by paying readers and/or advertisers.

Portfolio and market position

The News Media segment is sub-divided into national and international offerings. The main activities in the News Media segment are illustrated in the following chart.

Portfolio News Media

National	International
▪ BILD-Group ▪ WELT-Group	▪ Ringier Axel Springer Media ▪ Business Insider ▪ eMarketer ▪ upday ▪ Politico

The **digital portfolio** in **News Media National** mainly comprises BILD.de and WELT.de, including affiliated online portals such as Stylebook and Gründerszene, as well as the digital apps of magazines (including Autobild.de). In addition, with WELT (previously N24) a TV news channel belongs to the WELT Group. N24 was renamed WELT on January 18, 2018.

In terms of reach BILD.de is Germany's strongest news and entertainment portal with a digital subscription model. In addition, BILD.de has the widest reach of journalistic mobile offers in Germany. BILD.de is also distributed via mobile channels, with apps for nearly all kinds of smartphones, tablet PC and smart TV, not to mention the mobile portal. In 2017, in addition to our portal Upday, it was one of the two most-visited mobile media brands in Germany ("digital facts 2017 12", AGOF - Working Group for Online Research). BILD.de also offers other products such as fitbook.de and travebook.de.

WELT digital products are some of the most successful stationary and mobile Internet sites in the segment of German quality media. The offering is also available on PC tablet, smartphones and e-readers as well as a digital subscription. WELT (previously N24) is leading in the TV news channel segment and maintained its 1.4 % market share in 2017 among the 14- to 49-year-old advertising-relevant audience group.

The **print portfolio** in the **News Media National** segment comprises the newspapers of the umbrella brands BILD and WELT, as well as our magazines.

BILD is Europe's biggest daily newspaper with the widest reach, as well as the unchallenged number one in Germany with a share of 79.4 % of newsstand sales (all figures for the German newspapers and magazines are based on paid circulation as per German Audit Bureau of Circulation, (IVW - Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern) as at December 31, 2017). BILD am SONNTAG is Germany's best-selling nationwide Sunday newspaper in 2017, with a share of 59.8 %. B.Z. is one of Berlin's biggest newspapers. The automotive, computer and sports media of the BILD brand family make up a magazine portfolio built on the core brands of AUTO BILD, COMPUTER BILD and SPORT BILD.

The WELT AM SONNTAG is the clear number one in the area of supraregional quality Sunday newspapers based on circulation. DIE WELT (including WELT KOMPAKT) is the third-biggest quality newspaper in Germany based on paid circulation.

The subsegment **News Media International** comprises the international digital and print media offers.

In Eastern Europe, Axel Springer is active with Ringier Axel Springer Media in the markets of Poland, Hungary, Serbia, Slovakia and, since 2017, also in the Baltic States. The portfolio includes leading digital and print offerings. With the **digital offerings**, we reach 77.7 % of the country's Internet users with the leading Polish online group Onet. In Hungary the leading job portal, profession.hu, belongs to the portfolio. In Slovakia, azet.sk is the leading online portal, reaching 80.7 % of Internet users. Since the acquisition in the financial year 2017 of the CV Keskus Group, which operates the leading job portals in Estonia, Latvia and Lithuania, Ringier Axel Springer Media is also represented in the Baltic States. In Slovakia, the inclusion of the existing classifieds business in a joint venture with the Penta Group has created the leading classified portals in the Real Estate and Auto segments. **Print offers** include the largest Polish newspaper FAKT, the leading tabloid BLIKK in Hungary and the leading tabloid NOVY CAS in Slovakia, as well as other newspapers and magazines. In Slovakia, the sale of the print business, already agreed upon in 2017, is to take place in the middle of the year 2018 (see page 25).

The Europe Joint Venture with POLITICO in Brussels continued its growth course in 2017 and has strengthened its position as the most widely read and influential EU media brand. In 2017, 62 % of EU decisionmakers read POLITICO at least once a week. The website politico.eu, the printed weekly newspaper, the conference business and the digital payment offers continued to contribute to the growth course.

In the US, Axel Springer is represented by the leading digital business and financial news provider Business Insider. In addition to businessinsider.com, the company also operates other services such as: for example, the INSIDER portal in the US and Business Insider UK in the UK. In 2017 Business Insider reached over 300 million monthly readers and viewers. In cooperation with finanzen.net, Business Insider has been running a German portal since November 2015 and the Markets Insider since October 2016 in the USA. Business Insider also launched another digital subscription offering with Business Insider Prime in 2017 and is expanding its B2C offering to include the paid business customer product BI Intelligence.

eMarketer complements the portfolio of innovative paid digital offerings in English-speaking countries and strengthens Axel Springer's position in business news and information. Based in New York, the company is a leading provider of analytics, studies and digital market data to companies and institutions.

The mobile news aggregator Upday, developed in partnership with Samsung and initially launched in four countries, has been represented in 16 European countries since April 2017. Since then, Upday has become the largest mobile news offering in Europe. In December 2017, the platform reached a total of 498.4 million visits (IVW) in 16 countries, a quarter of them in Germany. Upday aggregates content from more than 3,500 different sources.
In addition to "Top News" selected and summarized by journalist, news is displayed by algorithm that reflect the individual interests of users in the "My News".

Business model and key factors

Revenues in the News Media segment mainly comprise circulation and advertising revenues. The circulation revenues come from the sale of classic print products and digital subscriptions. Advertising revenues are generated by marketing the reach of our online and print media. The value chain is, however, aligned across media. It encompasses all the essential processes for the creation of information, entertainment and moving image content, ranging from conception, editorial work and production to sales and marketing. All journalism content is collected in integrated newsrooms, some of which are used for more than one publication, and processed there in accordance with the demands of our print and online media.

News Media is marketed predominantly centrally in Germany via Media Impact, the leading cross media marketer (measured by gross market shares). The digital marketing portfolio also includes content produced by external companies. The cross-media approach to marketing enables optimal use of synergies, competencies and reach.

The print business continues to face the challenge of falling print circulations. For advertisers, in addition to the circulation development, the reach is particularly important. In particular, BILD continues to benefit from the fact that, with just under 10 million daily readers, it has by far the largest reach among daily newspapers in Germany.

We produce our newspapers, among others, in the three offset print shops in Hamburg-Ahrensburg, Essen-Kettwig and Berlin-Spandau. We therefore carry out all steps in the value chain ourselves, from production to monitoring dispatch logistics. The print media are distributed nationally and internationally above all by press wholesale companies, station book trade and press import companies. In Germany there are over 100 thousand retail shops where our newspapers and magazines are sold.

In the digital business, industry's circulation revenues are still much smaller than in the print business, but are recording strong growth. The willingness to pay for digital journalism is increasing and success stories of digital subscription models like the New York Times in the US illustrate this. Digital advertising revenues continue to be highly competitive due to the reach-based market power of Facebook and Google. For example, Facebook and Google already absorb two-thirds of the digital advertising market in the US today. A key driver of this development is the shift in user behavior from desktop to mobile. However, we see the secure brand environment that publishers can guarantee by editing content as a great opportunity. Against the background of the often viral distribution of fake news, social media platforms have increasingly come under fire in 2017- exposing the brands of advertising customers to a reputation damaging environment.

The production process of digital news media involves the journalistic preparation of content with subsequent provision on websites or other digital resources such as smartphones, tablets or smart TVs, or the processing and aggregation of information in databases. Distribution of digital products takes place predominantly via our own Internet pages or download platforms such as the app stores of Apple and Google.

Cross-media, the segment is influenced by the political situation in the relevant markets, the economic environment and, in particular, the development of the advertising markets. In addition to the general market cycle, seasonal aspects and one-off effects such as special editions play a role.

Marketing Media

In the Marketing Media segment, all business models are summarized, the proceeds of which are generated predominantly by advertisers in reach-based or performance-based marketing.

Portfolio and market position

The Marketing Media segment is divided into reach based and performance based offers. The principal activities are summarized in the graph below.

Portfolio Marketing Media

Reach Based Marketing	Performance Marketing
■ idealo ■ aufeminin[1)] ■ Bonial ■ finanzen.net	■ Awin

[1)] Sale envisaged for the second quarter of 2018.

Reach Based Marketing includes idealo.de, Germany's leading and in terms of reach strongest portal for product search and price comparison. idealo accesses around 2.2 million products with more than 333 million offers from online retailers (status: average December 2017) and is also represented internationally with numerous offers. The product comparison portal ladenzeile.de is also part of the idealo Group.

aufeminin and its affiliates provide online portals, forums and product subscriptions for predominantly female audiences. In addition to the internationally represented aufeminin portals, these include Marmiton, France's largest digital offering on the subject of cooking, the lifestyle brand My Little Paris with leisure tips, local recommendations and subscriptions, the UK parent portal netmums, the health portal Onmeda in Germany, France and Spain, and the Californian company Livingly Media with its four lifestyle portals Livingly, Zimbio, StyleBistro and Lonny. In December 2017, Axel Springer announced the signing of an option agreement for the sale of its stake in aufeminin to Télévision Française 1 (TF1). The sales agreement was concluded in January 2018 (see page 25).

kaufDA.de and MeinProspekt.de operate under the umbrella of the Bonial International Group as Germany's leading consumer information portals regarding local shopping. The offerings distribute digitized advertising retail leaflets predominantly via mobile Internet at a regional level. The services are offered under local brands also in France, Sweden, Norway, Denmark (all Bonial), Spain, Mexico, Chile and Colombia (all Ofertia). In December, Bonial announced the closure of US activities under the Retale brand, as profitability targets were not met (see page 24).

finanzen.net, the financial portal with the highest reach in Germany, offers its users data on the latest developments in the financial markets on a daily basis. The portal is part of its internationalization strategy, among others, also represented with an offer in Switzerland, Russia, Austria and the Netherlands. In addition, finanzen.net operates two portals in cooperation with Business Insider, the German edition of Business Insider and Markets Insider, a US stock exchange portal.

In the field of TV and radio, Axel Springer is directly and indirectly involved in leading private radio stations and thus holds one of the biggest private radio portfolios in Germany. Further, Axel Springer also holds a minority interest in Doğan TV Holding, one of the leading private television and radio companies in Turkey.

The **Performance Marketing** activities are bundled within the Awin Group (previously: Zanox group). The leading provider of success-based online marketing in Europe brings advertisers and publishers together, giving advertisers an efficient way to market their products and services on the Internet. Since January 2017, the US company ShareASale has also been part of the Awin Group. In October 2017, the merger of Awin and affilinet took effect. Axel Springer and United Internet, which had brought affilinet into the AWIN AG, thus strengthen their competitive position in the affiliate marketing area and lay the foundations for accelerated international growth. This also serves to prepare for a possible subsequent IPO of the Awin Group (see page 24).

Business model and key factors

In our **Reach Based Marketing**, advertising spaces are marketed to advertising customers and charged based on the reach generated by the given media offerings (number of users or listeners) or the interaction generated by the reach. Attractive content generates high reach values and topic-specific environments enable advertisers to precisely reach the desired target groups.

In the course of the rising use of online media, reach based marketing particularly on the Internet is a major business. Besides display ads like banners, layer ads, and wallpaper, videos are also increasingly being used as online advertising formats. In addition, marketing collaborations and innovative forms of advertising such as native advertising, sponsoring and marketing via social media channels are used. Due to the increased automatic purchase and sale of advertising space (programmatic advertising) and the progressive spread of mobile devices, the forms of reach marketing are constantly changing.

Through **Performance Marketing**, advertisers can promote their products and offerings on publisher websites through advertising such as text links, banner ads, or online videos. Advertisers pay only a performance fee to publishers if the ad has actually been used and led to the transaction requested by the advertiser. Our platforms provide the infrastructure for this efficient form of marketing, record data traffic and transactions, and facilitate a variety of services to advertisers and publishers.

The business segment is benefiting from the growth of stationary and mobile Internet usage and the increasing number of relocation of purchases to the Internet. Through the Awin Group, Axel Springer is benefiting from growing demand from advertising companies for success-based advertising and marketing models.

Services/Holding

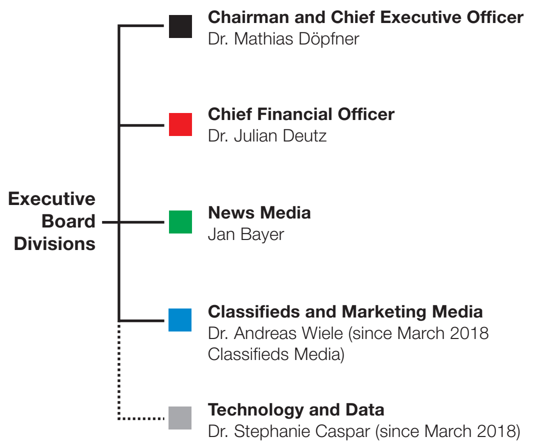
Group services, which also include the three domestic printing plants, as well as the holding functions are reported within the Services/Holding segment. Group services are purchased by in-house customers at standard market prices.

Management and Control

Executive Board divisions

During the reporting year, the Executive Board of Axel Springer SE consisted of four members; from March 1, 2018 there will be five members. In its management of the company, the Executive Board is advised and supervised by a Supervisory Board composed of nine members.

Axel Springer Executive Board Divisions



Executive Board responsibilities are divided as follows:

Dr. Mathias Döpfner is Chairman and Chief Executive Officer of Axel Springer SE. All editors-in-chief and the corporate staff divisions Corporate Communications, Public Affairs, Strategy, Executive Personnel as well as the Axel Springer Academy report to him.

Dr. Julian Deutz is responsible for the Finance and Personnel Executive Board division. In addition to the commercial departments, his division also includes, among others, Personnel, Law and Compliance, Group Purchasing, Group Security, as well as Corporate Audit & Risk Management.

Jan Bayer is President News Media. In addition to the journalistic product portfolio, this division also includes Media Impact (Marketing), Sales Impact (sales), IT, and the printing plants are also assigned to this segment. In addition, from March 1, 2018, Jan Bayer will take over the responsibility from Dr. Andreas Wiele for the reach based offers of the Marketing Media segment.

Dr. Andreas Wiele is President Classifieds and Marketing Media (from March 1, 2018: President Classifieds Media) and is responsible for the corresponding segments, including the associated investments. From March 1, 2018 he is responsible for the classifieds and performance-based marketing activities.

From March 1, 2018, Dr. Stephanie Caspar will be responsible for the overall technology and data strategy and the national digital media business as Executive Board member for Technology and Data.

Corporate governance principles

Axel Springer's corporate governance principles are aligned with our core values of creativity, entrepreneurship, and integrity. There are also five principles, the "essentials", which are laid down in a separate Axel Springer corporate constitution. For more information on our internal rules, see the section entitled "Important Management Practices" in the declaration of corporate governance law pursuant to Section 289f HGB (commercial law) on page 67 of this Annual Report.

Basic principles of the compensation system

The compensation of our employees, all the way up to senior management level, consists of a fixed component, and – for qualifying employees - an additional variable component. Variable compensation is determined on the basis of individual performance and the company's success. To this end, individual target agreements encompassing both group-wide targets and division targets are adopted every year anew. With regard to the Group targets for 2017, variable compensation is based primarily on the adjusted financial indicators EBITDA and EBIT.
A presentation of the remuneration of the Executive Board can be found in the chapter "Corporate Governance" under "Compensation Report" (from page 76).
We also provide information on the remuneration of our Supervisory Board members (from page 80).

Goals and Strategies

Axel Springer is pursuing a strategy of profitable growth with the ultimate goal of becoming the leading digital publisher. This goal is considered to be achieved when the Group is the leader in its respective market segments and in the countries in which it operates.

Segment strategies

In the **Classifieds Media** segment, Axel Springer intends to further expand its position as a leading international provider of digital classified portals. In addition to organic development, additional acquisitions should contribute to growth, depending on acquisition opportunities. Synergies within the group are used consistently.

In addition, early-stage activities were launched in the Classifieds Media segment in order to identify innovative business models and providers at an early stage.

In the **News Media** segment, Axel Springer intends to exploit the potential of the strong BILD and WELT brands in the digital and printed as well as the international brands (e. g. Business Insider and eMarketer).

At the beginning of 2018, Axel Springer has rebuilt the so far brand-based organization of the News Media National product portfolio and organized the publishing area across print and digital. The editors continue to work together brand-linked and cross-medially.

In this way, the very different requirements in the publishing area of the print and digital business should be taken into account. The print area is about limiting the circulation decline and aligning our products even more consistently with the readers in order to consolidate the strong market position of our titles. The digital sector, on the other hand, requires greater investments across brands in technological innovations in the future. Axel Springer is aiming for a sustained positive development of digital subscription models in the context of readers' increasing willingness to pay for journalistic quality. Another focus is the expansion of the video content in the digital offers of BILD and WELT. The BILD Group achieves a superior reading and usage time compared to other competitors thanks to the ever-closer integration of print, online and mobile offerings and increases its share, especially among young and high-income readers. With the digital brand subscription BILDplus, the basis of paying readers on the Internet is established and expanded.

The WELT Group wants to become the leading multimedia provider of quality journalism that can optimally serve print, digital, TV and out of home. For this the respective strengths are used: The print and digital offerings of the WELT Group use the moving image inventory of the TV news channel WELT (previously N24), while the quality news channel in conjunction with the other offers of the WELT Group serve to further expand its market position and better exploit its online potential. Furthermore, the WELT Group will use its digital subscription model to further increase the base of paying readers on the Internet.

Via the central marketer Media Impact, the segment offers advertisers an attractive, cross-media and strong reach based platform for campaigns. As one of the leading cross-media marketing firms (based on gross market shares), Media Impact will continue to expand its external marketing portfolio in the print and digital segments. The TV portfolio, together with Viacom's portfolio, will be marketed in the video image marketer Visoon Video Impact.

The strategy of sustainable growth in the **Marketing Media** segment extends to reach based marketing and performance based marketing alike. In reach based marketing, the strategy focuses on financial and consumer information portals. It is important to increase the range and use of offers, increase advertising utilization and develop new advertising, pricing and business models. Furthermore, innovative products and business models are promoted, developed and, if successful, expanded further via capital expenditures in early-stage activities. In the area of Performance Marketing, there is stronger integration of the activities bundled in the Awin Group; essentially by standardizing the technical platform and expanding services and the publisher network.

Organic and acquisition-driven growth

Furthermore, innovative products and business models are promoted, developed and, if successful, expanded further via capital expenditures in early-stage activities. This is complemented by inorganic growth.

In all segments, Axel Springer seizes opportunities to expand the business model by investing in companies with innovative business ideas which are still in an early phase of their development. Alongside the indirect participations in start-ups as part of our investments in early phase funds, Project A Ventures, in particular, forms part of the Start-up Accelerator recently founded together with Porsche, which supports digital business ideas with high market potential. Furthermore, Axel Springer has an equity stake in LAKESTAR II. The investment fund concentrates on digital companies with a focus on Europe and the USA. A number of direct minority interests are also assigned on a selective basis to these indirect interests in startups. Over the past few years, Axel Springer has also established an early-phase portfolio in the USA that focuses on digital journalism.

Above all, when the opportunities arise, companies that are well-established in the market will be acquired. We select suitable investments according to their appropriate strategic orientation, the quality of the management, the profitability and the scalability of the company business model.

Among other things, we assess the profitability of investments in new or existing business segments using approved capital value methods that take business and country specific risks into consideration.

Internal management system

We have aligned our internal control system along our corporate strategy, defining financial performance indicators (which are also our performance measures) and non-financial performance indicators that measure the success of our strategy.

Detailed monthly reports are an important element of our internal management and control system. These reports contain the monthly results of our most important activities, along with a consolidated statement of financial position, income statement, and cash flow statement. We use these reports to compare actual values with budget values. When variances arise, we investigate further or initiate suitable corrective measures.

These reports are supplemented by regular forecasts of expected advertising revenues over the coming weeks and months, as well as forecasts of the likely development of earnings.

Financial performance indicators

Our focus is on sustainably increasing both our profitability and our corporate value. The most important target and performance indicators in terms of profitability are revenues, EBITDA and EBIT. At the same time, the adjusted EBITDA and the adjusted EBIT are the basis for the performance-related compensation of executives (more about our compensation system can be found starting on page 76). These performance indicators and the adjusted EBITDA margin are anchored in our internal planning and control system.

Financial Control Parameters

Selected financial control parameters on the Group level, € millions	**2017**	**2016**
Revenues	3,562.7	3,290.2
EBITDA, adjusted[1)]	645.8	595.5
EBITDA margin, adjusted[1)]	*18.1 %*	*18.1 %*
EBIT, adjusted[1)]	504.0	471.1

[1)] Explanations with respect to the relevant key performance indicators on page 33.

Non-financial performance indicators

In addition to the financial performance indicators, the following non-financial performance indicators are relevant for assessing our customer, market and supply-related performance, even if the entity as a whole is not controlled by it:

- Unique Users/Visitors as well as business model-related key figures of our online media and the resulting market position
- Reach of our media in the advertising market as well as key figures on brand and advertising awareness
- Average circulation of all major newspapers and magazines sold
- Digital subscriptions

Economic Report

General economic conditions and business development

General economic conditions

According to the International Monetary Fund (IMF), **global economic growth** in 2017 was + 3.7 % in real terms, slightly higher than expected. The main driving forces included the national economies of Europe and Asia.

According to calculations by the Federal Statistical Office, the economy in **Germany** in the course of 2017 was characterized by strong economic growth. Price-adjusted gross domestic product rose by 2.2 % compared to the previous year. The German economy has thus grown for the eighth year in a row. Positive impulses for growth came mainly from the domestic market in 2017. Private consumption rose by 2.0 % in real terms. Investments increased by 3.0 % in 2017, which is above average. German exports also developed positively. Price-adjusted exports of goods and services were 4.7 % higher than in the previous year. Imports increased even more strongly at 5.2 % over the same period.

The ifo Business Climate Index moved upwards in 2017. This applies both to the assessment of the business situation and to business expectations. Consumers were in high spirits, especially in the second half of 2017. This applies above all to the economic expectations of consumers.

According to calculations by the Federal Statistical Office, consumer prices increased significantly in 2017 compared to the previous year by 1.8 %. The Federal Employment Agency recorded 2.5 million unemployed on an annual average in 2017. The number thus decreased by 5.9 % compared to the previous year, the annual average unemployment rate in 2017 was 5.7 %.

According to estimates by the German Institute for Economic Research (DIW), the **British economy** grew by 1.5 % in real terms in 2017. The recession, partly expected as a result of the Brexit vote, has so far failed to materialize. Private consumption increased more strongly in the third quarter of 2017 than at the beginning of 2017, and corporate investment also gave a stronger boost. At the same time, the foreign trade contribution was negative due to significantly increased imports. According to the DIW estimate, inflation in the United Kingdom rose noticeably to 2.7 %.

For **France**, the DIW expects price-adjusted economic growth in 2017 of 1.8 %. The inflation rate is likely to be below average relative to the euro area (1.4 %) at 1.1 %.

In **Central and Eastern Europe**, the dynamic development accelerated in the third quarter of 2017 according to the DIW estimate. Overall, the region should have achieved real growth of 4.6 %. The main driver in most countries was private consumption.

According to the DIW study, the **USA** achieved real economic growth of 2.3 % in 2017. In the third quarter of 2017, both private consumption and business investment increased significantly. Foreign trade also provided positive impulses.

Industry-specific environment

Advertising Market

According to the latest advertising market forecast of ZenithOptimedia (“Advertising Expenditure Forecast“, December 2017), the advertising market in Germany in 2017 grew by 0.9 % over the prior-year figure.

According to these surveys, net revenues of the **total advertising market** amounted to € 20.1 billion in the period under review (including classified ads and leaflets, less discounts and agency commissions and excluding production costs), representing a nominal increase of 0.9 % over the previous year.

In the **online** sector in Germany (display, keyword marketing and affiliate), net advertising revenues increased by 7.1 % to € 6.8 billion in 2017. The digital advertising expenditures thus represent a market share of the total advertising expenditures of 34.0 %. The advertisers are feeling the pressure of the rapid transformation of their companies. Marketing communication is shifting rapidly to online channels in response to changes in consumer behavior.

In the print media, net advertising revenues of **newspapers** (newspapers, advertising papers and newspaper supplements) totaled € 4.6 billion in the reporting period, 2.5 % below the previous year's level. **Magazines** (consumer magazines, directory magazines, directory media) also had a decline compared to the previous year, with net advertising revenues falling by 6.3 % to € 2.2 billion.

Commercial television in Germany recorded a decline of 0.8 % to € 4.5 billion in 2017 and net advertising revenues on **radio** were € 773 million, 0.7 % above the previous year. Net advertising revenues in **outdoor** advertising increased in 2017 by 1.6 % to € 1.1 billion.

According to ZenithOptimedia, the following digital advertising revenue development is expected in 2017 for selected countries:

Anticipated Advertising Activity 2017 (Selection)

Change in net ad revenues compared to prior year (nominal)	Online
Germany	7.1 %
Central and Eastern Europe	16.3 %
USA	14.6 %
United Kingdom	4.6 %

Source: ZenithOptimedia, Advertising Expenditure Forecast, December 2017.

Press distribution market

More and more people use the Internet as the main medium for news consumption. There is an increasing willingness to pay for digital content in Germany. Economically successful offers such as the New York Times, Washington Post, but also Netflix or Spotify prove that media content can be monetized not only via range models, but also via subscriptions. While digital newspaper distribution, at € 350 million, is not nearly as big as print distribution (€ 4.6 billion), overall market growth in distribution will take place online over the next few years, while the print market will see a slight decline. The online distribution market will grow by 5 % each year from 2017-2021. But we see a positive trend: All major national daily newspapers in Germany already offer digital subscriptions. The Axel Springer products in this segment, BILD Plus and WELT Plus, pioneers with their respective founding years of 2013 and 2012, have seen a growing number of subscribers for years.

The German press **distribution market** contracted somewhat further. The total paid circulation of newspapers and magazines was 5.0 % below the corresponding prior-year figure. Thanks to the price increases implemented in the past four quarters, however, circulation revenues declined by only 0.7 %.

The 335 IVW-registered daily and Sunday newspapers achieved total sales of 16.5 million copies per publication date. Compared to the prior-year figure, this corresponds to a fall of 4.6 %. As in the prior year, retail sales (–10.2 %) suffered a much greater decline than subscription sales (–3.5 %). Demand in the segment of daily and Sunday newspapers within the press distribution market weakened by 4.8 %, weighted according to the respective frequency of publication.

Overall sales of general-interest magazines, including membership and club magazines, was 91.0 million copies per publication date. Compared to the prior-year figure, this corresponds to a fall of 3.8 %. The number of IVW registered titles was 756 (–2.2 % compared to the previous year). The demand for general-interest magazines weighted for their respective publication frequencies declined by 5.7 %.

Business performance

In January 2017, the Awin Group (previously Zanox Group), which is majority owned by Axel Springer, acquired 100 % of **ShareASale**, a leading affiliate network in the USA. Acquisition costs amounted to € 44.4 million and included, in addition to the purchase price paid in the year under review, a contingent purchase price liability of € 9.3 million dependent on the development of earnings.

In June 2017, Axel Springer Digital Classifieds France entered into a purchase agreement with the French media holding company Spir Communication SA for the purchase of 100 % of the shares of Spir's subsidiary Concept Multimédia for a purchase price of € 105 million, taking into consideration purchase price adjustments which are to be determined on the basis of net debt and net cash. The transaction was approved by the French antitrust authorities at the end of January 2018 and completed in early February. In particular, Concept Multimédia, headquartered in Aix-en-Provence and Paris, runs under the core brand of **Logic-Immo.com** a real estate portal in France as well as additional online portals for mediation of luxury real estate and new-build properties.

In July 2017, we signed contracts to **sell** the **new Axel Springer building** under construction and **the Axel-Springer-Passage** for a total sale price of € 755 million. The sale of Axel-Springer-Passage, which was opened in 2004, was completed at the end of 2017 with payment of the purchase price of € 330 million (before tax payments of approximately € 80 million) and the handover of the building. The new owners of Axel-Springer-Passage are Blackstone Real Estate Partners Europe V and QUINCAP Investment Partners. We will continue to use the main part of the passage as a tenant until the end of 2020 after the completion of the sale. The sale of the Axel Springer new building to a company of the Norwegian state fund Norges Bank Real Estate Management is subject to the completion of the construction project (total investment volume of around € 300 million). The purchase price is € 425 million (before tax payments of about € 30 million). The sale is expected to be completed by the end of 2019. Axel Springer will rent the new building from 2020 on a long-term basis.

In September 2017, Axel Springer announced that it would reorganize the **publishing structure** of its media brands (including BILD, WELT) as well as the **marketing and sales activities** in the German market. In order to make even better use of the different potential of print and digital offerings, two separate publishing areas are created to which the respective brands and teams are assigned. For this purpose, on the one hand, the digital activities of the media brands are bundled with digital marketing, customer service and IT which are part of Media Impact, and on the other hand the print offers, including print marketing, print distribution and printing plants. The reorganization concerns exclusively the publishing areas, the editors continue to work fully integrated across all channels - digital, TV and print.

With effect from October 1, 2017, Axel Springer and United Internet have merged their companies **Awin** and **affilinet** to build a joint affiliate network. Axel Springer will hereby strengthen its competitive position in the affiliate marketing sector. Following the transfer of 100 % of the affilinet shares by United Internet to AWIN AG, United Internet holds 20 % of the Awin Group. Previously, Axel Springer had taken over the shares still held by Swisscom Schweiz AG (47.5 %) for a purchase price of € 62.4 million under an option agreement. The combination of the expertise, competences and reach of Awin and affilinet enables the development of innovative revenue models in order to increase further growth potential.

At the end of November 2017, the **Bonial Group**, which is majority owned by Axel Springer, announced that it was closing its offer in the USA, a website and an app under the name Retale, as no convincing economic perspective was foreseeable.

In December 2017, Axel Springer and Télévision Française 1 (TF1) signed an option agreement and in January 2018 signed an agreement to **sell** Axel Springer's interest in the French **aufeminin Group** at a price of € 38.74 per share. This was equivalent to a premium of 45.7 % on the closing price on December 8, 2017. Axel Springer's 78.43 % stake was therefore valued at € 286.1 million, plus a monthly interest payment until completion of the transaction. After carrying out a works council consultation as pertaining to French Law, the parties then concluded an appropriate purchase agreement at the beginning of January 2018. Completion of the transaction requires approval by the relevant antitrust authorities.

In Slovakia, the acquisition of Autobazar.eu, the leading car section portal in Slovakia, and TopReality.sk, a leading Slovak real estate portal, was completed in December 2017. In addition, the **sale of the newspaper and magazine portfolio**, including the associated online offers, is scheduled for the middle of the year 2018 and should be completed with the approval of the relevant authorities.

At the beginning of January 2018, we transferred the **Axel Springer high-rise building in Berlin** to Axel Springer Pensionstreuhandverein, thereby increasing plan assets to cover our pension obligations by approximately € 140 million. As part of a long-term lease, we will continue to use the property as headquarters.

Overall statement of the Executive Board on the course of business and economic environment

Digitization continues to be the defining trend for the economic environment for media companies. This reflects the development of the Axel Springer Group segments. While the two fully digitized segments Classifieds Media and Marketing Media registered significant organic revenue growth, revenues in the News Media segment were only slightly above the previous year's level due to the higher proportion of structurally declining print business. Business performance was also influenced by acquisitions in digital business models and by an active portfolio management. The overall positive development in the financial year confirms our strategy of rigorously digitizing the company.

Financial performance, liquidity and financial position

Financial performance of the Group

In the reporting year, **revenues** of € 3,562.7 million were 8.3 % above the prior-year figure (€ 3,290.2 million). The development of revenue was driven primarily by the good operational development of our activities. In addition, consolidation effects, mainly due to the inclusion of eMarketer and DanCenter (previously Land & Leisure), had an impact. Overall, currency effects had an opposite effect. Adjusted for consolidation and currency effects, total revenues rose by 6.3 %.

Organic revenue development for digital media is illustrated in the table below. Consolidation and currency effects have been adjusted.

Revenue Development Digital Media, Organic

yoy	2017	2016
Digital Media	**12.5 %**	**10.7 %**
Classifieds Media	12.7 %	12.5 %
News Media	12.0 %	14.7 %
Marketing Media	12.4 %	7.5 %

International revenues increased by 12.5 % from € 1,564.3 million to € 1,759.8 million. The share of Axel Springer's revenues increased from 47.5 % to 49.4 %.

Advertising revenues increased by 13.4 % to € 2,521.3 million (PY: € 2,223.1 million), due to a positive development of all three operating segments. In addition, particularly consolidation effects from the acquisition of DanCenter (previously Land & Leisure) in the Classifieds Media and the merger of Awin and affilinet, as well as the acquisition of ShareASale in the Marketing Media segment had an impact. Adjusted for consolidation and currency effects, advertising revenues within the Group increased by 10.8 %. Advertising revenues as a proportion of total revenues were 70.8 % (PY: 67.6 %). Of the total advertising revenues, 87.1 % were generated by **digital activities**.

The decline in **circulation revenues** by 2.1 % from € 646.9 million to € 633.0 million, was due to market conditions. Although digital circulation revenues continued to increase significantly, they were not yet able to fully compensate for the decline in **circulation revenues** in printed publications. Circulation revenues as a proportion of total revenues were 17.8 % (PY: 19.7 %).

Other revenues amounting to € 408.3 million were 2.8 % below the prior-year figure of € 420.2 million. Deconsolidation effects, in particular from the sale of Poliris and Smarthouse, had an impact. Adjusted for consolidation and currency effects, the decline was reduced to 0.8 %. Overall, other revenues represented a share of 11.5 % (PY: 12.8 %) of total revenues.

Other operating income amounted to € 317.3 million (PY: € 339.9 million) and was mainly impacted in the reporting year by the sale of the Axel-Springer-Passage in Berlin (€ 200.5 million) and effects from the revaluation of contingent considerations (€ 56.6 million). In the previous year, in addition to income in connection with the establishment of Ringier Axel Springer Schweiz AG (€ 102.2 million) and the sale of CarWale (€ 83.3 million), income from the sale of our real estate in Hamburg (€ 71.3 million) was included.

Changes in **inventories and other internal costs capitalized** amounted to € 87.7 million (PY: € 82.6 million) in the reporting year and continued to relate mainly to comprehensive IT development projects for the development and expansion of our digital business models.

Compared to the prior-year period, **total expenses** increased by 7.8 % to € 3,402.0 million (PY: € 3,155.5 million).

The increase in **purchased goods and services** of 8.2 % to € 1,051.4 million (PY: € 971.5 million) mainly relates to the Awin Group and, in addition to an increase due to increasing revenues, resulted in particular from the acquisition of affilinet during the reporting year. The ratio of purchased goods and services to total revenues remains unchanged compared to the previous year at 29.5 %.

The increase in **personnel expenses** by 9.3 % to € 1,202.1 million (PY: € 1,100.1 million) is mainly due to an increase in personnel in the digital business models, effects from the acquisition of subsidiaries, as well as higher expenses for restructuring measures and long-term compensation programs. The average number of employees grew by 3.3 % to 15,836 in 2017.

Depreciation, amortizations, and impairments amounted to € 236.1 million, and remained at the prior-year level (€ 232.6 million). Increased depreciation and amortization due to high investments in intangible assets was offset by slightly lower depreciation, amortization and impairments from purchase price allocations.

Other operating expenses increased by 7.1 % to € 912.4 million (PY: € 851.2 million), mainly due to the inclusion of acquired subsidiaries.

Income from investments amounted to € –39.0 million (PY: € 40.2 million) and was impacted in the reporting year by impairments of financial assets, in particular of our share in Ringier Axel Springer Schweiz AG. In the previous year, income from investments was particularly influenced by effects from the contribution of our interest in Thrillist and NowThis into the non-controlling interest in Group Nine Media. The operating income from investments included in EBITDA amounted to € 16.0 million (PY: € 18.7 million).

The **financial result** was € –18.4 million and slightly above the prior-year level (PY: € –21.4 million).

Income taxes amounted to € –130.2 million (PY: € –126.1 million) at the end of the reporting period. The tax rate of 25.6 % (PY: 21.9 %) was characterized in the reporting year by the release of deferred taxes due to changes in tax rates, particularly in the USA. In the previous year, the tax rate was lower – as a consequence of the largely tax-neutral income in connection with the establishment of Ringier Axel Springer Schweiz AG and the lower taxed income from the sale of CarWale.

Compared with the prior year, **adjusted EBITDA** rose by 8.5 % to € 645.8 million (PY: € 595.5 million). The adjusted EBITDA margin is the same as in the previous year at 18.1 %. **Adjusted EBITDA of digital media** increased by 23.3 % from € 472.1 million to € 582.0 million. Based on the operating business, the digital business share in adjusted EBITDA was 80.0 % (PY: 72.5 %). Due to an increase in depreciation and amortization, **adjusted EBIT** increased by 7.0 % compared with the prior year to € 504.0 million (PY: € 471.1 million).

Net income of the Group developed as follows:

Net Income[1)]

€ millions	2017	2016	Change
Net income	**378.0**	**450.0**	**–16.0 %**
Non-recurring effects	–117.0	–234.6	–
Depreciation, amortization, and impairments of purchase price allocations	94.2	108.3	–13.0 %
Taxes attributable to these effects	–27.8	–23.8	–
Net income, adjusted[2)]	**327.5**	**299.9**	**9.2 %**
Attributable to non-controlling interest	47.1	40.4	16.6 %
Adjusted net income[2)] from continuing operations attributable to shareholders of Axel Springer SE	**280.4**	**259.5**	**8.1 %**
Earnings per share, adjusted (in €)[2) 3)]	**2.60**	**2.41**	**8.1 %**
Earnings per share (in €)[3)]	**3.19**	**3.94**	**–19.1 %**

1) Continuing operations, for the portion attributable to discontinued operations see notes to the consolidated financial statements under note (2d).
2) Explanations with respect to the relevant key performance indicators on page 33.
3) Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 107.9 million).

Non-recurring effects included income from the sale, i.e. contribution of business units and real estate of € 172.4 million (PY: € 290.9 million), in particular in connection with the sale of the Axel-Springer-Passage in Berlin (PY: effects from the establishment of Ringier Axel Springer Schweiz AG, the sale of CarWale, as well as the disposal of the remaining part of the office building complex at the Hamburg site). In addition, impairment losses of € – 55.5 million on investments were included

(PY: € – 3.0 million), mainly related to our interest in Ringier Axel Springer Schweiz AG, effects from the subsequent valuation of contingent considerations from options for the acquisition of non-controlling interests of € 34.9 million (PY: Expense of € – 29.7 million), as well as other effects from initial consolidations of € – 14.6 million (PY: € – 20.0 million), which mainly resulted from acquisition costs and further effects from purchase price allocations. Expenses of € – 20.2 million (PY: € – 3.5 million) related to the long-term Executive Board remuneration program (LTIP) were adjusted.

Financial perfomance of the operating segment

Classifieds Media

In the Classifieds Media all business models are summarized, which generate their revenues mainly in the online classifieds business. The segment is sub-divided into Jobs, Real Estate, and General/Other.

Key Figures Classifieds Media

€ millions	2017	2016	Change
Revenues	**1,007.7**	**879.5**	**14.6 %**
Advertising revenues	990.4	858.5	15.4 %
Other revenues	17.3	20.9	– 17.1 %
Jobs	**473.2**	**410.0**	**15.4 %**
Real Estate	**290.1**	**270.7**	**7.2 %**
General/Other	**244.4**	**198.8**	**23.0 %**
EBITDA, adjusted[1]	**413.2**	**354.6**	**16.5 %**
Jobs	197.3	175.8	12.2 %
Real Estate	146.2	121.5	20.4 %
General/Other	78.1	64.9	20.3 %
EBITDA margin, adjusted	**41.0 %**	**40.3 %**	
Jobs	41.7 %	42.9 %	
Real Estate	50.4 %	44.9 %	
General/Other	32.0 %	32.7 %	

[1] Segment EBITDA, adjusted includes non-allocated costs of € 8.5 million (PY.: € 7.6 million).

Revenues in the Classifieds Media segment increased compared to the prior-year period by 14.6 % to € 1,007.7 million (PY: € 879.5 million). The deciding factor in particular was again a very significant operational improvement, especially for the job and real estate portals. In addition, consolidation effects had a particular effect due to the inclusion of the DanCenter Group (previously Land & Leisure Group) in the subsegment General/Other. The organic increase in revenues, i.e. adjusted for consolidation and currency effects was 12.7 %. The currency effects mainly pertained to the job portal activities in the UK. The job portals achieved a revenue increase of 15.4 %, organically they increased by 17.0 %. Once again, business in continental Europe primarily contributed to this growth, but activities in the UK also slightly accelerated their growth. The real estate portals showed an increase of 7.2 %. Consolidation effects from the sale of the software business at SeLoger in the previous year had a positive effect here. Organically, growth was at 10.8 %. The strongest growth was recorded in the Immowelt group. In the subsegment General/Other, the revenue increase of 23.0 % was primarily due to consolidation effects in the @Leisure group. Organically, revenues increased by 6.3 %.

The adjusted EBITDA of the segment increased considerably by 16.5 % to € 413.2 million (PY: € 354.6 million). A significant part of this increase can be attributed to operational improvements in earnings. Organically, i.e. adjusted for consolidation and currency effects, the increase was at 14.7 %. The margin of 41.0 % was slightly higher than the prior-year value (40.3 %). The adjusted EBITDA for the job portals increased by 12.2 % compared to the prior year. As in the case of revenues, the increase is primarily attributable to business in continental Europe. The earnings decline in the UK business of the StepStone Group is attributable, among other things, to investments in improving its market position. Real estate portals recorded an adjusted EBITDA increase of 20.4 %, mainly due to improvements in earnings at the Immowelt Group. The increase in adjusted EBITDA of 20.3 % in the subsegment General/Other was mainly attributable to consolidation effects in the @Leisure Group. Organically, the increase was 8.5 %.

The adjusted EBIT in the Classifieds Media segment increased by 13.6 % from € 317.6 million to € 361.0 million. Depreciation, amortization and impairments / write-ups increased by 41.1 % to € 52.2 million (PY: € 37.0 million).

News Media

The News Media segment mainly comprises the BILD and WELT Group in the national segment, and in the international area particularly the digital media offerings in Europe and the USA.

Key Figures News Media

€ millions	2017	2016	Change
Revenues	**1,509.8**	**1,481.6**	**1.9 %**
Advertising revenues	666.1	617.2	7.9 %
Circulation revenues	633.1	646.8	–2.1 %
Other revenues	210.6	217.7	–3.2 %
National	**1,109.2**	**1,142.4**	**–2.9 %**
Advertising revenues	448.3	441.0	1.7 %
Circulation revenues	504.7	539.6	–6.5 %
Other revenues	156.2	161.8	–3.5 %
International	**400.7**	**339.2**	**18.1 %**
Advertising revenues	217.8	176.2	23.6 %
Circulation revenues	128.4	107.2	19.8 %
Other revenues	54.4	55.8	–2.5 %
EBITDA, adjusted	**218.8**	**214.4**	**2.0 %**
National	164.5	178.0	–7.6 %
International	54.3	36.3	49.3 %
EBITDA margin, adjusted	**14.5 %**	**14.5 %**	
National	14.8 %	15.6 %	
International	13.5 %	10.7 %	

Revenues in the News Media segment were € 1,509.8 million, which is 1.9 % above the prior-year figure (€ 1,481.6 million). The digital proportion of revenues was 33.9 %. Revenues of News Media National were € 1,109.2 million, which is 2.9 % below the prior-year figure. Here, the digital proportion of revenues is 24.1 %. National advertising revenues increased slightly by 1.7 %, in the reporting period, supported by a BILD special issue in the second quarter, strong digital growth and a slight increase in print advertising revenues in the third quarter. The national circulation revenues, based on the general market environment were 6.5 % lower than the prior-year value. Revenues at News Media International also increased due to the first-time consolidation of eMarketer in mid-2016 by 18.1 % to € 400.7 million. Organically, i.e. adjusted for consolidation and currency effects, they grew by 10.3 %. The evolution of digital offerings continued to be good, with Business Insider recording strong growth. By contrast, most print activities were unable to escape the market trend and achieved revenues below the previous year's level. The digital proportion of revenues from News Media International was 60.9 %.

The adjusted EBITDA of € 218.8 million was 2.0 % above the value of the previous year (€ 214.4 million). International business contributed to the slight increase in earnings, boosted by the first-time consolidation of eMarketer since July 2016. Organically, i.e. adjusted for consolidation and currency effects, EBITDA was 3.2 % below the prior-year level. The segment's margin remained stable at 14.5 % compared to the same period last year (14.5 %).

Adjusted EBIT in the News Media segment increased by 1.1 % from € 180.9 million to € 182.9 million. Depreciation, amortization and impairments / write-ups increased by 6.9 % from € 33.5 million to € 35.8 million.

Marketing Media

In the Marketing Media segment, idealo, aufeminin and the Bonial Group, among others, are pooled in the reach-based marketing subsegment, whereas performance-based marketing consists of the Awin Group (previously Zanox Group).

Key Figures Marketing Media

€ millions	2017	2016	Change
Revenues	**984.5**	**856.2**	**15.0 %**
Advertising revenues	864.7	747.4	15.7 %
Other revenues	119.8	108.7	10.2 %
Reach Based Marketing	**314.7**	**288.7**	**9.0 %**
Performance Marketing	**669.9**	**567.4**	**18.1 %**
EBITDA, adjusted[1]	**95.6**	**82.2**	**16.3 %**
Reach Based Marketing	71.2	65.5	8.8 %
Performance Marketing	32.4	25.5	27.4 %
EBITDA margin, adjusted	**9.7 %**	**9.6 %**	
Reach Based Marketing	22.6 %	22.7 %	
Performance Marketing	4.8 %	4.5 %	

[1] Segment EBITDA, adjusted includes non-allocated costs of € 8.1 million (PY: € 8.7 million).

Revenues in the Marketing Media segment increased by 15.0 % to € 984.5 million (PY: € 856.2 million). In addition to a still very good operating performance, the consolidation of Awin and affilinet in Performance Marketing intensified in the fourth quarter. Organically, i. e. adjusted for consolidation and currency effects, the increase was 12.4 %. Revenues in Reach Based Marketing increased by 9.0 % to € 314.7 million. Adjusted for consolidation and currency effects, which resulted in particular from the sale of Smarthouse Media in the previous year, organic growth was 12.0 %. Revenues in Performance Marketing increased by 18.1 % to € 669.9 million. Revenue growth had already been positively impacted by the first-time consolidation of ShareASale since the beginning of 2017, and was further intensified in the last quarter of the reporting year by the merger between Awin and affilinet in October. Organic growth was at 12.7 %.

The adjusted EBITDA in the segment of € 95.6 million was 16.3 % above the prior-year value (€ 82.2 million). Earnings declines in the Bonial and aufeminin groups were more than compensated by improvements in other activities. In organic terms, too, the segment achieved an adjusted EBITDA improvement and increased by 8.4 %. Due to revenue growth, especially in the subsegment Performance Marketing, the return for the segment remained more or less stable at 9.7 % (PY: 9.6 %) despite the earnings growth.

The adjusted EBIT in the Marketing Media segment increased by 14.9 % from € 67.4 million to € 77.4 million. Depreciation, amortization and impairments / write-ups increased by 22.6 % to € 18.2 million (PY: € 14.8 million).

Services/Holding

Group services, which also include the three domestic printing plants, as well as holding functions, are reported within the Services/Holding segment. The services of the Group Services are procured by in-house customers at normal market prices.

Key Figures Services/Holding

€ millions	2017	2016	Change
Revenues	**60.7**	**72.9**	**–16.8 %**
EBITDA, adjusted	**–81.7**	**–55.7**	

Revenues in the Services/Holding segment decreased by 16.8 % due to market conditions compared to the comparable prior-year period, and amounted to € 60.7 million (PY: € 72.9 million).

The adjusted EBITDA with € –81.7 million was below the level of the previous year (€ –55.7 million). This development was driven by a number of factors, including higher stock option costs, higher restructuring expenses, as well as lower revenues in the structurally declining business of printing plants.

The adjusted EBIT in the Services/Holding segment amounted to € –117.4 million (PY: € –94.8 million). Depreciation, amortization and impairments / write-ups of € 35.7 million were slightly below the prior-year value (€ 39.0 million).

Liquidity

Financial Managment

As a general rule, Axel Springer SE provides all financing for the Axel Springer Group. This arrangement ensures that the Group companies have sufficient liquidity at all times. The overriding goal of financial management is to provide cost-effective liquidity in the form of maturity-matched financing.

Net Liquidity/Debt

€ millions	2017	2016
Cash and cash equivalents	216.8	224.1
Financial liabilities	1,237.0	1,259.3
Net liquidity/debt[1)]	**–1,020.2**	**–1,035.2**

[1)] Explanations with respect to the relevant key performance indicators on page 33.

In order to optimize our financing conditions, in May 2017, we improved the average rate of interest, extended the average term and significantly increased the financing volumes through the partial termination, transformation and subscription of our existing Schuldschein (promissory note). In this context, the long-term credit lines drawn down were repaid; furthermore, two promissory notes with floating interest rates were repaid prematurely.

As at December 31, 2017, there were now promissory notes totaling € 879.0 million (December 31, 2016: € 580.5 million) with a term to April 2018 (€ 70.5 million), to October 2018 (€ 104.0 million), to October 2020 (€ 69.0 million), to May 2021 (€ 11.5 million), to May 2022 (€ 158.0 million), to May 2023 (€ 72.0 million) and to May 2024 (€ 394.0 million). In addition, we can avail ourselves of long-term credit lines of € 1,200.0 million (PY: € 1.500,0 million), the drawdown of which will be due for repayment in July 2020. Both the Schuldschein and the credit facilities may be used either for general business purposes or for financing acquisitions. As of, December 31, 2017, € 365.0 million (December 31, 2016: € 680.0 million) of the existing long-term credit facility (€ 1,200.0 million; PY: € 1,500.0 million) had been utilized. Short-term and long-term credit facilities that were not utilized amounted to € 855.0 million as of the balance sheet date (December 31, 2016: € 840.0 million).

Cashflows

Consolidated Cash Flow Statement (Condensed)

€ millions	2017	2016
Cash flow from continuing operations	490.7	358.8
Cash flow from investing activities	–194.5	–94.3
Cash flow from financing activities	–281.7	–299.9
Change in cash and cash equivalents	14.5	–35.4
Cash and cash equivalents as of December 31	216.8	224.1

Cash flow from operating activities in the reporting period was € 490.7 million and therefore significantly above the value for the prior-year period (€ 358.8 million). This development was due in particular to the positive development of operating earnings. In addition, the increase resulted from payments from long-term compensation programs and restructuring programs that were lower than in the previous year, as well as from tax refunds received in the reporting period.

The cash flow from investing activities amounted to € – 194.5 million (PY: € – 94.3 million). At the end of December 2017, the sale of the Axel-Springer-Passage in Berlin was completed, the purchase price of € 330.0 million was collected and the related tax payments of € 79.9 million were made. Investments in intangible assets and property, plant and equipment increased in particular as a result of the new building in Berlin (on the total investment volume and the sale of the new building after completion see page 24). Payments (less cash acquired) for the acquisition of shares in consolidated subsidiaries and business units were mainly due to the acquisition of ShareASale and the cash outflows related to the exercise of options to acquire non-controlling interests in Immoweb, Onet and My Little Paris. In the previous year, payments were made in connection with the sale of the remaining part of the office building complex at the location in Hamburg, payments were received from the early repayment of the vendor loan granted to FUNKE Mediengruppe, payments were received in connection with the sale of 2.3 % of our share in Doğan TV Holding and the purchase price (less taxes) from the sale of our shares in CarWale. In addition to investments in intangible assets and property, plant and equipment in the previous year, these payments were offset by payments (less cash acquired) for the acquisition of shares in consolidated subsidiaries and business units (mainly the acquisitions of eMarketer and DanCenter (previously Land & Leisure) and the exercise of option rights for the acquisition of the remaining non-controlling interests in Car & Boat Media.

The cash flow from financing activities of € – 281.7 million (PY: € – 299.9 million) was characterized in particular by the payment of the dividend to the shareholders of Axel Springer SE, payments due to the exercise of the option rights to acquire remaining minority interests in Awin, the reorganization of our promissory notes and the repayment and reduction of our credit line in connection with this.

Financial position

Consolidated Balance Sheet (Condensed)

€ millions	12/31/2017	12/31/2016
Non-current assets	4,994.1	5,393.0
Current assets	1,441.5	1,063.2
Assets	**6,435.6**	**6,456.2**
Equity	2,801.5	2,638.6
Non-current liabilities	2,036.1	2,427.2
Current liabilities	1,598.0	1,390.4
Equity and liabilities	**6,435.6**	**6,456.2**

The development of non-current assets resulted in particular from the reduction in intangible assets (€ – 257.9 million) and property, plant and equipment (€ – 67.5 million). Due to the expected sale of the aufeminin Group in the first half of 2018 and the sale of the print activities in Slovakia in the middle of the year 2018, the assets and liabilities to be disposed of were reported separately as held for sale. In addition, the sale of the Axel-Springer-Passage Berlin was completed at the end of December 2017, and carrying amounts of € 104.8 million (property, plant and equipment) and € 29.8 million (investment property) were derecognized. The sale was made for a purchase price payment of € 330.0 million. At the same time, financial assets were reduced by € 36.5 million, which was mainly due to the impairment of our investment in Ringier Axel Springer Schweiz AG as a result of the development of earnings. In contrast, the first-time consolidation of the companies ShareASale and affilinet, which were acquired in the reporting year, had a positive effect.

The development of current assets was characterized by the reclassification of the assets held for sale of the aufeminin Group and the print activities in Slovakia.

The increase in equity resulted mainly from the generated net income. In addition, in connection with the acquisition of 100 % of the affilinet shares against the granting of 20 % non-controlling interests in the already fully consolidated Awin Group (including affilinet), the non-controlling interests were increased. In addition to the dividend payments to the shareholders of Axel Springer SE and other shareholders, the effects of currency translation of consolidated financial statements also had a reducing effect. The equity ratio increased to 43.5 % (PY: 40.9 %).

The development of non-current liabilities was characterized by the reclassification of short-term promissory notes and the decline in deferred tax liabilities, mainly due to the sale of the Axel-Springer-Passage in Berlin, changes in tax rates, particularly in the USA, and the reclassification of the aufeminin Group's liabilities and print activities in Slovakia as held for sale. In addition, other liabilities from agreed option rights decreased due to revaluation effects and the premature exercise of option rights to acquire non-controlling interests in My Little Paris.

The development of short-term debt was due in particular to the reclassification of short-term promissory notes and the reclassification of the liabilities held by the aufeminin Group and the print activities in Slovakia as held for sale. In addition, the recognition of short-term debt decreased mainly due to cash outflows related to the exercise of the option to acquire non-controlling interests in Immoweb (14.5 % of 20.0 %), Onet (25 %) and Awin (47.5 %).

Explanations with respect to the relevant key performance indicators

In accordance with the International Financial Reporting Standards (IFRS), the performance indicators used in this Annual Report, adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization), adjusted EBITDA margin, adjusted EBIT (earnings before interest and taxes), adjusted net income, adjusted earnings per share, free cash flow, net debt/liquidity and equity ratio are undefined performance indicators to be regarded as additional information.

Adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income and adjusted earnings per share do not include any non-recurring effects, depreciation, amortization and impairments from purchase price allocations and taxes attributable to these items. Non-recurring effects include effects from the acquisition and disposal (including contribution) of subsidiaries, business units, and investments (including effects from the subsequent valuation of contingent considerations and other option liabilities for the acquisition of non-controlling interests), as well as impairment and write-ups of investments, effects from the sale of real estate, impairments, and write-ups of real estate used for own operational purposes, plus expenses related to the long-term incentive plan for the current Executive Board members (LTIP) granted at the beginning of May 2016. Purchase price allocation effects include the expenses of amortization, depreciation, and impairments of intangible assets, and property, plant, and equipment from the acquisition of companies and business units.

The adjusted EBITDA margin is the ratio between the adjusted EBITDA to revenues. The reconciliation of net income to adjusted EBITDA and adjusted EBIT results from the Group segment reporting. The financial performance of the Group contains the reconciliation of net income to the adjusted net income as well as the determination of the adjusted earnings per share.

The free cash flow results from the cash flow from operating activities less investments in intangible assets, property, plant and equipment, and investment property (capital expenditures), plus payments received for the disposal of intangible assets, property, plant and equipment and investment property. These partial amounts are stated separately in the Consolidated Statement of Cash Flows. Net debt/-liquidity is the balance of cash and cash equivalents and financial liabilities.

The equity ratio reflects the ratio between equity and the balance sheet total as of the respective balance sheet date.

We regard adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income and adjusted earnings per share as a suitable indicator for measuring the operating performance of Axel Springer, as these measures ignore effects that do not reflect Axel Springer's fundamental business performance.

To assess our Group’s current financing and capital structure as well as the future financing volume, we regard free cash flow, net debt/liquidity, and equity ratio to be suitable performance indicators.

Non-financial performance indicators

Employees

Axel Springer employed an average of 15,836 (PY: 15,323) employees in the reporting year (excluding vocational trainees and journalism students/interns). The slight increase of 3.3 % is mainly attributable to acquisitions and organic increase in personnel in the Classifieds Media and Marketing Media segments. Abroad, Axel Springer had an average of 7,425 employees (PY: 6,877); this corresponds to a share of 46.9 % (PY: 44.9 %). The group employed an average of 6,981 women and 8,854 men. The proportion of women increased to 44.1 % (PY: 43.5 %). The number of editors remained stable at 2,867 (PY: 2,888). In contrast, the number of employees increased by 5.1 % to 12,397, mainly due to the expansion of digital business activities and new investments.

Employees by Segments

Average number per year	2017	2016	Change
Classifieds Media	4,431	4,005	10.6 %
News Media	6,959	6,981	−0.3 %
Marketing Media	2,822	2,640	6.9 %
Services/Holding	1,623	1,697	−4.4 %
Group	**15,836**	**15,323**	**3.3 %**

The annual average increase in the number of employees in the Classifieds Media segment was due to acquisitions, but above all due to organic growth, especially in the subsegments Jobs and General/Other. In the Marketing Media segment, the increase resulted from the inorganic growth of the Awin Group, driven by ShareASale and affilinet, as well as from organic growth of the Bonial and the idealo Group. The decline in the News Media and Services/Holding segments is mainly attributable to staff reductions in offset printing plants, newspaper distribution, staff catering and event management.

Length of service and age structure

As of the reporting date in 2017, the average length of service with Axel Springer was 10.1 (PY: 10.1) years; 42.4 % (PY: 43.8 %) of the workforce belonged to the Group for more than ten years. More than half of all employees are between 30 and 49 years old. The proportion of severely disabled employees in the German companies averaged 3.7 % for the year (PY: 3.7 %).

Equal opportunities and diversity

In 2010, Axel Springer launched the initiative "Chancen: gleich!". The aim was to increase the diversity and balance of women and men in leadership positions. At the end of 2016, a first milestone was reached: The proportion of women in management positions of 16 % in 2010 was almost doubled. As at December 31, 2017, the share within the Group was 32 %. This share should be further increased. In order to achieve this, the following topics should be in focus: Creating the best possible conditions for reconciling family life and work, promoting the potential of young women and developing a modern and attractive corporate culture. From this, concrete measures were derived, among others, systematic talent development with modules such as succession planning, talent development programs, mentoring and coaching.

Axel Springer is committed to diversity and tolerance - based on nationality, age, gender, sexual orientation, physical ability and religion. Out of this conviction, numerous networks have been established; for example, parent networks, networking for tech-women, cross-company mentoring exclusively for women, and the LGBT network "queer: seite!". This is also supported, for example, by the annual participation of the Executive Board in Berlin's Christopher Street Day.

Human resources development

Our department for human resources development has consistently aligned its qualification activities in recent years with the requirements of digitization. In addition to established seminars and promotional programs, the range of shorter and unconventional formats has been greatly expanded, which in addition to the mere transfer of knowledge, leads to greater interlinking among each other. In this context, the collaboration platform moveoffice (Office 365) was introduced at Axel Springer and rolled out throughout the whole company. Networking, simultaneous and location-independent work in a team, open communication but also the sharing of knowledge are thus supported and promoted. Human resources development thus pursues the goal of developing Axel Springer into a permanent "learning organization" that copes well with change processes. With the Talent Management division, Axel Springer is investing in the development and retention of high potentials. Through network events and so-called talent dialogues at division and board levels, the Group creates transparency in terms of talent, development opportunities and vacancies within the Axel Springer family. Increasing synergies, sharing knowledge between Axel Springer family companies, teaching new knowledge content, and guiding teams to adopt new work techniques such as agile process work are equally important.

Research and development

Axel Springer does not operate a research and development department in the sense of an industrial enterprise. All areas of the company are optimizing existing offerings and working to establish innovative products in the market. Above all, this means that we are continually expanding our range of services through innovations in the digital business, developing editorial content and expanding our journalistic excellence. In doing so, we attach great importance to the early consideration of the changing use of media. In addition to our investments in companies in an early stage of development, we capitalized internal costs of € 87.0 million relating to IT development projects for the expansion of our digital business models in the financial year. We also reported € 59.3 million as planned depreciation, amortization and impairments on software and technologies that were developed in-house.

Further development of Classifieds Media

The development of new offers plays an important role in the Classifieds Media segment. The following examples illustrate this:

The core technology of the StepStone platform, the so-called Search & Match algorithm, is being continuously developed further and consistently implemented at newly acquired companies. StepStone has also introduced rating capabilities for employers and wages, further increasing its relevance to job seekers. Within the StepStone Group, Good & Co has developed a personality test via App. Using the knowledge gained from this, the job seeker can get an impression of how far his or her value orientation fits into a specific company or, depending on data availability, even to a specific department. With StepWeb, StepStone is developing a technology that aggregates publicly available data from job seekers to create a holistic profile. This enables companies to search for potential candidates and to actively approach them. The technology complements StepStone Group's existing resume databases, which are used in the UK in particular.

SeLoger has developed a range of offerings that build on the company's database and add value to the customer through algorithm-based processes. Thus, LaCoteImmo, as part of the SeLoger Group, offers the potential seller of a property an opportunity to have an indicative sale price. The intended audience generated by the product is of interest to agents, who can increase the likelihood of winning sales mandates through advertising in this environment. Likewise, Enriched Contacts provides SeLoger with an opportunity to assist agents with a scoring system particular to look after prospective buyers, where the probability is considered particularly high that the advertised property fits their previous search behavior and the prospect is in an intense phase of its search process. LaCentrale, our car portal in France, has developed a platform with MaVoitureCash that allows private car dealers to have their vehicle rated online while also showing dealers interested in the car. The very accurate initial pricing is based on the excellent quality and quantity of data from LaCentrale, with which damage and defects can be priced in directly. Yad2, our generalist classifieds portal in Israel, has implemented high-quality 3D and virtual reality tours for its real estate business. These provide a complete visualization of the respective property. The new offerings allow potential buyers to virtually browse their future property. In particular, real estate developers who, unlike sellers of existing real estate, cannot offer on-site visits, have the opportunity to market new construction projects in less time and at lower cost.

Further development of News Media

Our journalistic products, both digital and printed, were consistently expanded in the reporting year. In the digital domain, we have made progress on the product and technology side. BILD and WELT work together with Facebook and Google on innovative approaches for platform-based paid content. The introduction of FITBOOK and NOIZZ brought innovative content models to the German market. WELT.de is now the fastest news website in Germany (based on loading speed). At the same time, our joint venture Verimi continues to work on a single sign-on process for all companies involved in Verimi in order to make the use of Internet services significantly easier and safer in the future. In addition to Axel Springer, the partners include Allianz, Bundesdruckerei, Core, Daimler, Deutsche Bank and Postbank, Deutsche Lufthansa, Deutsche Telekom, Giesecke + Devrient and Here Technologies. In the print sector, we have launched "die dame" (The Lady) in Germany as an innovative, high-quality print lifestyle magazine on the market. In the sports segment we successfully introduced the BIKE BILD. In addition, FUSSBALL BILD was launched in January 2017 throughout Germany as an innovative content syndication model.

Further development of Marketing Media

In the area of Marketing Media, the existing online services are continuously being developed and supplemented by new ones. The development of innovative product functionalities and marketing technologies to increase range and use of offers and their monetization have a high priority for our investments. In addition, in the early stage, we invest in young companies that are developing new business models and technologies, either as direct investments or indirectly through investment companies such as Project A-Ventures, in which Axel Springer and the Otto Group are both involved, or the start-up accelerator recently founded together with Porsche to support digital business ideas with high market potential.

Sustainability and social responsibility

For Axel Springer, sustainability means linking economic success with ecologically sound and socially balanced action. These three criteria are an integral part of the corporate strategy. Hence, sustainability is integrated into the business processes. The Sustainability Department accompanies respective activities throughout the company - from measures to improve resource efficiency to social engagement initiatives. The department falls under the responsibility of the Chairman of the Executive Board. With our sustainability strategy, we take responsibility for present and future generations and create the basis for long-term business success.

Axel Springer had already started to publish environmental reports in the mid-1990s, and since 2000 publishes sustainability reports. Since 2005 we have been publishing a sustainability report on a biannual basis, which follows the full list of indicators in the Global Reporting Initiative (GRI), the internationally relevant format for sustainability reporting. The Sustainability Report 2016/2017 is also prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI).

The topics of the report are determined in advance by market research and stakeholder surveys - those groups that have a legitimate interest in the company, be it employees, customers or non-governmental organizations. The result: Above all, information on product responsibility, customer satisfaction, journalistic independence, employer attractiveness, compliance with social and ecological standards as well as the company's ability to innovate was in demand. The report also provides transnational figures on energy use and the calculated CO2 emissions.

The sustainability reports of Axel Springer are audited by independent auditors. The current sustainability report was published in November 2016 and is available at www.sustainability.axelspringer.com. The next sustainability report will be published in mid-2018.

Separate combined non-financial report

Axel Springer SE as well as the Axel Springer Group is required by Section 289b as well as Section 315b of the German Commercial Code (HGB) to expand its management report with a non-financial statement for the first time for the 2017 financial year. We make use of our option to publish the non-financial statement at the statutory deadline of April 30, 2018 and separately from the combined management report of the Company. This separate report will be published on our website at www.axelspringer.de/NonfinancialReport.

General assessment of the company's financial performance, liquidity, and financial position by the Executive Board

The strategy of digital transformation was also at the fore during the 2017 financial year, through organic growth and through acquisitions. Important milestones in the inorganic growth were the acquisition of the American affiliate network ShareASale and the merger of Awin with affilinet in Performance Marketing. Revenues, adjusted EBITDA, adjusted EBIT, and the adjusted earnings per share from continuing operations were all above the prior-year figures. At the end of the reporting year, the net debt was roughly at the level of the previous year. With a very strong cash flow, a still solid balance sheet structure, and the favorable financing options available to us, we continue to be in a good position to make the necessary investments to realize future growth.

We continue to believe that the path of systematic digitization is the right strategy for further improving the company's profitability in the future.

Financial performance, liquidity, and financial position

Group Key Figures (in € millions)	2017	2016
Revenues	3,562.7	3,290.2
EBITDA, adjusted[1]	645.8	595.5
EBITDA margin, adjusted[1]	*18.1 %*	*18.1 %*
EBIT, adjusted[1]	504.0	471.1
Tax rate	*25.6 %*	*21.9 %*
Net income[2]	378.0	450.0
Net income, adjusted[1] [2]	327.5	299.9
Earnings per share, adjusted (in €)[1] [2] [3]	2.60	2.41
Dividend per share (in €)[4]	2.00	1.90
Total dividends[4]	215.8	205.0
Net debt/liquidity[1]	–1,020.2	–1,035.2
Free cash flow[1]	497.4	270.5

[1] Explanations with respect to the relevant key performance indicators on page 33.
[2] Continuing operations, for the portion attributable to discontinued operations see notes to the consolidated financial statements under note (2d).
[3] Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 107.9 million).
[4] The dividend for the financial year 2017 is subject to the condition of approval by the annual shareholders' meeting.

Economic position of Axel Springer SE

€ millions	2017	2016	2015	2014	2013
Revenues	823.2	833.1	925.9	1,174.6	1,442.8
Net income	271.9	296.4	213.5	590.8	186.4
Transfer to retained earnings	56.1	91.4	19.3	412.7	8.3
Total dividends[1]	215.8	205.0	194.2	178.1	178.1
Dividend per share (in €)[1]	2.00	1.90	1.80	1.80	1.80

[1] The dividend for the financial year 2017 is subject to the condition of approval by the annual shareholders' meeting.

Introductory remarks

Axel Springer SE is the parent company of the Axel Springer Group. Due to its subsidiaries, which Axel Springer SE controls directly or indirectly, the business development is subject to the same risks and opportunities as the entire Group. These are presented in the report on risks and opportunities (see page 42 et seqq.). Similarly, the expectations regarding the development of Axel Springer SE essentially correspond to the Group expectations described in the forecast report (see page 59).

The following explanations are based on the annual financial statements of Axel Springer SE, which were prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act. The annual financial statements and management report are published in the German Federal Gazette and published on the Axel Springer SE website.

Business activity

Axel Springer SE is active in the News Media segment and publishes mainly nationwide daily and weekly newspapers. Axel Springer SE, as the parent company of the Axel Springer Group, carries out holding functions, manages group-wide liquidity management and provides additional services to Group companies. The economic framework conditions of Axel Springer SE correspond largely to those of the Group and are described in the economic report (see page 22 et seqq.).

Financial performance

Income statement (Condensed)

€ millions	2017	2016
Revenues	823.2	833.1
Other operating income	313.5	139.5
Purchased goods and services	–199.9	–208.5
Personnel expenses	–240.4	–203.9
Amortization, depreciation and impairments of intangible assets and property, plant and equipment	–19.0	–21.1
Other operating expenses	–422.5	–401.6
Net income from non-current financial assets	215.8	233.2
Net interest income	–33.2	–30.1
Income taxes	–165.7	–44.2
Net income	**271.9**	**296.4**

Revenues decreased by € 9.9 million or 1.2 % in the reporting year. Declines in circulation revenues of € 28.1 million were partially offset by increases of advertising revenues and other revenues of € 8.6 million and € 9.6 million, respectively.

Other operating income increased by € 174.0 million to € 313.5 million compared to the previous year. This was due in particular to higher income from the sale of real estate. In the reporting year, the Axel-Springer-Passage in Berlin was sold for a purchase price of € 330.0 million. The gain on disposal amounted to € 281.8 million. In the previous year, there was a profit of € 91.2 million from the sale of the office building in Hamburg.

The cost of purchased goods and services fell by € 8.6 million to € 199.9 million, mainly due to lower expenses for printing services.

Personnel expenses rose to € 240.4 million (PY: € 203.9 million). Higher expenses resulted in particular from the valuation of share-based payment programs, restructuring measures and pensions. The decline in the average number of employees by 10.0 % from 1,586 in the previous year to 1,427 in the 2017 financial year had the opposite effect.

Amortization, depreciation and impairments of intangible assets and property, plant and equipment remained € 2.1 million below the previous year's level at € 19.0 million.

The increase in other operating expenses to € 422.5 million (PY: € 401.6 million) resulted in particular from higher transaction costs in connection with the sale of real estate.

Net income from non-current financial assets amounted to € 215.8 million (PY: € 233.2 million). Higher profit transfer from subsidiaries (€ 231.0 million; PY: € 207.5 million), was off-set in particular by lower income from participating interests (€ 16.3 million; PY: € 35.3 million) and higher impairments of non-current financial assets (€ 37.2 million; PY: € 18.8 million).

The net interest income for the reporting year was € –33.2 million (PY: € –30.1 million) and mainly comprised interest expenses from the utilized revolving credit facility and the promissory note as well as the valuation of the pension obligations. The increase opposite to the previous year mainly resulted from prepayment fees in connection with the restructuring of the existing promissory note.

Income taxes amounted to € 165.7 million (PY: € 44.2 million). The increase compared to the previous year was mainly due to real estate transactions.

The 2017 financial year ended with a net income of € 271.9 million (PY: € 296.4 million).

Liquidity

The net debt (liabilities due to banks and promissory note less cash and cash equivalents) amounted to € 1,198.8 million as of December 31, 2017 (PY: € 1,242.8 million).

In the reporting year, the financing conditions of our existing promissory notes were optimized through partial termination, conversion and redrafting. As of December 31, 2017, there were promissory notes totaling € 879.0 million (PY: € 580.5 million). The long-term revolving credit facilities were reduced to € 1,200.0 million in the 2017 financial year (PY: € 1,500.0 million) and had been utilized to € 365.0 million at the balance sheet date (PY: € 680.0 million).

Financial position

Balance Sheet (Condensed)

€ millions	12/31/2017	12/31/2016
Intangible assets and property, plant and equipment	153.8	170.7
Non-current financial assets	5,643.5	5,435.2
Receivables from affiliated companies	171.2	186.0
Cash and cash equivalents	45.2	17.8
Other assets	63.9	98.8
Total assets	**6,077.6**	**5,908.5**
Equity	2,632.7	2,565.8
Provisions	333.2	266.7
Liabilities due to banks and promissory note	1,244.0	1,260.6
Liabilities to affiliated companies	1,796.6	1,740.7
Other liabilities	71.1	74.7
Total equity and liabilities	**6,077.6**	**5,908.5**

The balance sheet total increased by € 169.1 million to € 6,077.6 million in the reporting year (PY: € 5,908.5 million). Non-current assets amounted to € 5,797.3 million (PY: € 5,605.9 million) and represented 95.4 % (PY: 94.9 %) of total assets. 45.4 % (PY: 45.8 %) was covered by equity.

The decline in intangible assets and property, plant and equipment of € 16.9 million to € 153.8 million is attributable in particular to the sale of real estate in the reporting year.

Non-current financial assets increased by € 208.3 million to € 5,643.5 million. This increase was mainly due to additional payments in capital reserves of subsidiaries for financing company acquisitions.

Receivables from affiliated companies (€ 171.2 million; PY: € 186.0 million) and liabilities to affiliated companies (€ 1,796.6 million; PY: € 1,740.7 million) resulted mainly from group-wide liquidity management.

Other assets (€ 63.9 million; PY: € 98.8 million) decreased mainly due to lower income tax receivables as at the balance sheet date.

Equity increased by € 66.9 million to € 2,632.7 million (PY: € 2,565.8 million). The net profit for the reporting year (€ 271.9 million) more than compensated for the reduction in equity due to the dividend payment for the past financial year (€ 205.0 million). The equity ratio at the balance sheet date remained at 43.3 % (PY: 43.4 %) virtually unchanged.

Provisions grew by € 66.5 million compared with the previous year's balance sheet date to € 333.2 million (PY: € 266.7 million). The reason for the increase was higher pension provisions due to a lower discount rate and higher obligations from share-based payment programs.

Profit utilization proposal

The Supervisory Board and Executive Board propose that the company applies the full amount of the distributable profit of € 215.8 million (PY: € 205.0 million) to pay a dividend of € 2.00 (PY: € 1.90) per qualifying share for the 2017 financial year.

The company does not currently hold any treasury shares, so that all the company's shares qualify for dividends. However, the number of shares qualifying for dividends may be reduced in the time remaining before the annual shareholders' meeting. In that case, an adjusted profit utilization proposal will be submitted to the annual shareholders' meeting, without changing the target dividend of € 2.00 per qualifying share.

Dependency Report

The Executive Board of Axel Springer SE submitted the dependency report prescribed by Section 312 of the German Stock Corporations Act (Aktiengesetz – AktG) to the Supervisory Board and made the following concluding statement:

"According to the circumstances known to the management at the time of each transaction with an affiliated company, Axel Springer SE received adequate consideration for every such transaction and did not take, or fail to take, any actions in the reporting period, either at the behest or in the interest of the controlling company or a company affiliated with the controlling company."

Report on risks and opportunities

Risk policy principles and risk strategy

At Axel Springer, we define risks as the possibility of negative deviations of actual business performance from the planned targets or objectives, while opportunities represent the possibility of positive deviations. The risk policy principles and risk strategy of Axel Springer are coordinated and closely aligned with the business strategy and business objectives. We do not seek to avoid risks at all costs, but to carefully weigh the opportunities and risks associated with our decisions and our business activities, from a well-informed perspective. Against this backdrop, opportunities should be exploited to generate income or increase the company's value and risks should be assumed only if they remain within appropriate limits that are acceptable to the company. Thus, risks should be limited to a level deemed acceptable by the company's management by taking appropriate measures, be transferred to third parties in full or in part, or, in those cases where risk mitigation is not considered advisable, be avoided or monitored closely.

Group-wide risk management system

In this reporting year, we have continued to develop and expand individual elements of internal corporate monitoring (risk management, compliance management, internal control and internal auditing) against the background of national and international requirements, and an increasingly complex and volatile environment of a growing and globally changing company. One focal point was the continuous improvement of the quality and completion of the risk inventory as well as the corresponding control measures and the integration of new investments and areas into the existing risk management system. The general form of structures and processes in the risk management system at Axel Springer are based on the internationally recognized "Enterprise Risk Management Framework", a framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which links the risk management process with the internal control system. Group-wide coordination of the systems - risk management, compliance management and the internal control system as well as the related reporting – is carried out by the Compliance division as well as Corporate Audit & Risk Management.

The risk management process at Axel Springer is inter alia focused in accordance with Section 91 (2) of the German Stock Corporations Act (AktG) on recognizing and evaluating all significant and existential risks as well as essential changes in the risk situation as promptly as possible. It should therefore be assured that corresponding control and countermeasures can be used in time to react to such risks. This approach gives us the necessary maneuvering room and allows for the controlled and responsible management of risks.

Based on the risk management framework developed by COSO, the risks of Axel Springer are divided into the risk categories strategic, operative, reporting-relevant and compliance-related risks. Insofar it is appropriate and quantifiable, risks are assessed quantitatively with reference to the parameters "loss amount" (impact) and "probability of occurrence". Based on these parameters, risks are assigned to one of the following risks classes: critical risks, significant risks, risks to be monitored, and other risks. In order to achieve a focus on the relevant and significant risks at the Group level, an annual materiality limit is defined on the basis of adjusted EBITDA, from which the grading of the imaged risk matrix is derived. The materiality threshold at Group level is currently € 10 million.

Risk Matrix of Axel Springer SE

For the purpose of effective management and transparent presentation of the risk situation, all risks recorded are assessed both before risk management measures (gross assessment – inherent risk) and after the corresponding measures are taken (net assessment – residual risk).

Whilst overall responsibility for risk management lies with the full Executive Board, the operational management of the individual risks falls primarily within the area of responsibility of the respective company divisions or Axel Springer investments. This includes the early detection and identification, assessment, definition of appropriate measures, the management and monitoring of such measures and adequate documentation and reporting processes.

In addition, the respective divisional and senior managements of our companies are required to participate in the semi-annual update campaign in addition to the systematic, standardized risk-surveying conducted once a year. Additionally, they have to constantly monitor their area or company for a changing risk situation. Significant changes in the risk situation must be reported immediately to central risk management.

The purpose of the risk inventories and analyses carried out in the top-down and bottom-up procedures is to systematically identify and assess cross-company, cross-divisional and cross-procedural risks in order to complete the risk inventory and ensure its quality. In the Governance, Risk & Compliance division, risk management activities are coordinated, risks are aggregated up to the Group level, reported risks are checked in terms of their plausibility, and the completeness of the required risk reports is monitored. The division is also responsible for all supporting measures, such as maintaining the risk management software, and reporting to the Supervisory Board and Executive Board.

The semi-annual and ad-hoc risk reports prepared for the Executive Board and Supervisory Board focus primarily on existential risks and significant risks of individual business units and investments, along with the countermeasures adopted and suitable early warning indicators, to the extent they are available.

Internal audit system

Group Auditing within Axel Springer SE is organized as a process-independent staff department, which is under the control of the full Executive Board in functional terms, and under the Executive Board member in charge of Personnel and Finance in disciplinary terms. It provides consulting and investigations in all Group companies and divisions in a risk-oriented manner and aligns its activities with relevant national and international professional standards.

In particular, Group Auditing has the task of inspecting the effectiveness of the internal risk management and control system as well as the compliance management system based on a risk-oriented inspection plan and to derive measures for eradicating weaknesses. Implementation of improvement measures is tracked based on a systematic process.

The results of individual audit or consultancy mandates are typically reported to the Executive Board and periodically summarized to the Audit Committee of the Supervisory Board.

To ensure the effectiveness of the internal audit system, a quality assurance and improvement process is set up, which provides for external quality assessments among others in accordance with professional guidelines.

Report on the financial reporting related risk management system and internal control system pursuant to Section 289 (4) and Section 315 (4) of the Commercial Code (HGB)

The (consolidated) financial reporting-related risk management system and the connected internal control system are important elements of the internal management system of Axel Springer SE, which is also based on the internationally recognized framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (see page 42). As emphasized in the concept, the effective interplay of the risk management system and internal control system is meant to ensure the effectiveness and economic efficiency of the Group's business activities, as well as the completeness and reliability of its financial reporting. The (consolidated) financial reporting related risk management system and internal control system comprise all organizational regulations and measures aimed at the detection and management of risks related to financial reporting. With a view to the (Group) accounting process, it is intended to ensure that the Group's financial reports convey a true and fair view of the financial position, liquidity, and financial performance of Axel Springer SE and the Axel Springer Group, in compliance with all relevant laws, regulations, and standards. However, even an effective and therefore adequate and well-functioning risk management system and internal control system cannot guarantee the prevention or detection of all irregularities or inaccurate disclosures.

We consider the following elements of the risk management system and internal control system to be significant with respect to the (consolidated) financial reporting process:

- Processes for identifying, assessing, and documenting all significant financial reporting-related processes and risk areas, including the corresponding key controls. Such processes include financial and accounting systems, as well as administrative and operational business processes that generate important information used in the preparation of the separate and consolidated financial statements, including the management reports of the parent company and the Group.

- Process-integrated controls (computer-assisted controls and access restrictions, dual control principle, functional separation, analytical controls).

- Standardized financial accounting processes through the use of an intra-group shared service center for most consolidated German Group companies.

- Group-wide directives in the form of accounting guidelines, charts of accounts and reporting processes.

- Quarterly communication of information to all consolidated Group companies on current developments related to accounting, and the process of preparing the financial statements, as well as reporting deadlines to be observed.

- Assuring the requisite expertise of employees involved in the financial accounting process by means of appropriate selection procedures and training.

- Centralized preparation of the consolidated financial statements (including management report) employing manual and computer-system controls in respect of financial reporting-specific connections and dependencies.

- Protection of financial reporting-related IT systems against unauthorized access, by means of access restrictions.

- Monthly internal reports (complete income statement, statement of financial position, cash flow statement) and monthly reports on all cost units of the Group, including analysis and reporting of significant developments and budget/actual variances.

- Regular, group-wide reports to the persons responsible for reporting, the Executive Board and the Supervisory Board

The effectiveness of the (consolidated) financial reporting–related risk management system and internal control system is systematically reviewed and assessed by means of periodic control tests. As a process-independent staff unit, Group Auditing will inspect at regular intervals randomly selected elements of the accounting-related internal control system organized at central level and in the Group companies, in order to uncover weaknesses and thus contribute towards improving the legal conformity with rules and regulations (compliance).

Both the risk management system and the internal control system are being continuously refined.

Risk areas

If not stated elsewhere, all risks which have a considerable negative effect on reaching our company-wide targets will be mentioned in the following. Within the risk areas described below, risks are typically presented in the order of their priority for the Group. This method may be deviated from in order to prevent repetitions and in the interests of readability.

The risks recorded at the balance sheet date and described below are primarily based on the 2018 forecast period, unless the risks in question relate to long-term objectives.

Market and competition risks

Market and competitive risks basically relate to changes in sales and purchasing conditions as well as the development of competing suppliers. Since Axel Springer operates and acquires globally, a large number of economic factors must be taken into account to determine market risks. Economic forecasts, above all for the important sales markets of Germany, Europe and the USA, serve as overarching indicators for assessing market and competition risks.

Following positive economic growth in the year 2017, the market development in Germany for 2018 continues to be very good. The declining global uncertainties of the past year, a favorable labor market situation and low unemployment figures are leading to rising private consumption. In addition, companies benefit from an investment-friendly interest rate climate and rising demand, especially from the European and international economic area.

Also for Europe an increase of the economic situation is predicted. This economic upturn tends to be distributed synchronously across the Euro area Member States. The low level of interest rates throughout Europe is seen as a key pillar for a sustained good economy. Uncertainties arise with regard to upcoming political events such as the UK's exit negotiations or the parliamentary elections in Italy.

A cyclical economic upturn can be recognized world-wide in almost all major economies and is continuing. However, countries are in different stages of the business cycle. For example, the relatively high level of private debt in the US already points to an excess of the economic peak. However, it is unclear how the tax reform initiated by US President Trump will affect the economy. By contrast, economic growth in emerging markets is picking up. China, as the second largest economy in the world, has a decisive share in this development. The growth of the most important emerging market is greater than that of the USA. The consequences of the change of government in the US have not yet assumed the potentially negative impact on the global economy. However, possible protectionist intentions as well as political relations with North Korea and Russia pose risks to international markets.

Despite the overall very positive forecasts, the above-mentioned economic and political framework conditions must be viewed critically, as negative changes in Axel Springer's sales markets could lead to revenue reductions in all segments of the company at national and international level.

A particular challenge for Axel Springer's digital transformation and expansion is the high dynamics of digital offers and innovations. Digital technologies have long since established themselves in private and business everyday life. The digital transformation is comprehensive, omnipresent, changing people, society and markets in a sustainable way. New technologies enable a variety of innovations that offer good growth opportunities, while at the same time threatening traditional business models and forcing companies to fundamentally rethink and develop their business.

Classifieds & Marketing Media

Our Classifieds Media segment is also continuously exposed to high market and competitive dynamics, among others, due to ever shorter innovation cycles and technological change. Increasing competition threatens to continue on the part of the world's leading Internet corporations Google, Apple, Facebook and Amazon, called GAFA for short, which penetrate into new market segments and may possibly compete with our business segments. These dominant US companies not only pool specialized knowledge in their corporations, but also point the way in the course of digitized globalization. GAFA dominate the B2C domain on the Internet, e. g. through its platforms, the business relationships with retailers on the one hand, and with private persons on the other, so that hardly any retailer can afford to ignore, for example, Amazon's marketplace or refrain from integrating Google or Facebook into its communications and marketing strategy. However, young companies with innovative and disruptive technologies or business models may also pose potential risks, as well as associations of direct competitors, for example in the field of real estate marketing. In addition, the potential for missing out on trends, the late introduction of new technologies, as well as the lack of further development of our own products could increase this risk and, as a result, jeopardize our existing market position. In order to limit the before mentioned market and competition risks, a systematic and continuous monitoring of the market and competitive environment and resulting trends is carried out. Based on this information, control measures for operational management are derived. We enhance the attractiveness of our business models by investing in innovative product development, the use of new technologies, journalistic expertise, target-group-oriented marketing and increasing brand awareness through, for example, TV campaigns. With these measures, we want to meet the changing needs of our customers and readers while at the same time maintaining or expanding our competitive edge. The acquisition of highly qualified key personnel with appropriate expertise and the development of long-term customer relationships also reduces risk.

In addition, new business models are constantly being tested, the digitization of our products promoted, and our product portfolio supplemented both nationally and increasingly internationally.

Many of our digital marketing and classifieds offerings are constantly faced with the risk of a sudden loss of visibility resulting from the dominance of large internet search engines. The ever-changing and partly non-transparent criteria of the search algorithms can have a significant impact on the current and future revenue situation. Even small increases and decreases in the visibility or placement on the results pages can lead to significant traffic loss and concomitant decline in traffic-related revenues for certain business models.

We counter this risk by targeting paid ads on search engine results pages, improving online page structure, and search engine optimization. At the same time, the continuous improvement of the attractiveness of our offerings and the increase of awareness of the brands and offers of Axel Springer are in the foreground, in order to make their range and use more independent of offers of third parties, in particular the search engine visibility.

News Media

Digitization has significantly changed consumer and reader behavior. The increased importance and use of digital offerings, in particular the digitization of print media, continues to lead to ongoing revenue reductions in the area of printed publications. The rapid development in the performance of mobile devices also drives the digital transformation and leads to a rapidly increasing use of the mobile Internet compared to the stationary one. A further acceleration of this trend or unpredictable market developments could further increase the already factored in declines due to the structural change. In the television news market, too, the changing user behavior is reflected in the growing demand for video on demand and mobile services. This, as well as the increasing market density results in declining viewership and ultimately in advertising revenue losses. Falling advertising revenues are compounded by the general economic downturn in the TV advertising market.

Our national print business is still confronted with increasing challenges in the marketing environment. In addition to increasingly specific customer requirements, the general market and media situation is subject to an increasing number of competitors and at the same time a high degree of dynamism. With the marketing alliance Score Media, a national cross-media newspaper marketer, founded by several newspaper publishers and media groups, Media Impact, a joint marketing company with FUNKE media group, has a major counterpart. The competition for the daily newspaper titles of Axel Springer SE has increased significantly. Price pressure on ad marketing and the concomitant loss of revenue in the print sector cannot be ruled out for the coming financial year either. As a counterweight to Score Media, the marketing group Red Impact was founded under the umbrella of Media Impact. This cooperation, which Media Impact has entered into with other media groups in order to bundle the marketing of all relevant German tabloid titles under one roof, enables all participants to develop further sales potential for their brands in addition to the already established marketing.

The development of technical expertise helps us to continue our successful offensive strategy also in the area of national trade customers. In particular, it focuses on accompanying important retail customers in their transformation into the digital business.

In addition to the challenging competitive environment, our advertising revenues in the print and online sectors are exposed to the risk that annual contracts with major agency groups will not be concluded, or only at a lower volume. Also, the loss of large advertisers due to legal advertising restrictions or the evasion of significant commercial customers to other forms of advertising such as television or other online media pose a serious risk.

The marketing of audiovisual content also confronts risks. Visoon Impact, a company of Axel Springer and Viacom International Media Networks and active since the beginning of 2016, is responsible for the marketing of audiovisual content. Should the broadcasting performance of the clients deteriorate, this means a loss of attractiveness of the program for the viewers. Ultimately, fewer viewers lead to significantly lower prices that can be achieved in the market, even losing their relevance as an advertising medium.

In order to identify and counteract changing customer needs at an early stage, we carry out continuous market analyses and intensify customer service. Organizational restructuring measures, which primarily serve to strengthen customer support, also contribute to risk minimization.

The use of the mobile Internet has accelerated rapidly in recent years compared to the stationary Internet. The increasing orientation towards mobile services is risky, because the traffic in the mobile environment is associated with lower advertising prices and a lower utilization. In order to reduce risk, we combine the mobile and stationary marketing and work on opportunities to attain an even better monetization of mobile traffic. As a result, a shift in traffic from stationary to mobile leads, at least today, to a downward trend in advertising revenues. In a risk-reducing manner, we hereby exploit technical possibilities, for example by redirecting mobile access to stationary websites.

The increased availability and, above all, the widespread use of ad blockers also harbors risks for our digital advertising revenues by restricting marketing opportunities in the online advertising market and reducing advertising effectiveness. Specifically preconfigured browser and browser add-on programs are called ad blockers, which prevent the display of advertising on the targeted pages, both stationary and mobile, and thus have a revenue-reducing effect. This not only affects our digital payment offerings, but also our business models for reach marketing and performance-oriented advertising models. For the impact of the ePrivacy Regulation on our digital business models, please refer to the "Political and Legal Risks" section.

We counter the proliferation of ad blockers both with legal action against providers and with the development of alternative revenue streams. Also, technical solutions for detecting and deactivating ad blockers are increasingly being used. For example, for the readers of BILD.de, the journalistic content can only be used if the ad blockers used are deactivated or an almost ad-free subscription is concluded.

Political and legal risks

The relevance of data protection as well as the social and political sensitivity to privacy and security gaps in the digital domain have been steadily increasing for years.

For 2018, completely new risks arise from two European legislations. On the one hand, this is the European General Data Protection Regulation (DSGVO), which will apply from May 25, 2018. In addition to numerous substantive tightening of data protection (including consent, information to those affected, the processing of large amounts of data in the context of "Big Data and the requirements for IT security) the DSGVO brings two fundamental changes, which increase significantly the risks for data processing companies: There is a corporate accountability under which the data processor must be able to demonstrate compliance with the GDPR. In addition, the fines will be drastically increased in case of breaches. Fines of up to 4 % of group-wide turnover are possible, based on antitrust law.

The second European legislation is the draft of ePrivacy Regulation. Among others, this should regulate the very relevant setting of cookies and the creation of user profiles on the Internet for Axel Springer. In contrast to the GDPR, the ePrivacy Regulation has not yet been decided. Also, a concrete date of entry into force and any transition periods are not finalized (as of February 2018). Axel Springer deals with possible consequences and possible measures at an early stage. These include internal projects, but in the broader sense also the participation as a founding partner in the joint venture Verimi. At the same time, Axel Springer, as well as the entire European industry of publishers, marketers and e-commerce, is extremely concerned about the current drafts. This applies equally to the associations of publishers and the internet economy.

In order to be able to counteract the associated risks, Axel Springer is informed about these developments at an early stage, also through the associations representing us. The stakeholders in the publishing and media industries throughout Europe are making an effort to explain to political decision-makers the business models and risks that exist among members, so that they are properly reflected in the democratic legislative process. Axel Springer also intends to take timely measures to identify changes that are relevant to Axel Springer and to adequately implement the resulting organizational and legal requirements as part of its risk-based prioritization.

In order to reduce the risk of legal violations, binding guidelines are also issued for divisions and subsidiaries, which include organizational and risk-based measures for increased data protection compliance. For the measures taken by Axel Springer in the area of IT security, please refer to the section "IT risks".

Nevertheless, the political and legal risks can by no means be completely ruled out. In view of the continuous technical development of the digital business models and a largely new and risk-increasing legal situation and in the absence of relevant case law, there is often an unclear legal situation and thus the latent danger of warnings and possible legal violations.

Specifically, this concerns the regulation of the use of so-called cookies and similar technologies, in particular the admissibility of creating user profiles as well as the integration of advertising networks and "retargeting" in the areas of web, mobile and app. The obtaining of consents, so-called "opt-ins", warnings and potential legal violations bring with it reputational damage, particularly to well-known brands of Axel Springer such as BILD and WELT, alongside direct legal and commercial consequences.

The involvement of public service broadcasting on the Internet continues to pose a risk to us. Above all, the ARD has gone with a fee-financed, text-focused news app of the Tagesschau far into the business field of the private press and distorted the competition. Naturally, it is more difficult for publishers to enforce paid apps against this and other free offers from ARD's state broadcasters.

After negotiations with the ARD and the NDR had been fruitless, Axel Springer SE filed with seven other publishers and full support of the newspaper publisher's association BDZV action against ARD and NDR at the competition chamber of the District Court of Cologne. The district court granted the claim in September 2012 for the most part. The defendants have appealed against the judgment and prevailed in the appeal before the Higher Regional Court of Cologne. The plaintiffs lodged an appeal against this before the Federal Court of Justice, the appeal was granted and the case remanded to the Higher Regional Court of Cologne for a new trial.

Admittedly, the Cologne Higher Regional Court responded to the publishers' request and did not approve the appeal. Nevertheless, the legal process is not over, because after an unsuccessful so-called non-admission complaint, the NDR has now challenged the violation of a right to have a hearing in court with the Federal Court of Justice. Our business remains exposed to the risks of distortion of competition from public service broadcasting and regulatory pressure from legislators at all relevant levels of government, despite countermeasures taken.

Further potential risks or uncertainties for the Axel Springer arise from the political situation in the individual countries. The Polish media landscape, in particular, has been decisively influenced by the political influence of the national-conservative government; currently already on public-law but in the future also through attempts to influence private media. Government-influenced companies could reduce or even stop their advertising activities in our products, which would lead to a significant decline in our advertising revenues. We counteract this risk with targeted cost-saving measures and programs for securing earnings.

IT risks

For Axel Springer, as a Group with a high degree of digitization of its offers and internal processes, there are numerous significant risks with regard to the availability of IT systems used and the confidentiality and integrity of information.

Due to the high degree of integration of information technologies into business processes, Axel Springer relies on a high availability of IT components. A significant impact on the availability can be a failure of the IT infrastructure and the applications run on it, such as the use of paid content on BILD.de. Potential causes of impairment include internal factors such as the increasing complexity of systems and longer-term infrastructure, as well as external factors such as: Computer crime by deliberately induced data encryption (so-called ransomware attacks) or by third party injected malicious software. In the worst case, these can result in business interruptions with far-reaching consequences for revenue and reputation.

Additional IT risks are classified as important if the confidentiality of information and data integrity is compromised as a consequence. Against the background of the growing importance of paid content, notifiable services and the associated collection and storage of personal data as well as the constantly growing computer crime, the sensitive handling and protection of data is of great importance.

For this reason, targeted measures have been and are being taken to prevent or limit as far as possible the effects and likelihood of criminal acts and the failure of IT components. The risk reduction measures include DDoS protection, emergency data centers, vulnerability analysis, use of encryption, identity & access management, consolidation and standardization, and improving of systems. These measures are continuously analyzed and, if necessary, expanded and improved.

Reputation risks

As part of the risk survey at Axel Springer reputation risks are not separately levied, as they usually result in a secondary risk or effect related to the primary risks.

A violation of law and order can cause high attention and damage our reputation due to Axel Springer's prominent position in contributing to social opinion. Potential reputation risks may arise, for example, from the violation of journalistic independence if the journalistic work is endangered due to personal advantage, inadequate research, incomplete information or lack of care in dealing with sources. Violation of country-specific laws and regulations, as well as non-compliance with equal treatment and opportunity programs can also damage reputation.

In order to avoid reputation risks, the risk management measures introduced are primarily intended to prevent the occurrence of a corresponding primary risk. Regardless, it includes the basic compliance with law and order, education campaigns and public relations work on established measures to prevent reputation damage.

In addition, our International Social Policy, a catalogue of social standards, counteracts potential reputation risks. The International Social Policy defines the attitude of the company and others on questions of legal compliance, the protection of children and young people, dealing with employees and health and safety. These standards are globally binding for all activities of the company and can lead to a significant loss of image if disregarded. For further information, please refer to the section “Important management practices” on page 67 et seqq.

Axel Springer operates an advanced sustainability management system that meets international standards. However, if we were to recognize potential environmental and social conflicts in the procurement of resources along the wood, pulp, paper and recycling chain too late, this could damage our image. In order to effectively minimize this risk, we work closely with experts from the wood, pulp and paper industries and environmental organizations. In addition, we use monitoring measures along the value chain. Our internal and external communication in this respect is characterized by openness and transparency.

Violations of confidentiality agreements and insider regulations as well as information that has not been published correctly in the context of external reporting can have economic or legal consequences for Axel Springer. In addition, there is the risk of damage to the image of the Group or its brands through negative reporting or campaigns in social media channels, even if there is no violation of the law from a legal perspective.

The following risk management measures primarily serve to avoid or reduce reputational risks: Compliance with law and regulations, education campaigns and public relations as well as relevant guidelines (e. g. guideline on journalistic independence). These should prevent the occurrence of a corresponding primary risk and protect against reputational damage.

Strategic risks

Significant strategic risks at Axel Springer result primarily from decisions to invest in new business fields and models as well as companies that develop differently than planned over the long term or that cannot assert themselves on the market or are displaced by new business models. Also a possible insufficient diversification holds a high risk potential. Unscheduled write-off in the case of expected permanent impairment in the context of the impairment tests to be performed would be the result. In addition to our activities in the Classifieds Media and Marketing Media segments, this risk also affects our product portfolio of national and international News Media offerings.

Overall, however, the business fields and models of our investments are very heterogeneous, so that diversification avoids so-called cluster risks. There is also further risk minimization, preventive control measures such as clear investment criteria, which we use to review new investments as part of our M & A activities, as well as active portfolio and investment management, the establishment and maintenance of a qualified management level and active and systematic monitoring of business and market development.

In addition to the aforementioned risks, the dependence on strategically important cooperation partners is also risky, for example for Upday, a personalized pan-European news service that was developed in collaboration with Samsung and currently represents the news app with the widest reach in Germany. If Samsung does not want to continue the cooperation, this would call into question the continued existence of the business model. Active key account management, legal support in the negotiation and renegotiation of contracts and continuous monitoring of the business activities of our cooperation partners contribute to reducing this risk.

Other risks

Axel Springer is naturally exposed to natural hazards that continue to pose significant risks to the Group. Possible damage caused by natural phenomena can lead to property damage and business interruptions. We counter these risks in two ways: On the one hand structural and organizational structural measures were taken to increase the safety standard even further, on the other hand there is an insurance protection to mitigate any financial consequences.

Terrorist attacks continue to pose a serious risk to Axel Springer and, due to the current global political situation, a significant increase in risk. We counter this, among others, with increased security standards, significantly tightened access regulations and controls as well as a detailed education and training of the safety-relevant group of people. The financial risk from possible property damage and business interruptions is covered here by appropriate insurance.

In order to support the cultural change to the leading digital publishing house, work is under way on the construction of the new publishing house of Axel Springer SE, which should enable employees to work together more closely and exchange knowledge more effectively. When implementing such a major project, Axel Springer is inevitably confronted with construction-specific risks such as unplanned project delays as well as cost overruns due to planning, tendering or procurement errors, or raw material price increases such as steel, glass or concrete. To reduce the aforementioned risks, a corresponding general contractor agreement was concluded, professional project controlling and reporting structures were established. Also, the development of supplier relationships and their early contractual commitment help us to minimize these risks.

In addition to our construction project Berlin, our construction activities at the Hamburg site are also subject to risk. In the part of the building sold to the city of Hamburg, work is still to be done which, like the construction activities in Berlin, is subject to risk. Here, too, risk reduction is achieved through systematic and highly professional project management and the involvement of external specialists.

Personnel risks

The individual abilities, professional skills and commitment of our employees make a significant contribution to the success of Axel Springer. A significant risk therefore represents the loss of specialists and executives and the associated company-specific loss of knowledge and competence. We act professionally and actively. One focus of our HR management is the targeted and forward-looking development and motivation of employees through individual training and further education measures, regular feedback discussions, attractive bonus programs, flexible working time models and a comprehensive offer for better reconciliation of work and family life. Field-specific measures based on educational needs analysis also help us to identify individual employee needs and to minimize the risk of loss of skilled workers. Systematic succession planning and development, especially in the case of age-related fluctuation, is indispensable. In this way, the transfer of valuable wealth of experience and company expertise should be guaranteed and the personnel requirements should be covered in the long term.

In addition, the difficult situation in recruiting junior executives and executives represents a continuously growing risk. Due to demographic change and increasing competition in the personnel market, it is increasingly difficult to recruit qualified personnel. Particularly with regard to the continuously increasing digitization of the Group, IT specialists in particular will continue to be in greater demand. That is why we have set up an internal recruiting team that designs personnel strategy initiatives and, for example, pursues the long-term development of a shared talent pool with a focus on bottleneck and key functions. In addition, professional employer branding, our social media activities on Facebook and Instagram, and university marketing with its diverse internal and external events make an important contribution to setting us apart from other companies and positioning Axel Springer as an attractive and innovative employer in the relevant target group.

Financial risks and risks from the use of financial instruments

With regard to financial risks, default risks for loans and investments as well as interest rate risks for Axel Springer are particularly important for the 2018 financial year.

We counter the risk of possible default of loans, which Axel Springer assigns on a case-by-case basis, by regularly informing ourselves about the economic and financial situation of the borrower, analyzing and processing these data accordingly, and thus identifying possible negative developments at an early stage. Should these manifest themselves, we allow the borrowers to collateralize their assets on a case-by-case basis.

Regarding our stake in Doğan TV Holding A.S., potential default risks from the agreed sales options were fully hedged by bank guarantees.

In order to counteract possible default risks when investing funds that are not required for operational purposes, investment is made according to predefined criteria that are specified in a Group guideline. It defines fixed asset limits for risk limitation that must not be exceeded are defined therein. The limit compliance is monitored by consistent, daily monitoring.

The existing interest rate risk results primarily from a financial asset or liability with variable interest rates. However, this risk is limited due to well-defined financing principles and regular monitoring of the variable interest component. Among others, we finance ourselves on borrower's promissory notes, which are mostly fixed income. Any additional interest rate risk that could affect the promissory notes and variable interest rate credit lines is minimized, where necessary, by the use of interest rate derivatives. Significant financing risks due to uncertain developments in the financial sector are currently not apparent to Axel Springer: The current € 1.2 billion (up to 2020) credit line taken out as part of securing liquidity has been bindingly committed by the participating banks. The interest rate is linked to a ratio between the net debt and the earnings ratio of the Axel Springer Group, so that the use of the credit lines would result in higher interest charges if the debt ratio is higher. In addition, we have to take into account some uncritical additional conditions under the loan agreements, which give the banks a right of termination in the event of nonperformance. We comply with these and therefore consider the risk of early maturity of drawn loans to be low. Continuous monitoring of the money, capital and credit markets shows that the company can refinance on good terms due to its continued excellent credit standing and reputation. Furthermore, we have a reliable generation of liquidity due to a diversified customer base with no significant delays or defaults.

Due to the degree of internationalization of Axel Springer, there are corresponding currency risks for the Group. These result from expenses, revenues, income from participations as well as receivables and liabilities in foreign currencies (transaction risk).

The risk of changes in value due to exchange rate fluctuations is largely avoided by raising operating costs in the countries in which we sell our products and services. Residual currency risks from foreign currency cash flows are insignificant, as we generate most of our results in the euro currency area. Currency risks from open net positions of € 5 million or more per foreign currency are analyzed in a treasury committee. The Treasury Committee meets at least six times a year to better identify potential risks and resolve countermeasures. Local currency financial resources generated in non-euro countries are either reinvested to expand local business activities, invested in and secured or distributed by Axel Springer SE. The liquidity risk arising from exchange rate fluctuations on foreign currency financial assets is therefore limited.

Currency effects from the translation of foreign currency financial statements (translation risk) are recognized directly in accumulated equity. Therefore, Axel Springer does not hedge against such currency risks.

The risks from financial instruments and hedging measures are explained in detail in Note (34) of the explanatory notes to the consolidated financial statements.

Overall risk assessment

The overall risk situation of the Axel Springer Group consists of the individual risks of all risk categories of the consolidated majority holdings and the central areas.

Taking into account the interaction of risks and risk aggregation, there are currently no risks that could jeopardize the continued existence of the Axel Springer Group or could significantly influence its asset, earnings and financial position. This applies to the condition that there is no significant deterioration of the economy in our markets and the media industry and, consequently, a significant deterioration in the market and earnings position of the Group. In addition, risk concentrations are reduced through continuous diversification, internationalization, optimization of the brand and product portfolio and digitization.

In contrast to the presentation in the 2016 Annual Report, there are slight changes in risk positions, in particular as a result of the acquisitions and sales of companies and the associated investments. However, these changes did not materially affect the overall risk situation and risk-bearing capacity of the company.

Opportunity management

Axel Springer pursues the goal of sustainably securing entrepreneurial success. Potential opportunities arising from positive developments in the course of business activities should be identified early and systematically exploited. As part of the management, strategic and planning processes, potential opportunities induced both internally as well as externally are identified and assessed for the company divisions and interests. External opportunities are offered, for example, by changing market structures or customer requirements; internal opportunities arise from product innovations or quality improvements. This is based, for example, on market and competition monitoring activities and analyses as well as regular dialog with experts. In considering the risks involved, identified opportunities are fundamental to corporate decision-making and the introduction of corresponding measures, such as measures regarding investments in new markets or technologies. Responsibility for the management of opportunities is taken in as decentralized a manner as possible by the operational divisions and their management or senior managers.

Opportunities

In line with the definition of risks, opportunities are mirrored as the possibility of positive deviations from defined targets and can thus serve both the added value and the generation of potential competitive advantages. They may arise from unscheduled and/or non-budgeted positive developments and/or events. This applies if there is insufficient certainty regarding the occurrence of events, or the framework conditions and environment develop in a more favorable manner than expected. In addition, potential arising from long-term strategic decisions that had not been fully budgeted may lead to additional growth.

Strategic opportunities

In a constantly changing environment we continue to develop our company so that we are able to face global and industry-specific challenges in the future with innovative and tailored solutions.

Axel Springer's international digitization strategy offers further promising opportunities for generating additional growth and revenues based on highly positive developments within the digital markets. Axel Springer exploits these developments by investing in new or future-oriented technologies, entering into new forms of cooperation, the ongoing digital transformation and monetization of journalistic products. In addition, by combining different media, we achieve the most comprehensive multimedia coverage in the German media landscape. This spans digital, print, video, and live TV, with an emphasis on quality journalism as the hallmark in all media channels.

Acquiring interests in companies with promising digital business models in the early and growth phases of their life cycle gives us the opportunity to make contacts within the industry and to other founders and investors as well as to access and use new ideas and business models. On the other hand, we can gain access to co-investments, which may also be available to us for a later majority acquisition. If the portfolio companies develop successfully, we can benefit from potentially significant increases in value. For this purpose, Axel Springer and Martin Varsavsky, an experienced Internet entrepreneur and member of the supervisory board of Axel Springer SE, founded an investment fund for media start-ups. This cooperation is not only intended to secure long-term growth, but also to further expand our business in the US market. In addition to this new early-stage investment, the start-up accelerator recently founded with Porsche, which supports digital business ideas with high market potential, can offer valuable strategic opportunities. We see further growth opportunities in our digital internationalization strategy and the associated entry into new or expanding existing markets. For example, the introduction of successful business models on the home market, the acquisition of existing and successfully established companies and the establishment of strategic partnerships in international growth regions offer considerable potential for success. Compared to our competitors, we also benefit from the fact that we already have strong market positions in many countries.

The sale of the new Axel Springer building and the Axel-Springer-Passage will provide us with additional liquid funds that can be used for future growth initiatives, especially in the digital sector.

Market and competitive opportunities

Should the global economy develop better than previously forecasted, this could have a positive impact on our revenue performance. The deciding factor will be the impact that regional conflicts and crises will have on our core markets when the world economy is highly interconnected. Nonetheless, its early investments in regional and digital growth markets places Axel Springer in a good position to capitalize on the opportunities this brings. Even a negative macroeconomic development can open up opportunities: This could eliminate competitors from the market, thereby strengthening our own position. In addition, it would be possible to acquire companies at advantageous prices, thus expanding our position in existing markets and investing in new markets with growth potential.

Additional industry-specific potential to generate unplanned revenues for Axel Springer may also arise from higher advertising expenditures on individual advertising media than forecasted by advertising associations. This could in particular be the case if the media mix changes in our favor, or, in other words, if advertising expenditure flows into the digital sector driven by journalistic content. For example, the paid subscription service for journalistic offers announced by Google and Facebook could help us to better market our paid content online. Should this actually happen and succeed, additional sales revenues could result and the brands of Axel Springer can be strengthened. Furthermore, increasing mistrust of Fake News could also strengthen the paid journalistic payment offers in the journalistic pay range of Axel Springer and generate higher circulation revenues. The technological developments in the marketing business - in addition to the associated challenges - also provide further opportunities for additional advertising revenues. Thus, a change in the online marketing by programmatic advertising is taking place. This form of media planning stands for the automated purchase and sale of advertising with the help of target group data in digital media and thus a change from the marketing of the environment to the marketing of target groups. With our know-how and the targeted customer approach through targeting measures, there are promising additional opportunities in the advertising business. The international orientation of Axel Springer, which has increased as a result of corresponding investments, represents a further advantage for the Group in advertising business. Compared to competing publishers with a stronger focus on the German-speaking area, we can offer global customers a broader readership or higher reach for ad campaigns from a single source.

All divisions and companies of Axel Springer are working on the continuous improvement of technologies and processes in order to maintain and expand their position in the competitive field. This includes an intensive cross-company exchange on successful business models, as well as innovative start-ups.

Political and legal opportunities

The ancillary copyright for press publishers (Leistungsschutzrecht für Presseverleger) entered into force at the beginning of August 2013, with the aim of further enhancing the protection of intellectual property. This stipulates that license fees shall be chargeable to search engine providers for using publisher content, unless such use relates to “individual words” or “the smallest text snippets“. Google as the market leader among the search engine providers rejected this. At present, there is a revocable “free-of-charge” consent granted by the publishers to Google to use their text snippets in search results. VG Media (collecting company), which represents more than 200 digital publisher offers, including by Axel Springer, has filed a payment claim against Google, which is currently pending before the Berlin Court of Appeal in a second instance. Depending on the outcome of the legal dispute or the agreement reached, this may have a positive effect on Axel Springer and its digital offerings.

Business and other opportunities

Axel Springer is continually working on the optimization of operational processes and structures. Axel Springer therefore regards inter-company, cross-divisional and cross-functional interlinking as a key factor for success in order to produce innovative and tailored content as well as provide high quality products and services for our customers. For this Axel Springer has begun a comprehensive restructuring with the separation of the prints from the digital business. If the new organizational structure is implemented swiftly and consistently for a cross-brand collaboration of core functions, this could, in addition to more efficient marketing, be associated with additional opportunities for greater growth, especially in the digital business and synergy potential in the cost area. Axel Springer could better identify and exploit opportunities through focused teams, clear responsibilities and less structural complexity.

The increased and promoted exchange of e. g. technological know-how of our companies offers additional opportunities to further improve our position in our core markets.

Forecast report

Anticipated economic environment

General economic environment

The upward trend of the **world economy** will accelerate according to the forecast of the International Monetary Fund (IMF). Accordingly, the growth rate of the global economy in 2018 should rise to a real +3.9 %. The boom is mainly driven by a significant growth spurt in the industrialized countries.

According to estimates by the ifo Institute, the upturn will continue in **Germany** in 2018. Growth drivers will therefore continue to be domestic demand and exports. According to the forecast, private consumption is expected to expand strongly with a real growth rate of 1.7 % driven by rising employment and rising wages. In view of the continued increase in the capacity utilization rate of the German economy in the previous year, the strong growth in corporate investment is expected to continue at 3.9 % in real terms. According to the ifo forecast, exports will continue to rise strongly in 2018, with real growth of 5.6 %. With a price-adjusted expansion of 5.5 %, imports will develop similarly dynamically.

According to forecasts by the ifo Institute, consumer prices will rise by 1.9 % in 2018 in view of the continuing buoyant economy. Unemployment is expected to fall to 5.3 % due to persistently high employment creation. At the same time, the number of persons in employment will rise by around 490,000. On average for the year 2018, the ifo Institute expects around 44.8 million people to be in gainful employment.

Anticipated Economic Development (Selection)

Change in gross domestic product compared to prior year (real)	2018
Germany[1]	2.6 %
United Kingdom[2]	1.4 %
France[2]	1.8 %
Central and Eastern Europe[2]	3.5 %
USA[2]	2.5 %

[1] Source: ifo Institut, December 2017.
[2] Source: DIW, December 2017.

According to a forecast by the German Institute for Economic Research (DIW), the **British economy** will expand by 1.4 % in 2018. Investments are unlikely to contribute to growth due to slightly restrictive monetary policy and persistently high levels of uncertainty in the face of the Brexit negotiations. However, positive impulses are to be expected from foreign trade, helped by the ongoing recovery in the eurozone and the continuing low value of the British pound.

For **France**, the DIW forecasts a real growth rate of 1.8 % for 2018. According to the economic research institute, the environment has improved slightly as a result of labor market and tax reforms. The DIW expects only modest price increases and rising of disposable income in real terms.

The economic forecast of the DIW comes to altogether optimistic expectations for the states of **Central and Eastern Europ**e. Consumption should remain the main driver. The economic recovery in the region goes hand in hand with a significantly and continuously falling unemployment rate. Investments should gain some momentum. Exports benefit from growing foreign demand. Overall, price-adjusted growth will amount to 3.5 % in Central and Eastern Europe, according to the DIW.

According to the DIW forecast, the development of the US economy remains upward. The continuous improvement of the labor market situation supports private consumption. The DIW estimates the real growth rate of US economic output for 2018 at 2.5 %. It is assumed that the tax reform will only have a relatively small stimulating effect on economic growth.

Industry environment

According to the current advertising market forecast of ZenithOptimedia, a worldwide increase of 4.1 % (nominal) is expected for the year 2018. The shift of advertising budgets to the internet continues with undiminished speed. According to ZenithOptimedia's current forecast, the share of online advertising in the global advertising cake will rise to 40 % next year.

The forecasts for **Germany** available to date show a largely similar picture for the individual media genres. ZenithOptimedia expects net advertising market revenue (marketing revenues net of rebates and agent's commission) in Germany for 2018 to increase by 2.3 % (nominal). Thus, the total advertising market will not grow as fast as the general economy, which is expected to expand at a nominal rate of 4.0 % (+ 2.2 % in real terms) according to the DIW.

Growth in the advertising market is driven by digital (+8.0 %), TV (+2.8 %), outdoor (+2.6 %) and radio (+1.8 %). ZenithOptimedia is predicting a decrease in net advertising revenues for newspapers (– 3.2 %) and magazines (– 5.5 %).

The forecast data continue to reflect the structural redistribution of advertising expenditure in favor of digital offers. In the coming year, the share of online and mobile in Germany should rise to 35.9 %. This puts Germany below the global average. ZenithOptimedia says publishers will hardly benefit from the additional online ad reveue. Reason is the dominance of the big tech companies from the USA.

However, global trends also set the direction for Germany. Growth in the advertising market is technology-driven, especially in the mobile, online moving images (video), social media and programmatic growth segments. Thanks to the continued proliferation of mobile devices, technical advances in advertising, increased variety of ad formats, and technical innovations in driving multi-device campaigns, a significant increase in digital advertising investments is expected.

The progressive automation of advertising booking through programmatic buying platforms is also seen as a driver for online and mobile advertising. In addition, all media will in future be digital, addressable and thus programmatically tradable. The challenge for the marketers will be, on the one hand, to connect their inventory to the available trading platforms and, on the other hand, to provide data that will enable advertisers to address consumers in a more targeted manner - and thus more effectively.

The industry expects positive stimuli for the advertising industry from the two sporting highlights of 2018, the Winter Olympics in South Korea and the World Cup in Russia, with sports-related advertising media likely to benefit from this.

One of the big trends in the advertising industry is the use of artificial intelligence for mass communication. Self-learning technologies predict customer behavior and focus on personalized customer engagement.

The expectation of further increasing budgets in the area of **digital classified ads** in 2018 is confirmed by a study of the strategy consultancy OC & C Strategy Consultants in the spring of 2017. According to this study, advertising expenditures (online) in Germany for job advertisements will rise by an average of 12 % per year by 2020 compared to 2016. This growth goes hand in hand with the forecast that by 2020, 63 % of advertising spending in the area of job advertisements in Germany will be made online, whereas in 2016 the share was still at 50 %. For the German real estate advertising market (online), OC & C expects an average increase of 9 % by 2020 compared to 2016. The online share of real estate advertising spend was already 69 % in 2016, and according to the study, it will increase even further to 77 % by 2020.

The **digital international markets** in which Axel Springer engages in with its own corporate activities will develop differently according to the prognosis of Zenith-Optimedia: In the online market in Western Europe, net advertising volume will increase by 7.3 % to USD 42.7 billion in 2018, based on the assumption of constant exchange rates. While in the UK (+3.8 %) digital advertising spending will grow less strongly than in Germany, France (+10.4 %) and the US (+13.1 %) are expected to achieve higher growth.

Anticipated Advertising Activity 2018 (Selection)

Change in net ad revenues compared to prior year (nominal)	Online
Germany	8.0 %
Central and Eastern Europe	12.9 %
USA	13.1 %
United Kingdom	3.8 %

Source: ZenithOptimedia, Advertising Expenditure Forecast, December 2017.

The expected positive development of foreign advertising spending on digital classified advertisements in 2018 is also underpinned by the OC & C study. For the job market in the United Kingdom, the analysis forecasts an average increase in digital advertising spending of 3 % per year by 2020 compared to 2016. Real estate markets in France and Belgium are expected to grow by 6 % and 5 % respectively over the same period. Compared to the German market, the online share of advertising spending in the respective foreign markets in 2016 was already comparatively high, at 79 % in the UK, 65 % in France and 67 % in Belgium. For 2020, according to the study, a further shift in advertising spend from offline channels to online channels is forecast in all three markets. As a result, the United Kingdom is expected to have an 85 % online share of advertising spend in the jobs segment, and France 72 % and Belgium 73 % in the real estate segment (based on advertising expenses online + offline per category).

Group

Strategic and organizational orientation

The highest strategic priority for Axel Springer is to pursue the consistent digitization of its business. We aim to attain the goal of becoming the leading digital publisher by further developing our digital offerings in Germany and abroad, and by making targeted acquisitions.

Comparison of forecast with actual performance

The forecast targets published in March 2017, and raised at mid-year 2017 for adjusted EBITDA, adjusted EBIT and adjusted earnings per share were attained. For revenues the forecast was exceeded.

Group

	Forecast / adjustments during the year	2017
Revenues	Mid single-digit percentage increase	8.3 %
EBITDA, adjusted	Mid to high single-digit percentage increase / high single-digit percentage increase	8.5 %
EBIT, adjusted	Mid single-digit percentage increase / mid to high single-digit percentage increase	7.0 %
Earnings per share, adjusted	Mid to high single-digit percentage increase / high single-digit percentage increase	8.1 %

Segments

	Forecast	2017
Revenues		
Classifieds Media	Low double-digit percentage increase	14.6 %
News Media	Development roughly on par with prior-year level	1.9 %
Marketing Media	High single-digit to low double-digit percentage increase	15.0 %
Services/ Holding	Considerable decline	-16.8 %
EBITDA, adjusted		
Classifieds Media	Low double-digit percentage increase	16.5 %
News Media	Stable development	2.0 %
Marketing Media	High single-digit to low double-digit percentage increase	16.3 %
Services/ Holding	Significant deterioration	-46.5 %
EBIT, adjusted		
Classifieds Media	Development significantly below development of EBITDA, adjusted	13.6 %
News Media	Comparable development to EBITDA, adjusted	1.1 %
Marketing Media	Development slightly below development of EBITDA, adjusted	14.9 %
Services/ Holding	Significant deterioration	-23.9 %

Business development in the segments confirmed or exceeded expectations for both revenue, adjusted EBITDA and adjusted EBIT. In terms of revenues the forecast was exceeded in the News Media and Marketing Media segments and in terms of adjusted EBITDA in all three operating segments Classifieds Media, News Media and Marketing Media.

Anticipated business developments and financial performance of the Group

The forecast for the financial year 2018, takes the application of the new accounting standards IFRS 15 and IFRS 16 into account (for impacts, we refer to the notes to the consolidated financial statement of the Group Note (3q)), the initial consolidation of Logic-Immo from February 2018, as well as the sales of aufeminin in the second quarter of 2018 and the print portfolios in Slovakia in the middle of the year 2018. Due to the significant implications of these effects, we also state our expectations regarding the organic development of our key performance indicators that result from adjusted consolidation and currency effects, as well as the effects from IFRS 16. Consideration of IFRS 15 follows an appropriate adjustment of our prior-year figures, which reduces the Group revenues for 2017 by approximately € 500 million in the Marketing Media segment.

For the financial year 2018, we expect Group **revenues** to increase by an amount in the low to mid single-digit percentage range. Organically, we also assume growth in the low to mid single-digit percentage range.

For **adjusted EBITDA**, we expect a rise in the low double-digit percentage range. For organic growth in adjusted EBITDA we assume an increase in the mid to high single-digit percentage range.

For **adjusted EBIT**, we expect a rise in the low single-digit percentage range due to higher depreciation, amortization and impairments, and organically we expect an increase in the low to mid single-digit percentage range.

For the **adjusted earnings per share**, we expect an increase in the low to mid single-digit percentage range. For the organic development we assume a rise in the mid to high single-digit percentage range.

Anticipated business developments and financial performance of the segments

The revenues of the **Classifieds Media** segment are expected to show a rise in the double-digit percentage range. Organic growth is expected to be in the high single-digit to low double-digit percentage range. We expect adjusted EBITDA to increase in the double-digit percentage range. The organic increase should lie in the high single-digit to low double-digit percentage range, despite increased investments in IT, marketing and sales.

In the **News Media** segment, we expect a decrease in revenues in the low to mid single-digit percentage range for the financial year 2018. Deconsolidation effects from the sale of the print portfolio in Slovakia will have an impact here from mid year. Organically, we expect a decline in revenues in the low single-digit percentage range. For adjusted EBITDA we expect a rise in the mid single-digit percentage range. Organically, we assume a decline in the low to mid single-digit percentage range.

We expect revenues in the **Marketing Media** segment to decrease by an amount in the high single-digit to low double-digit percentage range, based essentially on the anticipated closing of the sale of aufeminin in France. In terms of organic development, we expect an increase in revenues in the high single-digit percentage range. Starting point for the forecast is the reduced revenue for 2017 by approximately € 500 million after applying IFRS 15. For adjusted EBITDA, we expect an increase in the high single-digit percentage range and organically we expect a growth in the low double-digit percentage range.

For the **Services/Holding** segment, we expect a decline in revenues in the mid single-digit percentage range, depending on market conditions. For the organic development too, we expect a decline in the mid single-digit percentage range. For adjusted EBITDA, we expect a rise (improvement) in the low to mid single-digit percentage range and equally organically a rise in the low to mid single-digit percentage range.

For adjusted EBIT, we expect developments in all segment to be below that of adjusted EBITDA due to higher depreciation.

Anticipated liquidity and financial position

With regard to liquidity and financial position, investments in property, plant and equipment and intangible assets will be significantly above the prior-year level, mainly due to investments in the new building in Berlin. Financing will be provided by operating cash flow. Excluding the investments for the new building in Berlin, investments are also expected to be significantly above the prior-year figure.

Dividend policy

Subject to the condition of continued sound financial performance in the future, Axel Springer will pursue a dividend policy of stable or slightly increased dividend distribution, while also allowing for the financing of growth.

Anticipated development of the workforce

The annual average number of employees in the Group for 2018 will be higher than the prior-year figure. This is mainly due to organic growth and acquisitions in connection with the digital transformation of the Group's business.

Planning assumptions

We plan the future development of the financial performance, liquidity, and financial position on the basis of assumptions that are plausible and sufficiently probable from today's perspective. However, actual developments could possibly be much different from the assumptions applied and thus from the business plans and trend forecasts prepared on the basis of those assumptions.

In particular, the forecast is based on the assumption that no significant deterioration in the economic environment will follow and that the actual exchange rates do not deviate significantly from the underlying assumed exchange rates.

The forecasts for adjusted EBITDA, adjusted EBIT, and the adjusted earnings per share reflect the expected effects at the time of the publication of the Annual Report from known acquisitions (particularly Logic-Immo), divestments (in particular aufeminin and the print portfolio in Slovakia) and planned restructuring expenses. The additional disclosures regarding organic development have been adjusted for consolidation and currency effects, as well as effects from the application of the new accounting standards IFRS 16.

Disclosure and explanatory report of the Executive Board pursuant to takeover law

This section contains the disclosures pursuant to Sections 289a (1), 315a (1) of the Commercial Code and the explanatory report of the Executive Board in accordance with Section 176 (1) sentence 1 AktG related to Section 9 (1) lit. c) ii) SE-VO.

Composition of subscribed capital

The subscribed capital of the company amounts to € 107,895,311.00 and is divided into 107,895,311 registered shares. The shares may only be transferred with the company's consent (registered shares of restricted transferability, see below).

Different classes of shares do not exist. All shares have the same rights and obligations. Each share grants one vote at the annual shareholders' meeting and is decisive for the share of the shareholders in the profits of the company. This does not apply to treasury shares held by the company (see page 64), on treasury shares), from which the company has no rights (see Section 71b of the German Stock Corporation Act).

Restrictions on voting rights or the transfer of shares

Pursuant to Section 5 (3) of the Articles of Association of the company, the shares and the subscription rights to shares in Axel Springer SE may only be transferred with the consent of the Company. The approval is granted by the Executive Board, whereby the Supervisory Board decides internally on the approval. The consent can be refused according to the statute without giving reasons. However, the company does not arbitrarily refuse to approve the transfer of the shares.

According to the knowledge of the company's Executive Board, transfer restrictions under the law of obligations arise from the following agreements:

- On July 31/August 4, 2006, a share transfer restriction agreement was concluded between Dr. Mathias Döpfner, Brilliant 310. GmbH, Axel Springer AG and M.M. Warburg & Co. KGaA. Under this share transfer restriction agreement, the direct and indirect purchase or disposal of the shares of Axel Springer AG by Brilliant 310. GmbH or by Dr. Mathias Döpfner are made contingent to the prior consent of Axel Springer SE in accordance with the Articles of Association of the company.

- By virtue of a declaration dated August 14, 2012, Dr. Mathias Döpfner acceded to a pool agreement ("pool agreement") concluded between Dr. h.c. Friede Springer and Friede Springer GmbH & Co. KG, in respect of the 1,978,800 shares of Axel Springer SE that were given to him as a present by Dr. h.c. Friede Springer on the same date. In total, the pool agreement includes 52,826,967 voting shares of Axel Springer SE (pool-linked shares). Under the terms of the pooling agreement, a pool member wishing to transfer his pooled shares to a third party must first offer these shares to the other pool members for purchase (purchase right). The purchase right expires two weeks after the purchase offer. It does not apply to transfers to certain persons close to the pool member.

- In addition, shares of Axel Springer SE acquired by the Brilliant 310. GmbH and Dr. Mathias Döpfner were pledged to a bank; the same applies to the shares of Axel Springer SE held by Dr. Giuseppe Vita.

Under the virtual stock option plans 2011 II and 2014 for executives, the beneficiaries are required to make a personal investment in shares of Axel Springer SE. These shares are not subject to any restrictions on disposal, but any disposition of these shares would cause the corresponding virtual stock option rights to lapse without replacement or compensation (for information on the virtual stock option plan 2011 II and 2014 for senior executives, see page 80).

The same applies to the virtual stock option plans 2012 and 2014 for members of the Executive Board (see page 78 for information on the virtual stock option plans 2012 and 2014 for Executive Board members).

Finally, persons performing managerial duties at Axel Springer SE within the meaning of the European Market Abuse Regulation (MAR) must comply with the closed periods established by Section 19 (11) MAR (trade prohibitions); Based on these statutory blocking periods, the Company has developed guidelines for trading in shares of Axel Springer SE, which should be followed by persons of senior management.

Voting right restrictions

According to the aforementioned pool contract between Dr. Mathias Döpfner, Dr. h.c. Friede Springer and Friede Springer GmbH & Co. KG the voting rights and other rights arising from the pooled shares in the Annual General Meeting of Axel Springer SE are to be exercised in accordance with the respective resolutions of the pool members, irrespective of whether and in what sense the relevant pool member was voting on the pool. The voting rights of the pool members in the pool meeting are based on their voting rights at the General Meeting of Axel Springer SE, calculated on the basis of the respective number of voting pool-linked shares. As long as Friede Springer GmbH & Co. KG holds an indirect interest in Axel Springer SE, its voting rights are based on the number of shares of the pooling shares held indirectly by Friede Springer GmbH & Co. KG.

Furthermore, restrictions on voting rights may exist in accordance with the provisions of the German Stock Corporation Act (AktG), for example pursuant to Section 136 AktG and capital market regulations, in particular pursuant to Sections 33 et seqq. (prev. Sections 21 et seqq. WpHG). Securities Trading Act (Wertpapierhandelsgesetz, "WpHG").

Shareholdings that represent more than 10 % of voting rights

At the end of the 2017 financial year, the following direct and indirect shareholdings in the capital of Axel Springer SE, which exceeded the threshold of 10% of the voting rights, existed on the basis of the voting rights announcements received by the company up to December 31, 2017 in accordance with Sections 33, 34 WpHG (prev. Sections 21, 22 WpHG): Axel Springer Gesellschaft für Publizistik GmbH & Co, Berlin, Germany (direct), AS Publizistik GmbH, Berlin, Germany (indirect), Friede Springer GmbH & Co. KG, Berlin, Germany (indirect), Friede Springer Verwaltungs-GmbH, Berlin, Germany (indirect), Dr. h.c. Friede Springer, Berlin, Germany (indirect), and Dr. Mathias Döpfner, Potsdam, Germany (indirect).

Information on the amount of the aforementioned shareholdings in the Company can be found in statements on the voting rights disclosures in the Notes to the Financial Statements 2017 of Axel Springer SE, see www.axelspringer.com/financialpublications, as well as in the section "Voting Rights Announcements" on the Company's website at www.axelspringer.com/votingrights.

Shares with special rights that confer powers of control

Shares with special rights conferring control powers have not been issued.

Manner of controlling voting rights when employees hold shares in the company's capital

As part of the bonus and share bonus program for 2009 and the share participation programs for the years 2011, 2012, 2013, 2014, 2015 and 2017, Deutsche Bank AG was initially entered into the share register as the third-party holder of the shares transferred to employees. However, each employee is free to be registered as a shareholder in the share register.

Statutory provisions and provisions of the Articles of Association pertaining to the appointment and dismissal of Executive Board members and amendments to the Articles of Association

The Executive Board of Axel Springer SE consists of at least two persons according to the Articles of Association of the Company. The Supervisory Board determines the number of Executive Board members, appoints them and dismisses them. Pursuant to Section 8 (2) sentence 1 of the Articles of Association in connection with Section 46 (1) SE-VO, the members of the Executive Board are appointed for a maximum period of five years; reappointments are allowed. If several persons are appointed as members of the Executive Board, the Supervisory Board may appoint a member as Chairman of the Executive Board (Section 8 (3) sentence 2 of the Articles of Association). If a required member of the Executive Board is absent, the court has to appoint a member in urgent cases at the request of one involved party (Section 9 (1) lit. c) ii) SE-VO in connection with Section 85 (1) sentence 1 AktG). The Supervisory Board may revoke the appointment as a member of the Executive Board and the appointment as Chairman of the Executive Board if there is good cause (see in detail Section 39 (2) sentence 1, Section 9 (1) lit. c) ii) SE Regulation, Section 84 (3) sentences 1 and 2 AktG).

Insofar as mandatory statutory provisions or provisions of the Articles of Association do not require a greater majority, amendments to the Articles of Association are made by a resolution of the General Meeting by a majority of two-thirds of the votes cast or, if at least half of the share capital is represented, by a simple majority of the votes cast (cf. Section 21 (2) sentence 2 of the Articles of Association in connection with Section 51 sentence 1 SEAG, Section 59 (1) and (2) SE-VO). The latter does not apply to an amendment changing the business object and purpose of the company, or to a resolution regarding the relocation of the registered head office of the SE to another member state pursuant to Section 8 (6) SE-VO as well as cases that prescribe a higher majority stake (see Section 51 (2) SEAG, Section 59 (1) and (2) SE-VO). An amendment to the corporate governance principles laid down in Section 3 of the Articles of Association requires a majority of at least four-fifths of the votes cast (see Section 21 (3) of the Articles of Association).

The Supervisory Board is authorized to adopt amendments to the Articles of Association which only affect the wording (Section 13 of the Articles of Association).

Authority of the Executive Board to issue or buy shares back

The Executive Board was authorized, in accordance with Section 5 (4) of the Articles of Association, and based on the resolution of the annual shareholders' meeting of April 14, 2015, to increase the capital stock by April 13, 2020, subject to the approval of the Supervisory Board, by issuing registered shares of restricted transferability, either in a single tranche or in several tranches and in return for cash and/or non-cash contributions (including mixed non-cash contributions), up to a total of € 11,000,000.00 (authorized capital).

By partially drawing down this authorized capital, the capital stock was increased by € 8,955,311.00 and 8,955,311 new registered shares of Axel Springer SE were issued to General Atlantic, with effect from December 9, 2015. The remaining authorized capital, which allows an increase of the share capital by a further € 2,044,689.00 until April 13, 2020, was not utilized until the end of the year under review.

By resolution of the General Meeting on April 16, 2014 (Agenda item 8), the Executive Board was authorized, with the approval of the Supervisory Board, until April 15, 2019 to acquire treasury shares of up to 10 % of the share capital existing at the time of the resolution. The acquisition may be made via the stock exchange or by means of a public offer addressed to all shareholders or a public invitation to submit an offer.

Along with the shares held by the company or attributable to the company in accordance with Section 5 SE-VO in conjunction with Sections 71a ff. AktG, the shares purchased by virtue of the foregoing authorization may not at any time exceed 10 % of the company's capital stock. Details concerning this authorization are provided in the invitation to the annual shareholders' meeting of April 16, 2014, which is available on the website of Axel Springer SE (see Agenda Item 8 and the Executive Board's report on this subject).

The company held no treasury shares at the end of financial year 2017.

There is no contingent capital at Axel Springer SE.

Significant agreements of the company subject to the condition of a change of control resulting from a takeover offer

With the exception of regulations in the promissory notes and consortium loans stated in the following, as well as contractually entitled cancellation rights for Executive Board members in case of a change of control (see further information below and page 78 of this Annual Report), the company has not concluded any major agreements that would take effect in the event of a change of control due to a takeover.

The company has placed promissory notes on the capital market since April 2012. Following partial termination, conversion and redrafting in October 2014 and May 2017 as well as the termination of two variable tranches in October 2017, the promissory notes have a total amount of € 879,000,000.00 available in nine tranches. The lender may demand, in the event of a change of control, that the claim held can be partially or fully paid back early within a 90 days period.

Aside from specific exceptions that relate to the shareholders that currently control Axel Springer SE, a change of control is understood to mean, in the context of the promissory notes, the acquisition of shares of Axel Springer SE representing more than 50 % of the capital stock and/or voting rights by one or more parties acting together.

With regard to the syndicated loans renegotiated in July 2015 and totaling € 1,200,000,000.00, the lenders are also entitled to terminate the loan in the event of a change of control with a term of 30 days following the receipt of such knowledge. Aside from specific exceptions that relate to the shareholders that currently control Axel Springer SE, a change of control is understood to mean the acquisition of shares of Axel Springer SE representing more than 50 % of voting rights by one or more parties acting together.

Indemnification agreements between the company and the Executive Board members or employees in the event of a change of control

Some Executive Board members have the right to terminate their employment contracts in the event of a change in control. A change of control within the meaning of these contracts exists if the majority shareholder Dr. h. c. Friede Springer no longer - directly or indirectly - should hold or control the majority of shares. In such a case, the members of the Executive Board concerned are entitled to payment of the basic salary for the last agreed remaining period of contract (some of the entitled Executive Board members are entitled to payment of at least one annual basic salary) or a severance payment equal to the total remuneration for the duration of the original remaining term; the above payments are regularly limited in amount. In addition, the company pays the performance-related remuneration pro rata temporis for the period of the activity in the year of departure. Other remuneration does not exist for the service contracts of members of the Executive Board in the event of termination of employment due to a change of control. Corresponding compensation agreements with other employees of the company do not exist.

Corporate Governance Report

There follows a report by the Executive Board – also on behalf of the Supervisory Board – on corporate governance at Axel Springer, in conformity with the recommendation set out in Section 3.10 of the German Corporate Governance Code ("GCGC"). This section also contains the management declaration pursuant to Section 289f of the German Commercial Code ("HGB") and the Compensation Report.

Good corporate governance as a guiding principle

At Axel Springer, sound transparent corporate governance is considered to be a crucial element of responsible management and supervision geared to increasing the company's value on a sustainable basis. It promotes the trust and confidence of our national and international investors, customers, employees, and the public in the management and supervision of the company and is therefore an essential basis for the company's long-term success.

In this respect, we are guided by the GCGC. We have taken appropriate measures in order to comply with and implement the recommendations of the Code. The Corporate Governance Officer is the Executive Board member in charge of Finance and Personnel. The implementation of and adherence to the recommendations of GCGC are reviewed continually.

Management declaration pursuant to Section 289f of the Commercial Code

Declaration of conformity according to Section 161 AktG

On November 7, 2017, the Executive Board and Supervisory Board published the following Declaration of Conformity:

Pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz, "AktG"), the Executive Board and the Supervisory Board of Axel Springer SE declare the following:

I. Future-related section

The Company follows the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex, "DCGK") as amended on February 7, 2017 and published by the German Federal Ministry of Justice and Consumer Protection in the official announcements section of the electronic Federal Gazette on April 24, 2017, with the exception of the deviations set out and reasoned below:

1. Consideration of the relationship between the compensation of the Executive board and that of senior management and the staff overall, particularly in terms of its development over time (Item 4.2.2 sentence 6 DCGK)

The Supervisory Board pays close attention to the appropriateness and customariness of Executive Board's compensation and takes into account a multitude of criteria, in particular those listed in Section 87 AktG and in Item 4.2.2 sentences 4 and 5 DCGK. Nevertheless, a deviation from the recommendation of Item 4.2.2 sentence 6 DCGK is declared on a precautionary basis because - apart from uncertainties in interpretation - there are also doubts as to whether the particular emphasis on the relation between the Executive Board compensation and the compensation of senior management or the staff overall is in accordance with the importance of this criterion in the context of assessing the appropriateness and customariness of Executive Board remuneration.

2. Disclosure of the individual Executive Board compensation in tabular form in the Compensation Report (Item 4.2.5 sentences 5 and 6 DCGK)

Executive Board compensation is disclosed in accordance with the provisions of law and in consideration of the so-called "opt-out" resolution of the company's Annual General Meeting of April 16, 2014. Based on this resolution, and in accordance with Section 286 (5) sentence 1 and Section 314 (2) sentence 2 of the German Commercial Code (Handelsgesetzbuch, "HGB"), the individual compensation of the members of the Executive Board is not disclosed in the company's annual financial and annual consolidated financial statements for the financial years 2014 to (and including) 2018. As long as a corresponding valid opt-out resolution of the Annual General Meeting is in effect, the company will not include the representations recommended according to Item 4.2.5 sentences 5 and 6 DCGK in the Compensation Report.

3. Setting of a general limitation to the length of membership of the Supervisory Board, and taking it into account when making recommendations to the competent election bodies (Item 5.4.1 sentences 3 and 7 DCGK)

The Supervisory Board has resolved to refrain from setting any general limitation in view of the length of membership of the Supervisory Board. A general limit would not take into account individual factors justifying longer membership of individual Supervisory Board members.

4. Disclosure of relationships between Supervisory Board candidates and the Company, its executive bodies and with shareholders holding a material interest in the company, in election recommendations to the Annual General Meeting (Item 5.4.1 sentence 12 DCGK)

In its election recommendations to the Annual General Meeting, the Supervisory Board will disclose all legally required information concerning Supervisory Board members and also introduce the candidates at the Annual General Meeting where possible. Furthermore, shareholders will at the Annual General Meeting be given an opportunity to ask questions concerning the candidates. In the opinion of the Supervisory Board, this will provide the shareholders with a solid and adequate basis of information for judging the proposed candidates.

5. Individualized disclosure of Supervisory Board compensation (Item 5.4.6 sentences 5 and 6 DCGK)

The compensation granted to the members of the Supervisory Board, and the payments made by the Company to the members of the Supervisory Board for services provided personally, are not individually itemized in the Notes or the Management Report (Item 5.4.6 sentences 5 and 6 DCGK).

This information is not individually itemized because the competitors of Axel Springer SE do not publish any information on individual compensation either. Additionally, the Articles of Association of Axel Springer SE do not regulate the individual distribution of compensation between the Supervisory Board members. Rather, it expressly assigns the responsibility for this to the Supervisory Board; the individualized disclosure of the Supervisory Board compensation would undermine such assignment of competence by the Annual General Meeting. Furthermore, the company's Annual General Meeting decided on April 16, 2014 that no details of the individual compensation of members of the Executive Board will be disclosed in the company's stand-alone and consolidated annual financial statements to be prepared for financial years 2014 to (and including) 2018 so that, for the sake of consistency, the individual compensation of the Supervisory Board members is also not disclosed in itemized form.

II. Retrospective section

Time since issuance of the latest Declaration of Conformity on November 2, 2016 until publication of the amended version of the Code on April 24, 2017:

In the time since issuance of the latest Declaration of Conformity on November 2, 2016 until publication of the amended version of the Code on April 24, 2017, the company has followed the recommendations of DCGK as amended on May 5, 2015 and published by the German Federal Ministry of Justice in the official announcements section of the Federal Gazette of June 12, 2015, with the exception of the deviations justified and stated above under I. 1 through I. 5, whereas, in the version of the Code applicable in this period of time, the recommendation referred to under I. 3 was issued in Item 5.4.1 sentences 2 and 5 DCGK, and the recommendation stated under I. 4 in Item 5.4.1 sentence 8 DCGK.

Time since publication of the amended version of the Code on April 24, 2017:

The recommendations of the DCGK as amended on February 7, 2017 and published by the German Federal Ministry of Justice and Consumer Protection in the official announcements section of the Federal Gazette on 24 April 2017, have been followed by the Company since they were announced, with the exception of the deviations set out and reasoned above under I. 1 through I. 5.

Berlin, November 7, 2017

Axel Springer SE
The Supervisory Board The Executive Board”

The Declaration of Conformity from November 7, 2017 can, just like previous versions, also be seen via the link www.axelspringer.com/declarationofconformity.

Important management practices

Axel Springer is the only independent digital publisher that has a corporate constitution. Section 3 of the Company's Articles of Association ("Principles of Corporate Governance") sets out the essentials that summarize the values to which Axel Springer SE is committed and which, above all, meets the social responsibility of media companies in a democracy in a transparent manner. The essentials were formulated by Axel Springer in 1967, changed after reunification in 1990, supplemented by considering the attacks of September 11, 2001, and finalized in 2016 on the internationalization of the company as an international option; this international variant was also set out in the Articles of Association by the 2017 Annual General Meeting. The essentials are derived from the idea of freedom as the most important value and its safeguarding as an objective and see the unconditional support for the free constitutional state of Germany, the reconciliation between Jews and Germans, the support of the transatlantic Alliance with the United States of America, the rejection of any kind of political totalitarianism and the defense of the free social market economy.

As part of corporate governance, Axel Springer has a Compliance division as well as Corporate Auditing & Risk Management section. Within the framework of Corporate Governance, this department supports central divisions and subsidiaries through responsibly handling risks via approaches and requirements, amongst other things, for a comprehensive risk management system, an internal control system, and a compliance management system.

As described in the report on risks and opportunities (see page 42 et seqq.), risk management and the internal control system seek to identify, analyze and assess, manage and report on risks at Axel Springer, and to systematically monitor the measures taken to minimize risks.

At Axel Springer, compliance means the fulfillment of all laws, regulations, and guidelines, as well as the commitments undertaken voluntarily. Violations of these regulations can cause sustained economic damage to the company, resulting in civil and criminal consequences as well as damage to reputation. Against this backdrop, the goal of compliance management is to institute structures and processes to ensure that all directors and employees, and senior executives, conduct themselves preventively in accordance with applicable laws and regulations. In order to take account of the Group structure, the Compliance Management System is organized both centrally and de-centrally. The central component is the Compliance Committee and the Chief Compliance Officer. Decisive compliance officers are named in the individual companies.

As part of the Compliance Organization, Axel Springer has had a binding Code of Conduct. This is to be understood as a summary of important behavioral rules of Axel Springer. It clarifies ethical, moral and legal requirements and serves to assess whether an action is permissible or not. The Code of Conduct has, among other things, integrated the existing Corporate Principles and Values, Leadership Principles, Journalistic Guidelines, International Social Policy, and Environmental Policy, which are summarized below:

The corporate values of Axel Springer guide every employee in their work and shape the corporate culture. They are: creativity as the crucial prerequisite for success in journalism and business; entrepreneurship in the sense of being courageously inventive, self-reliant and results-oriented, qualities that are expected of all managers and employees; integrity in all dealings with the company, readers, customers, employees, business partners, and shareholders. The management principles, which are built on company values, should give management a concrete framework that creates transparency regarding the requirements and expectations of management roles.

In addition, Axel Springer has set guidelines to ensure journalistic independence. These guidelines substantiate and expand on the professional ethics of the press as set out by the German Press Council in conjunction with the press associations in the publishing principles (Press Code), and to which Axel Springer voluntarily commits with regard to printed complaints (see Section 16 of the Press Code). Axel Springer specifically delineates the boundaries between advertising and editorial copy, and between the editors' and reporters' private and business interests. It also precludes actions in pursuit of personal advantages and defines the company's position with respect to the treatment of news sources. The guidelines thus represent the framework for independent and critical journalism in the editorial divisions of all media belonging to the Group. The editors-in-chief are responsible for observing and implementing the guidelines in the company's day-to-day activities.

Furthermore, Axel Springer has developed a catalogue of social standards applicable to all the company's activities. Known as the International Social Policy, it states the company's positions on matters of human rights, adherence to the rule of law, the protection of children and young people, the treatment of employees, equal opportunities, health and safety, and the compatibility of work and family, and other matters. The standards are a binding guideline for social integrity and are globally binding for all activities of the company. Compliance with the principles described in the International Social Policy is also expected of our business partners. The integration of International Social Policy regulations into the group-wide Code of Conduct and the codes of conduct and corporate principles contained therein significantly increased the level of recognition of the International Social Policy.

Furthermore, the company has issued an Environmental Guideline comprising four points, which serves as a practical guide to the many environmental protection measures conducted at Axel Springer and which is also part of the Code of Conduct.

The requirements of the Code of Conduct are taught in both on-the-job and online training courses. The Code of Conduct can be found at www.axelspringer.de/coc_en.

In addition to the Code of Conduct as a superordinate code, internal guidelines provide detailed rules on individual business and procedural practices. In order to ensure decentralized compliance with legal requirements and governance minimum standards, so-called corporate principles are introduced for selected, primarily sensitive regulatory areas such as tax compliance and anti-corruption. These principles contain minimum requirements that must be individually implemented and adhered to in the respective company and, if applicable, subsidiary. The respective managers are responsible for this, who at the same time have to observe the respective, possibly deviating local legal regulations.

In order to further strengthen good corporate governance and effective compliance management, there is an electronic whistle-blower system in addition to the existing reporting channels. This allows both employees and external persons to provide confidential and, if desired, anonymous information about suspected or actual violations and malfunctions, thus contributing to the prevention and clarification of compliance violations. The electronic whistle-blower system can be accessed at www.axelspringer.de/whistleblower.

Finally, every two years, the company submits a sustainability report that complies with the criteria set out in the "Global Reporting Initiative" (GRI), including the "Media Sector Supplement" (GRI+).

Procedures of the Executive Board and Supervisory Board, and composition of the committees of the Supervisory Board

Cooperation between the Executive Board and Supervisory Board

The management and supervision of the company, which is organized in the legal form of a European company (Societas Europaea SE) are carried out by means of a dual board system. The Executive Board manages the company under its own responsibility. The Supervisory Board appoints the members of the Executive Board, and monitors and advises the latter in the conduct of the business. The two boards work closely together in an atmosphere of trust and confidence to sustainably enhance the company's value. The two boards are strictly separated in terms of personnel and their areas of authority.

Procedures of the Executive Board

In its executive function, the Executive Board is obligated to pursue the interests of the company and dedicated to sustainable company development. It develops the strategic orientation of the company and is responsible for its implementation in coordination with the Supervisory Board. The Executive Board manages the company's affairs in compliance with the relevant laws, the Articles of Association, and its rules of procedure.

It provides regular, timely, and comprehensive information to the Supervisory Board on all relevant matters of strategy, planning, business development, risk management including the risk situation, as well as the internal control system and compliance management system. In accordance with the internal rules of procedure adopted by the Supervisory Board, important decisions of the Executive Board or specific cases require the approval of the Supervisory Board. Such decisions include, above all, the creation or discontinuation of business divisions, the acquisition or sale of significant equity investments, and the adoption of the company's annual financial plan.

The members of the Executive Board are jointly responsible for the management, work together collegially, and keep each other informed of important measures and business transactions in their business divisions. Without prejudice to the overall responsibility of all members of the Executive Board, each member of the Executive Board - apart from decisions to be taken by the entire Executive Board - is responsible for directing the assigned business to him/her.

The Executive Board meets regularly in the form of Executive Board meetings, which are convened and chaired by the Executive Board Chairman, as a general rule. Furthermore, every Executive Board member and the Chairman of the Supervisory Board are entitled to convene a meeting.

The Executive Board aims to ensure diversity with regard to the staffing of leading positions within the company; the Executive Board has set targets for the proportion of women holding management positions in the first two management levels of Axel Springer SE beneath the Executive Board; for more information see page 71.

As a general rule, the full Executive Board adopts resolutions by a simple majority of the votes cast; in the case of resolutions adopted by a simple majority, the Chairman casts the deciding vote. A resolution adopted in spite of being opposed by the Chairman and Chief Executive Officer is deemed to be invalid, also subject to the limits of the applicable laws.

Rules of procedure issued from the Supervisory Board for the Executive Board regulate the particulars, including among others:

- The obligation of observance, adherence and group-wide anchoring of the corporate constitution,
- The executive organization chart and the decisions to be made by the full Executive Board,
- The duties of the Chairman of the Executive Board,
- Transactions that require the approval of the Supervisory Board,
- Rules concerning the regular, timely, and comprehensive provision of information to the Supervisory Board,
- Rules concerning meetings and the adoption of resolutions,
- Obligation to disclose conflicts of interest.

The Executive Board of the company consisted of four members during the 2017 financial year and from March 1, 2018 will increase to five members:

- Dr. Mathias Döpfner, Chairman and Chief Executive Officer
- Jan Bayer, President News Media
- Dr. Stephanie Caspar, President Technology and Data (from March 1, 2018)
- Dr. Julian Deutz, Chief Financial Officer
- Dr. Andreas Wiele, President Classifieds and Marketing Media (from March 1, 2018 President Classifieds Media)

Procedures of the Supervisory Board

As per the company's Articles of Association, the Supervisory Board of Axel Springer SE is composed of nine members, who are elected by the annual shareholders' meeting. The regular term of office of Supervisory Board members is five years; they are eligible for re-election at the end of their terms. The Supervisory Board elects its Chairman from among its own ranks; the term of office of the Supervisory Board Chairman coincide with that of the Supervisory Board. The Supervisory Board advises the Executive Board and monitors the work of the Executive Board. It holds at least four meetings a year. In case of necessity, it meets without the Executive Board in attendance. Meetings may be held and resolutions adopted also by way of written correspondence, telephone calls, faxes, or electronic media. As a general rule, the Supervisory Board adopts resolutions by a simple majority of the members voting on the resolution; in case of a tie, the Chairman casts the deciding vote. The Supervisory Board deliberates on the company's business developments, planning, strategy, and significant capital expenditures at regular intervals. The Supervisory Board adopts the separate financial statements of Axel Springer SE and approves the consolidated financial statements of the Group. It regularly assesses the efficiency of its work. Please refer to the report of the Supervisory Board (page 82) for additional information on the specific activities of the Supervisory Board in financial year 2017.

The internal rules of procedure of the Supervisory Board comply with the requirements of the GCGC and contain rules covering the following topics, among others:

- Election and duties of the Chairman and Vice Chairman of the Supervisory Board
- Calling of meetings
- Adoption of resolutions at meetings or by voting by way of written correspondence, telephone calls, fax, or electronic media
- Supervisory Board committees, including their composition, organization, and duties
- Obligation to disclose conflicts of interest

The members of the Supervisory Board are:

- Dr. Giuseppe Vita, Chairman
- Dr. h. c. Friede Springer, Vice Chairwoman
- William E. Ford
- Oliver Heine
- Rudolf Knepper
- Lothar Lanz
- Dr. Nicola Leibinger-Kammüller
- Prof. Dr.-Ing. Wolfgang Reitzle
- Martin Varsavsky

The term of office of all current Supervisory Board members regularly ends at the end of the Annual General Meeting in 2019. William E. Ford and Rudolf Knepper announced in January, i.e. February 2018 that they will resign from their positions at the end of the ordinary Annual General Meeting in the 2018 financial year. The Supervisory Board will therefore propose two new candidates as choices to be elected into the Supervisory Board of Axel Springer SE who are to take over the mandates of Bill Ford and Rudolf Knepper for the remainder of their tenure.

The requirements for expertise and independence within the meaning of Section 9 (1) lit. c) ii) SE Regulation in connection with Section 100 (5) 1st var. AktG (financial experts), are met among others by the Chairman of the Supervisory Board, Dr. Giuseppe Vita, and Lothar Lanz, who chairs the Audit Committee. In addition, the members of the Supervisory Board are, in accordance with Section 100 (5) 2nd var. AktG know in its entirety the sector in which the company operates.

Composition and procedures of committees

The Executive Board has not formed committees.

In accordance with its internal rules of procedure, the Supervisory Board has formed four permanent committees to support the work of the full board: the Executive Committee, the Personnel Committee, the Nominating Committee, and the Audit Committee. In those matters stipulated in the internal rules of procedure of the Supervisory Board, the committees prepare the resolutions to be adopted and other matters to be addressed by the full board. Within the limits of applicable laws, the committees also adopt resolutions in lieu of the full board in those matters stipulated in the internal rules of procedure of the Supervisory Board. The internal rules of procedure of the Supervisory Board stipulate the procedures for meetings and resolutions adopted by the committees and define their areas of responsibility. In March 2017, an Advisory Committee on Corporate Structure was also formed, which is responsible for preparing possible decisions of the Supervisory Board on questions of corporate structure.

Please refer to the Report of the Supervisory Board (see page 82) for information on the areas of responsibility and composition of the committees.

Lothar Lanz is the Chairman of the Audit Committee of the Supervisory Board; according to the Supervisory Board, Mr. Lanz is particularly suited to the Audit Committee due to his many years of experience as Chief Financial Officer, his special expertise and his personality. He satisfies the requirements of expert knowledge and independence within the meaning of Section 9 (1) letter c) ii) SE-VO in conjunction with Section 107 (4), 100 (5) AktG (financial expert), and the requirements of the recommendations in Section 5.3.2 Sentences 2 and 3 DCKG. Furthermore, the members of the Audit Committee in their entirety are familiar with the sector in which the company operates.

Provisions to promote the participation of women in management positions according to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act ("AktG")

Since 2010, Axel Springer has pursued a group-wide strategy to promote diversity; reference is made to page 35 of the Annual Report with regard to the company's personnel policies designed to assure equal opportunity and diversity as well as the group-wide targets to increase the proportion of women at all management levels.

In addition to this voluntary group-wide commitment, the law for the equal participation of men and women in management positions in the private and public sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst), also obliges certain companies, including Axel Springer SE, to set targets for the proportion of women acting on the Supervisory Board, Executive Board and the two management levels beneath the Executive Board, and specify when the respective proportion of women should be achieved. As the statutory minimum share of 30 % of women and 30 % of men is not applicable to the Supervisory Board of Axel Springer SE for the replacement of vacating Supervisory Board mandates, the Supervisory Board itself must set a target size.

Accordingly, the Supervisory Board of Axel Springer SE decided in September 2015, to set targets with regard to the proportion of women on the Supervisory Board, and the Executive Board of Axel Springer SE, each with a deadline of implementation of no later than June 30, 2017. With the specified target figures of 22.2 % (Supervisory Board) and 0 % (Executive Board), the status was recorded at the time of the resolution. The proportion of women in both committees was maintained, thereby achieving the set targets. By resolution of the Supervisory Board of April 2017, the previous targets of 22.2 % (Supervisory Board) and 0 % (Executive Board) were confirmed; see for justification page 73 (right-hand column and 74 (right-hand column) of the Annual Report. The aforementioned target figures are to be achieved by the end of the day of the Annual General Meeting in the financial year 2019, but no later than April 30, 2019. Notwithstanding this, on February 13, 2018, the Supervisory Board appointed Dr. Stephanie Caspar to be President of Technology and Data as of March 1, 2018, so that as of March 1, 2018 the proportion of women in the Executive Board will be 20 %.

The Executive Board of the company passed a resolution in May 2015 to set a target of 25 % and a deadline for implementation of no later than June 30, 2017, for the first and second management levels of the company beneath the Executive Board; at the time the targets were set, the proportion of women in the first management level beneath the Executive Board was 22.6 %, and 19.5 % in the second management level beneath the Executive Board at Axel Springer SE. At the time of expiry on June 30, 2017, the proportion of women in the first management level of Axel Springer SE below the Executive Board was 25 % and in the second management level 23.9 %. At the top management level of Axel Springer SE, we therefore attained our set targets. At the second management level at Axel Springer SE, given the short time frame, we recorded a considerable increase of 4.4 %-points, nevertheless we marginally missed our objective by 1.1 %-points despite various measures aimed at sustainably increasing the proportion of women in the long-term. The main reason for narrowly missing our desired targets at the second management level was that despite all the set targets and measures undertaken, in the end, actual appointments for available positions were primarily made on the basis of the suitability and qualifications of candidates, so that during the relevant time frame, as a rule, the most suited applicant was chosen to fill the actual position. On the other hand, fluctuations in the first two management levels are minimal and any increase will therefore take place gradually but sustainably. Accordingly, the increase in targets set for the proportion of women represented in the first two management levels below the level of the Executive Board at Axel Springer SE was agreed to be 30 % respectively, effective from July 1, 2017, and with an implementation period of three years, in other words, until June 30, 2020. Of course, these targets do not preclude any additional increase in the proportion of women on the Supervisory and Executive Boards, as well as in the two top management levels at Axel Springer SE within the given implementation period.

Description of the Diversity Concept for the Management Board and Supervisory Board

For several years now, Axel Springer SE has been pursuing diversity concepts with a view to filling positions on both the Executive Board and the Supervisory Board in order to sustainably strengthen the diversity in both committees.

For the composition of the Supervisory Board, it has set the goals listed below. The objectives are to observe the diversity of the members of the Supervisory Board, particularly with regard to their knowledge, their education, their professional background and positions held, the origin, gender and age of the Supervisory Board members. These criteria are always taken into account in the search for suitable candidates for succession on the Supervisory Board and are used as the basis for election proposals.

As a result, while choosing the most recently selected candidates particular emphasis was put on the further internationalization of the Supervisory Board and the strengthening of its digital expertise.

The Supervisory Board also pursues a concept of diversity in terms of the composition of the Executive Board, which aims at diversity in the case of necessary new appointments in the future, in particular with regard to an increase in the proportion of women, internationality and the age of the Executive Board members. These principles of diversity are kept in mind in long-term succession planning and are taken into account when new appointments are made in the future.

Further information on corporate governance

Goals for the composition of the Supervisory Board

The Supervisory Board of Axel Springer SE has decided the following objectives for its composition, in particular with respect to with reference to Section 5.4.1 sentences 2 and 3 of GCGC:

The Supervisory Board of Axel Springer SE should be composed in such a way that its members generally possess all knowledge, abilities, and professional experience necessary to properly perform the duties of the Supervisory Board.

With due consideration given to the company's business object and purpose set forth in the Articles of Association, the size of the company, and the relative importance of its international activities, the Supervisory Board will also strive, as a goal for the upcoming regular elections, to bring about a composition of its members that is appropriate in view of the following considerations, in particular:

- At least two seats on the Supervisory Board should be held by persons who fulfill the criterion of internationality to a particular degree (for example, by reason of relevant experience in international business).
- Supervisory Board members should not hold any position on a board or perform any consulting work for important competitors of the company.
- The Supervisory Board should have an adequate proportion of women. Currently, two of the nine members (22.2 %) are women; the Supervisory Board considers this adequate in any event. Accordingly, and due to the fact that no regular Supervisory Board elections are due within the implementation period until the regular General Meeting in financial year 2019, the legally required target for the proportion of women on the Supervisory Board of Axel Springer SE was set at 22.2 %.
- In making nominations, due consideration should be given to the general rule that Supervisory Board members should not be older than 72 years; the Supervisory Board can approve exceptions to this policy.
- Furthermore, the Supervisory Board should ensure that as few members as possible are subject to a potential conflict of interests.
- Furthermore, the Supervisory Board should give due consideration to the principle that its composition should meet the criterion of diversity.
- With respect to its composition, the Supervisory Board adopted the goal that at least two of its members will be independent according to the definition of the GCGC; this objective takes into account the ownership structure of the company.

However, the Supervisory Board decided not to define a regulatory limit with regard to the length of membership of the Supervisory Board, despite the recommendation stated in Section 5.4.1 sentence 3 of the GCGC. A fixed regulatory limit fails to take into account individual factors that may justify an extended length of membership for individual Supervisory Board members (for more information regarding this see the deviation declared in the Declaration of Conformity of November 7, 2017, see page 65).

In addition, the Supervisory Board of Axel Springer SE, in accordance with the recommendation of Section 5.4.1 Sentence 2 GCGC, has drawn up a "Competence Profile" based on the already developed requirements for the members of the Supervisory Board of Axel Springer SE, which shows the competencies that the Supervisory Board considers necessary for the overall committee. At the same time, it should serve as the basis for the development of nominations for Supervisory Board members to the General Meeting.

The competency profile covers the areas of media and digitization competence (sector and strategy competence), international competence, innovation competence, financial competence, personnel and team competence as well as control competence and details the requirements within these areas with regard to the overall committee.

In the view of the Supervisory Board, the current composition of the Supervisory Board of Axel Springer SE fulfills the competence profile that has been worked out, as well as fully achieves the aforementioned goals. In particular, the number of independent members exceeds the above-mentioned objective. From the point of view of the Supervisory Board, it must be considered as independent: Dr. Giuseppe Vita, William E. Ford, Rudolf Knepper, Lothar Lanz, Dr. Nicola Leibinger-Kammüller, Prof. Dr.-Ing. Wolfgang Reitzle and Martin Varsavsky. With regard to its proposals on the election of new Supervisory Board members, the Supervisory Board makes sure that the respective candidates are able to put aside the expected amount of time.

Axel Springer SE publishes a CV for all members of the Supervisory Board on the company's website as well as an overview of its main activities, which is updated annually.

Goals for the composition of the Executive Board

The Supervisory Board has decided on the following objectives for the composition of the Executive Board of Axel Springer SE, in particular with respect to Section 5.1.2 sentence 2 of GCGC:

- In making decisions concerning the composition of the Executive Board, the Supervisory Board should give due consideration to the principle for diversity and should strive in particular to give appropriate consideration to women. In this context, the Supervisory Board has also complied with its statutory obligation to establish a target for the proportion of women on the Executive Board, see page 71. At the time of determining the target, no changes were planned in the composition of the Executive Board. As a result, the Supervisory Board has once again set a target of 0 % with a deadline for implementation before the Annual General Meeting in the 2019 financial year, by April 30, 2019 the latest though. The Supervisory Board appointed Dr. Stephanie Caspar to be President of Technology and Data as of March 1, 2018. From March 1, 2018, the proportion of women on the Executive Board will therefore be 20 %.

- The Supervisory Board should work together with the Executive Board to assure long-term succession planning.

- At the time of being (re-)appointed to the Executive Board, no member should be older than 62 years, as a general rule; the Supervisory Board can approve exceptions to this rule.

Goals concerning the staffing of key functions

In view of the recommendation set out in Section 4.1.5 of the GCGC, reference is made to the description of personnel policies designed to assure equal opportunity and diversity on page 35 of the Annual Report, and to the stipulated targets in the two top management levels of the company beneath the Executive Board on page 71 of the Annual Report.

Shareholders and annual shareholders' meeting

The annual shareholders' meeting is the central organ via which Axel Springer SE shareholders can exercise their rights and their voting rights. Every share confers the right to cast one vote in the annual shareholders' meeting. Those shareholders who are registered in the share register and have registered for the meeting in time are entitled to vote. The Chairman of the Supervisory Board generally chairs the shareholders' meeting. To make it easier for shareholders to exercise their prerogatives at the annual shareholders' meeting, their votes can be cast by authorized proxies. Axel Springer SE also designates a voting proxy whom shareholders can elect to execute their voting rights according to their instructions. All required reports and documents are made available to the shareholders in advance, also on the company's Internet page.

The annual shareholders' meeting resolves specifically on the utilization of the distributable profit, the ratification of the actions of the Executive Board and Supervisory Board, the election of the Supervisory Board, the election of the independent auditor, and other matters legally assigned to them, such as corporate actions and other amendments to the Articles of Association. The resolutions of the annual shareholders' meeting require a simple majority of the votes cast, unless another majority is prescribed by law or by the company's Articles of Association. The Articles of Association can be inspected on the company's website at www.axelspringer.com/articlesofassociation.

Conflicts of interest

The members of the Executive Board and Supervisory Board are bound to promote the interests of the company. No member of either board may, through their decisions, pursue personal interests or take advantage of business opportunities that should be the province of the company.

Executive Board members may not demand or accept gifts or other benefits from, or grant unjustified benefits to, third parties in connection with their activities, either for their own benefit or for that of others. Sideline activities of the Executive Board require the consent of the Supervisory Board. Executive Board members are subject to a comprehensive anti-competition clause during the period of their activity for Axel Springer. Every Executive Board member must inform the Supervisory Board of any conflict of interest without delay. No conflicts of interest arose within the Executive Board in the financial year.

Also, every member of the Supervisory Board must inform the Supervisory Board immediately of any conflicts of interest that may arise. In the annual shareholders' meeting, the Supervisory Board reports on all conflicts of interest and how to treat them.

No conflicts of interest arose within the Supervisory Board in the financial year.

Memberships on other supervisory bodies

A summary of the seats held by the Executive Board and Supervisory Board members of Axel Springer SE on other legally prescribed supervisory boards or comparable boards in Germany and abroad can be found on page 175.

Transparency

Axel Springer is committed to always providing comprehensive and consistent information in a timely and simultaneous manner on the significant events and developments relevant to an evaluation of the company's present and future business performance to all capital market participants. Reporting on the business situation and Group results is presented in its Annual Report, at its annual financial statements press conference, and in its semi-annual financial report and quarterly financial statements. Therefore, the company also regularly uses the transmission paths on the Internet. Axel Springer also takes part in numerous conferences at important international stock exchanges or carries out corresponding road shows; further information can be found on page 8 of the Annual Report. In addition, to the extent legally required, the company will publish information in the form of ad-hoc announcements. Furthermore, it informs the interested public by means of press releases, the company's websites or dedicated events such as a Capital Markets Day.

In order to ensure equal treatment of all capital market participants, Axel Springer also publishes information relevant to the capital markets simultaneously in German and English on the company's website. Financial reporting dates are published in the financial calendar with sufficient advance notice. Immediately upon receiving the corresponding notices, the company publishes changes in the composition of the shareholder structure that are subject to the reporting obligation according to Section 40 of the WpHG (prev. Section 26 WpHG), and on the purchase and sale of shares by persons who exercise management duties at Axel Springer (directors' dealings), in accordance with Section 19 of the Market Abuse Regulation.

Preparation and audit of the financial statements

The consolidated financial statements and interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as they are to be applied in the European Union. The quarterly statement is also prepared on the basis of IFRS. The consolidated financial statements also contain the disclosures prescribed by Section 315e (1) HGB. The consolidated financial statements are prepared by the Executive Board of Axel Springer SE and audited by the independent auditor. Axel Springer publishes the consolidated financial statements within 90 days and the quarterly statements as well as the interim financial report within 45 days of the respective period ending dates.

The notes to the consolidated financial statements also contain information on the company's relationships with shareholders who are to be classified as related parties according to the definitions of the applicable accounting regulations. In accordance with the GCGC, it is agreed with the independent auditor in each financial year that the latter will inform the Chairman of the Supervisory Board or the Audit Committee without delay of any circumstances arising during the course of the audit that would constitute grounds for disqualification or partiality. It is also agreed that the independent auditor will immediately report any material issues, matters, and events arising during the course of the audit that fall within the purview of the Supervisory Board. It is further agreed that the independent auditor will inform the Supervisory Board or make an observation in the audit report if the independent auditor were to discover, during the course of the audit, any facts that contradict the Declaration of Conformity by the Executive Board and Supervisory Board according to Section 161 AktG. In addition, the Audit Committee has established a system for monitoring and approving non-audit services by the auditor.

Compensation report

Axel Springer's compensation policy follows the principle of granting compensation to the Executive Board and Supervisory Board that is based on their performance in the interest of sustainable corporate development.

Executive Board

In accordance with the requirements of the German Stock Corporation Act and the recommendations of GCGC, the compensation of the Executive Board members consists of fixed and variable components. The variable compensation consists of a cash component paid as an annual bonus and long-term compensation components in the form of the long-term incentive plan launched in 2016 and the virtual stock option plans last granted in the year 2014. All components of compensation are appropriate, both individually and as a whole. The Supervisory Board has considered at length the appropriateness and adequacy of the Executive Board compensation by taking into account a number of criteria, including in particular Section 87 of the German Stock Corporation Act ("AktG") and Section 4.2.2 sentences 4 and 5 of the GCGC, such as the tasks of the individual Executive Board member, his personal performance and the economic position, success and future prospects of Axel Springer. Due consideration is also given to the industry environment.

In the reporting year, the Supervisory Board did not consult any external compensation expert.

The **fixed compensation** corresponds to the annual fixed salary; in addition, the Executive Board members receive a company car or company car allowance, the assumption of premiums for insurance against the risk of invalidity and death, individual travel and security expenses as fringe benefits. The annual fixed salary is generally established for the entire term of an employment agreement and is disbursed in 12 monthly installments.

The **variable compensation** is in the form of an annual bonus as a cash component, and depends on individual performance with regards to individual objectives (relating to the quantitative divisional objectives and qualitative individual objectives, amongst others, based on the strategy of Axel Springer SE) as well as Group objectives; it is limited to double the sum payable for 100 % achievement of objectives. The Group's target for the year 2017 and the previous year was the Group's adjusted EBITDA. Individual objectives for measuring performance of individuals and Group objectives are decided upon by the Supervisory Board. Part of the variable cash component is based on annual objectives and in part based on achievement of Group objectives established for an assessment period of three years. Achievement of objectives is initially determined by the Chairman of the Supervisory Board members and the respective Executive Board member and then reviewed and approved by the Supervisory Board.

In addition, there is a **long-term variable compensation component** in the form of a **Long-Term Incentive Plan** (“**LTIP**”), which was granted to the in 2016 already incumbent Executive Board members as of May 1, 2016, and runs until 2023, including holding periods. The LTIP stipulates a participation in the increase in the company value, measured on the basis of market capitalization in the form of a cash payment claim with subsequent obligation to purchase shares.

It will be distributed in the form of a cash bonus and contains a subsequent obligation to purchase Axel Springer shares in the corresponding amount. The compensation entitlement requires market capitalization of Axel Springer SE to increase by at least 40 % within three, four, and maximally five years (respective performance periods). No claim for compensation can be made below this threshold. In the event of targets being achieved, the whole Executive Board is entitled to payment amounting to a total of 4 % of the increase in market capitalization. The compensation entitlement will increase only up to a growth in market capitalization by maximally 60 %.

The increase in market capitalization is calculated on the basis of the volume-weighted average price of Axel Springer shares for the last 90 calendar days before May 1, 2016 or before the end of the respective performance period multiplied by the number of outstanding Axel Springer shares (less own shares) adding dividend distributions during the performance period.

In the event of targets being achieved, an amount in the value of 50 % of the total amount (“payout amount I“) will be paid out. On meeting the targets after four or five years respectively, a lock-up period of two or one year respectively follows, before the remaining 50 % of the total amount ("payout amount II") will be paid out. Should targets be met prematurely after three years, each Executive Board member will have the option to request payout amount I. The payout amount II will then only be paid out after four or five years and a waiting period of two years or one year after the target has been reached.

The net amount of all payouts (after the Executive Board member's taxes and duties are paid) in each case has to be fully invested in Axel Springer shares by the Executive Board member. Regarding the shares acquired with payout amount I, or II respectively, the Executive Board member has to retain the shares for a minimum of two years, or one year respectively. The LTIP contains the usual provisions for early resignation. Thus, for instance all non-contractual claims paid under the LTIP lapse if the member of the Executive Board leaves the Executive Board at his own request before expiry of the waiting period.

The LTIP is valued as a share-based compensation program with cash settlement at its fair value as of the balance sheet date and is recorded according to the expected vesting date.

The value of the LTIP at the grant date was calculated on the basis of a stochastic model for the valuation of stock option rights taking into account the seven-year term of the LTIP (including holding periods) and is determined at € 32.1 million.

Until the LTIP was introduced, the long-term variable compensation component was presented in the form of **virtual stock option plans**, according to which stock options were last granted in 2014 and whose key parameters are shown below:

Executive Board Program

	2012	2014 I	2014 II
Grant date	01.01.2012	01.01.2014	01.09.2014
Term in years	6	6	6
Vesting period in years	4	4	4
Stock options granted	450,000	205,313	675,000
Underlying (€)	30.53	44.06	44.56
Maximum payment (€)	61.06	88.12	89.12
Value at grant date (€)	5.26	6.69	6.26
Total value at grant date (€ millions)	2.4	1.4	4.2

The 2012 Executive Board program was terminated in the 2016 financial year by exercising the existing options.

If the Executive Board service agreement or the appointment to the Executive Board exists for at least the end of the four year waiting period, then all virtual stock options may become vested to the member of the Executive Board. If the working relationship or the appointment of the authorized members of the Executive Board finishes before the end of the waiting period, but at least one year after the grant date, then the stock options generally become vested pro rata temporis relating to the waiting period.

A further condition for vesting to take place is that within a period of one year before the end of the waiting period, either the volume-weighted average price of the Axel Springer share in a period of 90 calendar days is at least 30 % over the base value or the percentage increase of this average price compared to the base value exceeds the development of the DAX.

Exercising stock options is only possible if the volume-weighted average price of the Axel Springer share of the last 90 calendar days before exercising such options is at least 30 % over the base value and that the percentage increase exceeds that of the DAX index. Each option grants a payment claim in the amount of the growth in value of the Axel Springer share, restricted to a maximum of 200 % of the base value, which corresponds to the difference between the volume-weighted average price during the last 90 calendar days prior to exercise and the base value.

Executive Board members are obligated to hold one Axel Springer share for every ten stock options as a personal investment. Disposing of these shares prior to exercising the options would result in the stock options being forfeited at the same rate.

With regards to the Executive Board Programs that are granted, see the information in the notes to the consolidated financial statements under Section (13).

Executive Board members have received contractually-agreed pension provisions. Payment of pension applies when reaching the age of 62, provided that the Executive Board member is no longer at their post at this point. In case of premature departure, the Executive Board member has – after five years since the pension entitlement or earlier employment with the company – a vested claim to a pension payment proportional to the length of his employment with the company. Payments are also made in case of a complete reduction in earning capacity.

Executive Board members have the right to terminate their employment contracts in the event of a change of control. In such a case, they will have the right to receive payment of their base salary for the most recently negotiated remaining contractual term (some of the eligible Executive Board members will have the right to receive payment of an amount equal to at least one year's base salary) and/or a lump sum amounting to the total remuneration for the duration of the original residual term; the amount of the aforementioned payments is typically limited. In addition, the Company pays the performance-related remuneration pro rata temporis for the period of the activity in the year of departure. Other remuneration does not exist for the service contracts of members of the Executive Board in the event of termination of employment due to a change of control.

In the **2017 reporting year** the total compensation paid to the Executive Board was € 19.7 million (PY: € 19.2 million excl. LTIP). The fixed components totaled € 9.5 million (PY: € 9.1 million); this figure also includes components for fringe benefits (company car or company car allowance, the assumption of premiums for insurance against the risk of invalidity and death and security expenses). The variable cash component came to a total of € 10.2 million (PY: € 10.1 million). According to this, the fixed compensation including fringe benefits in the financial year amounts to a proportion of 48 % (PY: 47 %) of total remuneration (in the prior year excluding LTIP).

In 2012, global growth investor General Atlantic entered into a strategic partnership in the context of a joint growth and internationalization strategy with a 30 % stake in Axel Springer's online classifieds business and in connection with the sale of its stake in the online classifieds business on the Axel Springer SE itself involved. Following the sale of its shares in the company by way of various partial sales, most recently in the summer of the reporting year, General Atlantic, in recognition of the outstanding success of the joint investment in the online classifieds business and the development of the company, has made a voluntary one-time special payment to the company subject to the provision to grant a special payment to the Executive Board as well as to selected executives essential to the success of the investment. The Supervisory Board of Axel Springer SE has granted the Executive Board members a recognition bonus totaling € 12.0 million (gross) from these funds, which have been purposefully made available to Axel Springer SE. An economic burden was not associated with Axel Springer SE or the group companies, as all the expenses associated with the recognition award, including statutory fees, were borne by the purposeful special payment made by General Atlantic. The Executive Board thus received € 31.7 million in the reporting year, including the recognition premium.

In the 2016 financial year, in addition, a long-term variable remuneration was granted in the form of an LTIP, the value of which was determined at the grant date on the basis of a stochastic model for the valuation of stock options taking into account the seven-year term (including holding periods) and amounted to € 32.1 million.

Guaranteed pension payments to members of the Executive Board resulted in a personnel expense of € 1.6 million in financial year 2017 (PY: € 2.3 million). The cash value of the guaranteed pension payments in pension provisions totaled € 17.5 million (PY: € 15.2million). Loans or advances were not granted to members of the Executive Board in the 2017 financial year. In the case of guaranteed pension payments to Executive Board members, which became effective with the relevant recommendation in Section 4.2.3 sentence 11 GCGC on June 10, 2013, the Supervisory Board established the pension level desired in compliance with the previously stated Code recommendation and considered the annual and long-term expense for the company derived from this.

Axel Springer SE does not disclose the total compensation of individual Executive Board members by name, given that Sections 314 (3) and 286 (5) HGB expressly place the disclosure of Executive Board compensation by name under the reservation of a differing resolution of the annual shareholders' meeting with a qualified majority of the share capital represented upon the adoption of the resolution. The annual shareholders' meeting of Axel Springer SE passed a resolution on April 16, 2014 with the required majority.

Supervisory Board

The compensation of the Supervisory Board is set by the annual shareholders' meeting.

The compensation of the Supervisory Board of Axel Springer SE is regulated by Section 16 of the Articles of Association of Axel Springer SE. According to this, the Supervisory Board of Axel Springer SE receives fixed compensation of € 3.0 million annually. The Supervisory Board decides how the aforementioned amount is distributed among its members, with appropriate consideration given to their activities as chairman and in the committees. If the member does not serve on the Supervisory Board or exercise a higher-paying function of a Supervisory Board member for the full year, such member will receive a pro-rated share of the full-year compensation. Only full months of activity are taken into ac-count for this purpose. The compensation is payable after the close of the given financial year.

For the **reporting year 2017**, the Supervisory Board will receive total compensation of € 3.0 million (PY: € 3.0 million). In addition, the company reimburses all members of the Supervisory Board for their expenses and for the value-added tax payable on their compensation and on the reimbursement of their expenses. The company pays the premium for the D&O insurance taken out for members of the Supervisory Board.

Contrary to Section 5.4.6 sentences 5 and 6 of the GCGC, the compensation paid to members of the Supervisory Board, as well as the compensation paid by the company to them for services rendered personally, are not presented in the Corporate Governance Report, since Axel Springer SE's competitors do not disclose such information either. In addition, the Articles of Association do not regulate the individual distribution of compensation between the members of the Supervisory Board, but expressly assign it to the Supervisory Board; the individualized statement of the remuneration of the Supervisory Board would undermine this allocation of powers to the General Meeting. Also on April 16, 2014, the Company's General Meeting resolved that the disclosure of the individualized compensation of the Executive Board in the annual and consolidated financial statements of the company, which are to be prepared for the financial years 2014 to 2018 (inclusive), should be avoided, meaning therefore that the compensation of the Supervisory Board members is not published in individualized form either.

Share-based compensation of senior executives

Axel Springer has issued virtual stock option plans for selected senior executives, the main parameters of which are shown in the following:

Senior Executive Program

		2011 II	2014
Grant date		01.10.2011	01.03.2014
Term in years		6	5
Vesting period in years		4	3
Stock options granted		472,500	60,000
Underlying (€)		35.00	46.80
Maximum payment (€)		70.00	93.60
Value at grant date (€)		2.31	8.14
Total value at grant date (€ millions)		1.1	0.5

Provided that the beneficiary is employed by the company at least until the expiration of the respective vesting period, all virtual stock options granted to the relevant senior executives may become vested. If the authorized senior executive is not employed by the company before the end of the vesting period, but is at least one year after the grant date, the stock options are vested up to one half (Senior Executive Programs 2014) or to one quarter per elapsed year of the waiting period (Senior Executive Program 2011 II).

A further condition for vesting to take place is that within a period of one year before the end of the waiting period, either the volume-weighted average price of the Axel Springer share in a period of three calendar months is at least 30 % over the base value or the percentage increase of this average price compared to the base value exceeds the development of the DAX.

Exercising stock options is only possible if the volume-weighted average price of the Axel Springer share during the three calendar months before exercising such options is at least 30 % over the base value and that the percentage increase exceeds that of the DAX index. Each option grants a payment claim in the amount of the growth in value of the Axel Springer share, restricted to a maximum of 200 % of the base value, which corresponds to the difference between the volume-weighted average price during the last three calendar months prior to exercise and the base value.

Beneficiaries are obligated to hold one Axel Springer share for every ten stock options as their own investment. Disposing of these shares prior to exercising the options would result in the stock options being forfeited at the same rate.

The Senior Executive Program 2011 II was completed during the financial year 2016 as the stock options were exercised or forfeited. With regards to the executive programs that are granted, see the information in the notes to the consolidated financial statements under Section (12).

Report of the Supervisory Board

Dr. Giuseppe Vita
Chairman

Dr. h. c. Friede Springer
Vice Chairwoman

Oliver Heine
Attorney at law and partner in the law firm Heine & Partner

William E. Ford
CEO General Atlantic

Rudolf Knepper
Entrepreneur

Lothar Lanz
Member of various Supervisory Boards

Dr. Nicola Leibinger-Kammüller
President and Chairwoman of the Executive Board of TRUMPF GmbH + Co. KG

Prof. Dr.-Ing. Wolfgang Reitzle
Entrepreneur

Martin Varsavsky
CEO Prelude Fertility Inc.

Dear Shareholders,

In financial year 2016, the supervisory board performed all the duties incumbent upon it by virtue of applicable laws, the company's Articles of Association, and internal rules of procedure. It worked closely and trustfully with the Executive Board in an advisory role and supervised the management of the company.

By means of written and oral reports, the Executive Board informed the Supervisory Board in detail, regularly, and promptly about all essential matters of strategy, planning, business performance, and the risk situation of the company, as well as the risk management system, the Internal Control System (ICS), and matters pertaining to compliance. The Executive Board informed the Supervisory Board of matters of particular importance between meetings; in addition, the Chairman of the Supervisory Board and the Chairman of the Executive Board held regular information and advisory meetings.

The Supervisory Board examined the relevant planning documents and financial statements presented to it and assured itself that they were correct and appropriate. It reviewed and discussed all submitted reports and documents to an appropriate extent. It was not necessary in financial year for the Supervisory Board to inspect company books and documents beyond those presented during the normal course of reporting by the Executive Board.

The Supervisory Board discussed with the Executive Board all matters of crucial importance for the company, especially the company's business plan, business structure, business strategy, major investment and disinvestment plans, and personnel matters; the strategic orientation of the company was coordinated between the Executive Board and Supervisory Board, and the status in relation to the implementation of the strategy was discussed. Furthermore, the Supervisory Board discussed specific transactions of importance to the company's future development. It adopted resolutions on those transactions and measures for which the participation of the Supervisory Board is required by law, by the company's Articles of Association, or by the Executive Board's internal rules of procedure.

Composition and meetings of the Supervisory Board

As per the company's Articles of Association, the Supervisory Board is composed of nine members (see page 70 of the Annual Report regarding the individual members of the Supervisory Board). William E. Ford, CEO of General Atlantic, and Rudolf Knepper informed the Chairman of the Supervisory Board in January, i.e. February 2018 that they will resign from office at the end of the General Meeting in the 2018 financial year. The Supervisory Board will therefore propose to the General Meeting two new candidates for election to the Supervisory Board of Axel Springer SE, who shall assume their mandates for the remainder of Bill Ford's and Rudolf Knepper's term of office.

The Supervisory Board thanks Bill Ford for his work on the Supervisory Board of Axel Springer SE. During his affiliation, he has variously supported and advised our company on the basis of his more than two decades of experience in managing investments in growth companies, his international experience and digital knowledge. Furthermore, the Supervisory Board likes to thank Rudolf Knepper for his long-standing successful work as Executive Board and Supervisory Board member of Axel Springer SE and for his high degree of loyalty to the company.

The term of current members of the Supervisory Board ends with the expiry of the 2019 ordinary Annual General Meeting in the 2019 financial year, which is decisive for the ratification of actions by the company's Boards for the 2018 financial year.

A total of seven meetings of the Supervisory Board were held during the period under review, four in the first and three in the second half of the calendar year, with extraordinary meetings held on March 23, 2017 and July 4, 2017. Some individual members were excused and unable to attend some of the meetings; none of the Supervisory Board members attended fewer than four sessions of the plenum. The members that apologized for their absence for the most part participated in resolutions by written vote.

Important matters addressed by the Supervisory Board

At the meeting on**, February 14, 2017**, the Supervisory Board dealt with the financial plan 2017 presented by the Executive Board and approved it. The Executive Board informed the Supervisory Board about preliminary figures on business development in the expired financial year 2016. The Supervisory Board also primarily focused on real estate sales in Berlin.

In its meeting on **March 7, 2017**, the Supervisory Board devoted its attention primarily to the separate financial statements of the parent company and the consolidated financial statements of the Group as at December 31, 2016 (including, in each case, the combined management report and Group management report), as well as the report on the company's dealings with affiliated companies (Dependency Report), along with the respective audit reports. In accordance with the recommendations of the Audit Committee, it approved the annual financial statements of Axel Springer SE, the consolidated financial statements and the combined management and group management report and approved the dependent company report. It followed the Executive Board's profit utilization proposal for financial year 2016 and agreed to the Corporate Governance Report issued jointly with the Executive Board. In addition, the Supervisory Board dealt with the agenda for the 2017 General Meeting; this included inter alia the proposed resolutions for the General Meeting including the proposal for the election of the auditor for the 2017 financial year and the election of William E. Ford to the Company's Supervisory Board and the proposal to update the Company Constitution, the essentials, with a corresponding amendment to the company's Articles of Association. In addition, the Supervisory Board adopted a resolution regarding its report for the 2016 financial year, which was submitted at the annual shareholders' meeting. Finally, it was decided to set up an advisory committee on corporate structure.

In the extraordinary meeting on **March 23, 2017**, the Supervisory Board dealt in particular with the corporate structure. In addition, the company reported on the current status of investment projects.

At the meeting on **April 26, 2017**, the Supervisory Board focused on preparing for the upcoming General Meeting. In addition, among others, the achievement of the targets for the proportion of women in the Supervisory Board and Executive Board resolved in September 2015 was discussed, and new targets and deadlines were defined with regard to both bodies.

At the extraordinary meeting on **July 4, 2017**, which was held in the form of a telephone conference, the Supervisory Board dealt with issues relating to the remuneration of the Executive Board.

At the meeting on **September 6, 2017**, the Executive Board reported on the planned reorganization of the publishing divisions in Germany. The Supervisory Board also passed a resolution on the share participation program planned for the 2018 financial year for employees of the Company and of certain affiliated companies. In addition, the Supervisory Board was informed about the current status of real estate projects and the progress of the new Axel Springer building in Berlin. The Supervisory Board drew up a "competence profile" for the entire Supervisory Board and passed a resolution on this. In addition, the re-designation of the Executive Board divisions was approved and the Executive Board provided information about the US strategy and developments at Business Insider.

At its meeting on **November 7, 2017**, the Supervisory Board focused on Axel Springer's corporate strategy focusing on the News Media segment on the basis of a comprehensive presentation of the Executive Board. The Executive Board reported on the changes in accounting from 2018 due to new IFRS standards. In addition, the Supervisory Board adopted a resolution on the Declaration of Conformity, published on the same date. It also carried out a self-assessment of its efficiency and continued to assess its activity as efficient on the basis of a prior written survey followed by a detailed discussion. In addition, the Executive Board informed the Supervisory Board about the current status of the company's transaction plans.

Conflicts of interest

There were no conflicts of interest in the Supervisory Board during the reporting year.

Corporate governance

The Executive Board and Supervisory Board issued their common Declaration of Conformity (pursuant to Section 161 of the German Stock Corporations Act (AktG)) in November 2017. This explanation with information on exceptions to the recommendations made in the GCGC is made permanently available on the company's website. It is also available on page 65 of the Annual Report.

Additional information on corporate governance in the Axel Springer Group may be found in the joint Corporate Governance Report of the Executive Board and Supervisory Board (see page 65).

Work of the committees of the Supervisory Board

In the interest of performing its duties in an efficient manner, the Supervisory Board has formed an Executive Committee, an Audit Committee, a Personnel Committee, and a Nominating Committee as permanent committees. In March 2017, an advisory committee on corporate structure was formed. The Chairman of the Audit Committee is Lothar Lanz, in the Corporate Structure Committee Martin Varsavsky, and in the other committees Chairman of the Supervisory Board, Dr. Giuseppe Vita fulfills that role. The chairmen of the committee report to the plenum on the work of the committees and the decisions taken by the committees.

Notwithstanding the general responsibility of the full Supervisory Board, the **Executive Committee** is responsible for matters that are exclusively or predominantly related to publishing and journalism and for matters of strategy, financial planning, capital expenditures, and the financing of investment. It is in particular responsible, instead of the Supervisory Board, for approving significant management actions undertaken by the Executive Board concerning investments or operative business operations. Finally, the Executive Committee prepares decisions regarding the organization of the Executive Board and takes decisions, within stipulated limits, regarding the approval to sell shares of the company and subscription rights to such shares. The members of the Executive Committee are Dr. Giuseppe Vita, acting as the Chairman, Dr. h. c. Friede Springer, acting as the Vice Chairwoman, as well as Lothar Lanz and Prof. Dr.-Ing. Wolfgang Reitzle.

The Executive Committee held eight meetings during the reporting period, of which three were extraordinary meetings; members of the Executive Board also took part frequently at these meetings. In addition, resolutions were passed in circulation proceedings. The Presidency agreed upon the following transactions: In February and April 2017 (in view of the final purchase price) the acquisition of Logic-Immo, in March 2017 the sale of the print business and related online activities of Ringier Axel Springer Slovakia, in July 2017 the acquisition of Affilinet GmbH by the AWIN AG and the acquisition of shares in AWIN AG held by Swisscom Schweiz AG, in October 2017 the sale of the Slovak Ringier Axel Springer Print Portfolio including related online activities and in December 2017 the sale of the aufeminin Group to TF1.

It was also discussed and decided, among others, on an exchange offer for existing fixed-interest promissory notes and the renewal of a promissory note, the sale of the Berlin skyscrapers to Axel Springer Pensionstreuhand e.V., and the sale and lease-back of the Axel-Springer-Passage and the new building. Further subject matters were decisions about granting approval to conclude control and profit and loss transfer agreements within the Group as well as to transfer shares of the company in accordance with Section 5 (3) of the Company's Articles of Association.

The **Personnel Committee** is responsible in particular for preparing decisions on the appointment and dismissal of Executive Board members. It is also responsible for preparing the resolutions to be adopted by the Supervisory Board on the compensation of individual members of the Executive Board. If the Personnel Committee consists of three or more members, then it approves resolutions in lieu of the Supervisory Board in all other matters pertaining to employment contracts; the same applies in matters pertaining to the extension of loans within the meaning of Sections 89, 115 AktG and on the approval of contracts with Supervisory Board members pursuant to Section 114 AktG. If the Personnel Committee consists of two members, then it is responsible for preparing the resolutions to be adopted by the Supervisory Board regarding such matters. To the extent it bears responsibility, the Personnel Committee also represents the company in transactions with individual Executive Board members. Finally, if the Personnel Committee consists of three or more members, then it shall decide on granting approval for management actions assigned to it that require approval; if it consists of two members, then it is responsible for preparing the resolutions to be adopted by the Supervisory Board regarding such business matters. The members of the Personnel Committee are Dr. Giuseppe Vita, acting as the Chairman, and Dr. h. c. Friede Springer, acting as the Vice Chairwoman.

The Personnel Committee met twice during the reporting period. It prepared, among others, the decision of the plenary session on the extension of the term of office of a member of the Executive Board, together with the associated extension of the respective Executive Board contract, dealt with the individual goals and the Group objectives for the cash component of the variable remuneration component of the Executive Board remuneration.

The **Audit Committee**, notwithstanding the responsibility of the full Supervisory Board, is responsible for preparing the decisions to be made by the Supervisory Board on the adoption of the separate financial statements of the parent company and the approval of the consolidated financial statements of the Group, by means of conducting a preliminary review of the separate financial statements, the Dependency Report, and the consolidated financial statements, as well as the combined management report of the parent company and the group, the review of the profit utilization proposal, the discussion of the audit report with the auditor, as well as the monitoring of the accounting process and the audit, in this regard in particular the independence of the auditor, the monitoring of the effectiveness of the risk management system, the internal control system (ICS), the compliance management system and the internal auditing system. The Audit Committee also monitors and approves the non-audit services provided by the auditor. It is also responsible for auditing the interim financial statements and interim reports and discussing the auditor's report on a possible audit review of the interim financial statements. With regard to the audit of the financial statements, the Audit Committee is responsible for preparing the proposal of the Supervisory Board to the annual shareholders' meeting on the election of the independent auditor and the engagement of the independent auditor, and for adopting audit priorities, among other matters. The Audit Committee consists of Lothar Lanz, acting as the Chairman, Dr. Giuseppe Vita, acting as the Vice Chairman, and Oliver Heine, Rudolf Knepper and Dr. h. c. Friede Springer as additional members.

The Audit Committee held four meetings during the course of the financial year. It has been informed of the scope, course, and result of the 2016 annual financial statements and consolidated financial statements and discussed them with the auditors, prepared the decisions of the Supervisory Board regarding adoption of the financial statements (including the combined management report and group management report) and approval of the Group consolidated statements as well as the audited interim financial statements and reports for 2015. Alongside this, in February 2017, the Audit Committee handled preparation of the passing of the resolution by the full board regarding the proposal at the annual shareholders' meeting to commission the independent auditor for the 2017 financial year. To this effect, the Supervisory Board was also in receipt of written confirmation from Ernst & Young GmbH regarding their independence. In addition, the Audit Committee dealt with the audit priorities of the independent auditor for the 2017 financial year and issued the auditor with the audit assignment for the 2017 financial year. The Audit Committee also dealt with the monitoring of the effectiveness of the risk management system, the internal control system (ICS), of the compliance management system and of the internal audit system, as well as additional compliance issues. The Audit Committee also has, among others, discussed the necessary adjustments to the Company's reporting due to changes in accounting rules, dealt with non-financial reporting (CSR), and approved audit assignments for non-audit services.

The **Nominating Committee** prepares the proposal of the Supervisory Board to the annual shareholders' meeting on the election of Supervisory Board members; in particular, it proposes suitable candidates for the Supervisory Board, also in consideration of the competency profile and the diversity and independence criteria adopted by the Supervisory Board. It develops and reviews the job profiles relative to the qualifications expected of Supervisory Board members by the company, and continually adapts them to suit changing company requirements. The members of the Nominating Committee are Dr. Giuseppe Vita, acting as the Chairman, and Dr. h. c. Friede Springer, acting as the Vice Chairwoman.

The Nominating Committee did not meet during the financial year.

The **Advisory Committee on Corporate Structure** held a meeting in the reporting year. The committee consists of Martin Varsavsky as chairman and William E. Ford and Lothar Lanz as members.

Separate financial statements of the parent company and consolidated financial statements of the Group; management report for the parent company and the Group

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of the parent company and the consolidated financial statements of the Group, as well as the combined management report of the parent company and the Group, all of which were prepared by the Executive Board for financial year 2017, and issued an unqualified audit opinion in every case. In connection with the audit, the independent auditor also noted in summary that the Executive Board has implemented a risk management system that fulfills the requirements of law, and that this system is generally suitable for the early detection of any developments that could endanger the company's survival as a going concern.

The aforementioned documents and the proposal of the Executive Board for the utilization of the distributable profit, as well as the audit reports of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, were provided to all members of the Supervisory Board in a timely manner. The documents were audited and discussed in the presence of the independent auditor in the meeting of the Audit Committee of March 6, 2018. The independent auditor reported on the key results of the audit and was available for additional information if required. No deficiencies in the internal control and risk management system, as it relates to the financial accounting process, were noted. The independent auditor explained further the scope, priorities, and costs of the audit. No circumstances that would cast doubt on the impartiality of the independent auditor arose. The Audit Committee resolved to recommend to the Supervisory Board that it approve the separate financial statements of the parent company and the consolidated financial statements of the Group, as well as the combined management report of the parent company and the Group.

The Audit Committee reported to the Supervisory Board in the balance sheet meeting of March 7, 2018 on the investigations carried out by the Committee and the results thereof, alongside their recommendations for approval of the separate financial statements of the parent company and consolidated financial statements of the Group, and the combined management report of the parent company and the Group. The Supervisory Board has reviewed the documents in question, having noted and duly considered the report and recommendations of the Audit Committee and the reports of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, and having discussed them with the independent auditor, who was in attendance.

The Supervisory Board acknowledged and approved the audit results. Based on the results of its own review, the Supervisory Board noted that it had no objections to raise. Based on the recommendations of the Audit Committee, the Supervisory Board approved the annual financial statements of the parent company and the consolidated financial statements of the Group, as well as the combined management report of the parent company and the Group, all of which were prepared by the Executive Board. Accordingly, the annual financial statements of Axel Springer SE were officially adopted.

The Supervisory Board also reviewed the proposal of the Executive Board concerning the utilization of the distributable profit and concurred with that proposal, in consideration of the company's financial year net income, liquidity, and financing plan.

The Executive Board also submitted its report on the company's dealings with related parties pursuant to Section 312 of the German Stock Corporations Act (AktG) to the Supervisory Board. The Supervisory Board was also in receipt of the corresponding audit report by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. Both reports were also provided to each member of the Supervisory Board in advance. The audit opinion of the independent auditor reads as follows:

“Based on the audit and evaluation conducted in accordance with our professional duties, we hereby confirm that

1. the factual information contained in the report is correct;

2. the consideration provided by the company in respect of the legal transactions mentioned in the report was not inappropriately high.”

The Supervisory Board also reviewed the report of the Executive Board on the dealings with related parties pursuant to Section 312 AktG and the independent auditor’s report on this subject. At the Supervisory Board meeting of March 7, 2018, the independent auditor also reported orally on the principal findings of the audit and provided additional information, as requested. The Supervisory Board acknowledged and approved the report of the independent auditor. Based on the final results of its own review, the Supervisory Board had no objections to raise with respect to the results of the audit report of the independent auditor or the Executive Board’s declaration on the report pursuant to Section 312 (3) AktG.

Thanks to the members of the Executive Board and to all employees of the company

The Supervisory Board wishes to thank all members of the Executive Board and all employees for their outstanding work in the past year.

The Supervisory Board likes to welcome Dr. Stephanie Caspar, who, following the Board's meeting of February 13, 2018, was appointed Executive Board member responsible for Technology and Data with effect of March 1, 2018, and looks forward to working with her.

Berlin, on March 7, 2018

The Supervisory Board

Dr. Giuseppe Vita
Chairman

Consolidated Financial Statements

Consolidated Statement of Financial Position

€ millions

ASSETS	Note	12/31/2017	12/31/2016
Non-current assets		**4,994.1**	**5,393.0**
Intangible assets	(4)	3,904.4	4,162.3
Property, plant, and equipment	(5)	451.7	519.2
Investment property	(6)	0.0	29.8
Non-current financial assets	(7)	526.8	563.3
Investments accounted for using the equity method		167.5	221.0
Other non-current financial assets		359.3	342.3
Receivables due from related parties	(36)	12.1	23.4
Receivables from income taxes		0.6	0.4
Other assets	(9)	44.0	39.5
Deferred tax assets	(26)	54.6	55.0
Current assets		**1,441.5**	**1,063.2**
Inventories		19.8	21.6
Trade receivables	(8)	693.9	614.6
Receivables due from related parties	(36)	17.2	16.6
Receivables from income taxes		21.7	65.0
Other assets	(9)	104.7	121.3
Cash and cash equivalents	(29)	216.8	224.1
Assets held for sale	(10)	367.3	0.0
Total assets		**6,435.6**	**6,456.2**

€ millions

EQUITY AND LIABILITIES	Note	12/31/2017	12/31/2016
Equity	(11)	**2,801.5**	**2,638.6**
Shareholders of Axel Springer SE		2,290.1	2,217.4
Non-controlling interests		511.4	421.2
Non-current provisions and liabilities		**2,036.1**	**2,427.2**
Provisions for pensions	(13)	343.2	350.4
Other provisions	(14)	79.8	69.8
Financial liabilities	(15)	1,062.0	1,258.3
Trade payables		0.1	0.2
Liabilities due to related parties	(36)	23.7	6.5
Other liabilities	(16)	158.1	211.6
Deferred tax liabilities	(26)	369.3	530.5
Current provisions and liabilities		**1,598.0**	**1,390.4**
Provisions for pensions	(13)	20.4	21.2
Other provisions	(14)	186.0	183.2
Financial liabilities	(15)	175.1	1.0
Trade payables		462.0	379.6
Liabilities due to related parties	(36)	40.8	23.1
Liabilities from income taxes		60.9	37.3
Other liabilities	(16)	581.6	745.1
Liabilities related to assets held for sale	(10)	71.2	0.0
Total equity and liabilities		**6,435.6**	**6,456.2**

Consolidated Income Statement

€ millions	Note	2017	2016
Revenues	(18)	3,562.7	3,290.2
Other operating income	(19)	317.3	339.9
Change in inventories and internal costs capitalized	(19)	87.7	82.6
Purchased goods and services	(20)	−1,051.4	−971.5
Personnel expenses	(21)	−1,202.1	−1,100.1
Depreciation, amortization, and impairments	(22)	−236.1	−232.6
Other operating expenses	(23)	−912.4	−851.2
Income from investments	(24)	−39.0	40.2
Result from investments accounted for using the equity method		−43.9	23.4
Other investment income		4.9	16.8
Financial result	(25)	−18.4	−21.4
Income taxes	(26)	−130.2	−126.1
Income from continued operations		**378.0**	**450.0**
Income from discontinued operations (after taxes)	**(2d)**	**1.3**	**1.9**
Net income		**379.3**	**451.9**
Net income attributable to shareholders of Axel Springer SE		345.5	427.3
Net income attributable to non-controlling interests		33.9	24.6
Basic/diluted earnings per share (in €) from continued operations	**(27)**	**3.19**	**3.94**
Basic/diluted earnings per share (in €) from discontinued operations	**(27)**	**0.01**	**0.02**

Consolidated Statement of Comprehensive Income

€ millions	Note	2017	2016
Net income		**379.3**	**451.9**
Actuarial gains/losses from defined benefit pension obligations		−3.4	−25.3
Items that may not be reclassified into the income statement in future periods (after taxes)		**−3.4**	**−25.3**
Currency translation differences		−80.8	−47.0
Changes in fair value of available-for-sale financial assets		−17.8	13.6
Changes in fair value of derivatives in cash flow hedges		0.1	0.1
Other income/loss from investments accounted for using the equity method		2.8	−1.9
Items that may be reclassified into the income statement in future periods if certain criteria are met (after taxes)		**−95.7**	**−35.2**
Other income/loss	**(28)**	**−99.1**	**−60.5**
Comprehensive income		**280.2**	**391.4**
Comprehensive income attributable to shareholders of Axel Springer SE		240.6	372.4
Comprehensive income attributable to non-controlling interests		39.6	19.0

Consolidated Statement of Cash Flows

€ millions	Note	2017	2016
Net income		**379.3**	**451.9**
Reconciliation of net income to the cash flow from operating activities			
Depreciation, amortization, impairments, and write-ups		236.1	232.6
Result from investments accounted for using the equity method	(24)	43.9	−23.4
Dividends received from investments accounted for using the equity method		4.8	3.8
Income from disposal of subsidiaries and business units, intangible assets and property, plant and equipment, financial assets and assets held for sale		−207.2	−264.3
Changes in non-current provisions		3.1	7.9
Changes in deferred taxes		−104.2	−28.7
Other non-cash income and expenses		0.5	5.2
Changes in trade receivables		−86.5	−41.4
Changes in trade payables		69.7	13.7
Changes in other assets and liabilities		151.2	1.4
Cash flow from operating activities[1]	**(29)**	**490.7**	**358.8**
Proceeds from disposals of intangible assets, property, plant, and equipment, and investment property		207.7	68.5
Proceeds from disposals of consolidated subsidiaries and business units, less cash and cash equivalents given up		8.7	74.1
Proceeds from disposals of non-current financial assets including repayment of vendor loan	(29)	19.5	318.4
Proceeds from / disbursements of investments in short-term financial funds		3.3	−2.7
Puchases of intangible assets and property, plant and equipment		−200.9	−156.8
Purchases of shares in consolidated subsidiaries and business units less cash and cash equivalents acquired	(2c)	−185.1	−365.3
Purchases of investments in non-current financial assets		−47.6	−30.5
Cash flow from investing activities[1]	**(29)**	**−194.5**	**−94.3**
Dividends paid to shareholders of Axel Springer SE		−205.0	−194.2
Dividends paid to other shareholders		−10.5	−8.9
Purchase of non-controlling interests		−63.7	−30.9
Disposal of non-controlling interests		0.0	2.4
Repayments of liabilities under finance leases		−0.4	−0.7
Proceeds from financial liabilities		639.0	271.4
Repayments from financial liabilities		−660.7	−264.7
Other financial transactions		19.6	−74.3
Cash flow from financing activities[1]	**(29)**	**−281.7**	**−299.9**
Cash flow-related changes in cash and cash equivalents		**14.5**	**−35.4**
Changes in cash and cash equivalents due to exchange rates		−7.0	1.0
Changes in cash and cash equivalents due to changes in companies included in consolidation		0.2	0.0
Cash and cash equivalents at beginning of period		224.1	253.8
Reclassification relating to assets held for sale	(10)	−14.9	4.7
Cash and cash equivalents at end of period	**(29)**	**216.8**	**224.1**

1) For the portion attributable to discontinued operations see note (2d)

€ millions

Cash flows contained in the cash flow from operating activities		2017	2016
Income taxes paid	(29)	−161.8	−170.3
Income taxes received		63.0	37.1
Interest paid		−20.1	−16.6
Interest received		4.6	16.6
Dividends received		13.9	15.2

Consolidated Statement of Changes in Equity

€ millions	Sub-scribed capital	Ad-ditional paid-in capital	Accumu-lated retained earnings	Treasury shares	Accumulated other comprehensive income				Share-holders of Axel Springer SE	Non-controlling interests	Equity
						Changes in fair value					
					Currency translation	Available-for-sale financial assets	Deriva-tives in cash flow hedges	Other equity			
Balance as of 01/01/2016	**107.9**	**499.8**	**1,508.4**	**0.0**	**31.5**	**12.4**	**−0.3**	**−97.1**	**2,062.7**	**448.8**	**2,511.5**
Net income			427.3						427.3	24.6	451.9
Other income/loss					−41.4	13.6	0.1	−27.2	−54.9	−5.6	−60.5
Comprehensive income			**427.3**		**−41.4**	**13.6**	**0.1**	**−27.2**	**372.4**	**19.0**	**391.4**
Dividends paid			−194.2						−194.2	−9.7	−203.9
Change in consolidated companies			−5.1					5.1	0.0	22.8	22.8
Purchase of non-controlling interests			−23.3		4.9				−18.4	−58.5	−77.0
Other changes		0.2	−5.3						−5.1	−1.1	−6.2
Balance as of 12/31/2016	**107.9**	**500.1**	**1,707.6**	**0.0**	**−5.0**	**26.0**	**−0.2**	**−119.2**	**2,217.4**	**421.2**	**2,638.8**
Net income			345.5						345.5	33.9	379.3
Other income/loss					−86.2	−18.0	0.1	−0.7	−104.9	5.8	−99.1
Comprehensive income			**345.5**		**−86.2**	**−18.0**	**0.1**	**−0.7**	**240.6**	**39.6**	**280.2**
Dividends paid			−205.0						−205.0	−9.8	−214.8
Change in consolidated companies		0.0	40.7		1.1				41.7	58.1	99.8
Purchase and disposal of non-controlling interests			−5.0		0.0				−5.0	2.1	−2.9
Other changes		1.0	−0.6						0.4	0.2	0.6
Balance as of 12/31/2017	**107.9**	**501.0**	**1,883.2**	**0.0**	**−90.1**	**8.0**	**−0.1**	**−119.9**	**2,290.1**	**511.4**	**2,801.5**

Consolidated Segment Report

Operating segments (30)

	Classifieds Media[1]		News Media[1]		Marketing Media[1]		Services/Holding		Consolidated totals	
€ millions	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues	**1,007.7**	**879.5**	**1,509.8**	**1,481.6**	**984.5**	**856.2**	**60.7**	**72.9**	**3,562.7**	**3,290.2**
Internal revenues	0.9	0.6	6.7	5.9	4.8	8.5	161.4	156.0		
Segment revenues	1,008.6	880.1	1,516.5	1,487.6	989.3	864.7	222.0	228.9		
EBITDA, adjusted[2]	**413.2**	**354.6**	**218.8**	**214.4**	**95.6**	**82.2**	**–81.7**	**–55.7**	**645.8**	**595.5**
EBITDA margin, adjusted[2]	**41.0%**	**40.3%**	**14.5%**	**14.5%**	**9.7%**	**9.6%**			**18.1%**	**18.1%**
Thereof income from investments	1.0	0.4	10.0	16.9	5.7	1.3	–0.7	0.0	16.0	18.7
Thereof accounted for using the equity method	1.0	0.1	6.3	12.7	1.8	–6.2	–0.4	0.0	8.8	6.6
Depreciation, amortization, impairments, and write-ups (except from non-recurring effects and purchase price allocations)	–52.2	–37.0	–35.8	–33.5	–18.2	–14.8	–35.7	–39.0	–141.9	–124.3
EBIT, adjusted[2]	**361.0**	**317.6**	**182.9**	**180.9**	**77.4**	**67.4**	**–117.4**	**–94.8**	**504.0**	**471.1**
Amortization and impairments from purchase price allocations	–55.6	–58.8	–21.9	–22.9	–16.7	–26.6	0.0	0.0	–94.2	–108.3
Non-recurring effects	–17.2	54.1	–66.2	74.0	36.8	40.9	163.5	65.6	117.0	234.6
Segment earnings before interest and taxes	288.2	312.9	94.8	232.1	97.6	81.6	46.1	–29.1	526.7	597.5
Financial result									–18.4	–21.4
Income taxes									–130.2	–126.1
Income from continued operations									378.0	450.0
Income from discontinued operations									1.3	1.9
Net income									**379.3**	**451.9**

[1] Adjustment of segment name (see Annual Report 2017, p. 11 and note (30a)).
[2] Adjusted for non-recurring effects (see Annual Report 2017, p. 33 and note (31)).

Geographical information (30)

		Germany		Other countries		Consolidated totals	
€ millions		2017	2016	2017	2016	2017	2016
Revenues	(31)	1,802.9	1,725.9	1,759.8	1,564.3	3,562.7	3,290.2
Non-current segment assets	(31)	1,352.5	1,388.3	3,003.6	3,323.0	4,356.1	4,711.3

Notes to the Consolidated Financial Statements

General information

(1) Basic principles

Axel Springer SE is a European exchange-listed stock corporation (Societas Europaea) with its registered head office in Berlin, Germany. The company is registered in the Commercial Register of the local court Berlin-Charlottenburg under number HRB 154517 B. The principal activities of Axel Springer SE and its subsidiaries ("Axel Springer Group", "Axel Springer" or the "Group") are described in note (30a).

On February 20, 2018, the Executive Board of Axel Springer SE authorized the consolidated financial statements for fiscal year 2017 and subsequently presented them to the Supervisory Board for approval. The consolidated financial statements were prepared by application of Section 315e HGB in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRS IC) approved by the IASB, in effect and recognized by the European Union (EU) on the reporting date. The reporting currency is the euro (€); unless otherwise indicated, all figures are stated in euro millions (€ millions). Totals and percentages have been calculated based on the euro amounts before rounding and may differ from a calculation based on the reported million euro amounts.

The consolidated financial statements and consolidated management report will be published in the Federal Gazette in Germany.

(2) Consolidation

(a) Consolidation principle

The financial consolidated statements include Axel Springer SE and its subsidiaries over which Axel Springer SE either directly or indirectly has control, can influence variable outflows from the subsidiary, and is exposed to the variability of these outflows.

The consideration transferred in business combinations is offset against the pro-rated fair value of the acquired assets and liabilities on the acquisition date. Any remaining positive difference allocated to our interests is capitalized as goodwill and recognized in the amount allocated to our shares, unless we acquire all shares in the company. Negative differences are immediately recognized as income. The acquisition date indicates the time at which the possibility for gaining control of the acquired business or company was obtained. We offset differences arising from disposals and purchases of non-controlling interests in equity.

If in the context of business combinations reciprocal call and put options for the remaining non-controlling interests are agreed upon, in which the acquisition price to be paid is based on future company results, we assume an anticipated acquisition of these remaining shares. Insofar, non-controlling interests are not disclosed. The contingent consideration for these shares is accounted for as a financial liability measured at fair value. The effects of its remeasurement at each balance sheet date are recorded in the income statement.

Associated companies in which the Axel Springer Group can exert significant influence over the financial and operating policies, as well as joint venture companies that are managed jointly by Axel Springer and one or more other parties, are included in the consolidated financial statements by application of the equity method. The IFRS separate and consolidated financial statements of these companies as at the Axel Springer Group's reporting date, respectively, serve as the basis for applying the equity method. Goodwill and assets and liabilities included in the amortized carrying amount are accounted for using the accounting principles applied to business combinations. Losses that exceed the carrying amount of the investment, or any other long-term receivables related to the financing of these companies, are not recognized, unless the Axel Springer Group is bound by additional contribution requirements. Intercompany profits and losses are eliminated on a pro-rated basis. The carrying amounts of investments are tested for impairment; if impairments exist, they are written down to the lower recoverable amount.

(b) Companies included in the consolidated financial statements

Companies included in the consolidated financial statements broke down as follows:

	12/31/2017	12/31/2016
Fully consolidated companies		
Germany	88	79
Other countries	136	120
Investments accounted for using the equity method		
Germany	7	5
Other countries	6	6

Consolidated companies are listed in note (42). Essentially, the following major changes occurred in 2017:

At the beginning of January, we acquired 100 % of the shares in ShareASale.com Inc., Chicago, USA, through AWIN Inc. (previously Digital Window, Inc.), Wilmington, USA. ShareASale.com Inc. has been included in our consolidated financial statements by means of full consolidation since then.

At the beginning of October, United Internet has contributed 100 % of the shares in affilinet GmbH, Munich, into AWIN AG, Berlin, and thereby received 20 % of the shares in the Awin Group (including affilinet). As a consequence of this transaction, we have fully consolidated affilinet GmbH and six further foreign subsidiaries since then.

The other changes relate to initial consolidations, deconsolidations, mergers, and liquidations which are immaterial for the consolidated financial statements.

(c) Acquisitions and divestitures

At the beginning of January 2017, we have acquired through AWIN Inc. (previously Digital Window,Inc.), Wilmington, USA, a company of the Awin Group (previously zanox Group) owned by Axel Springer, and consolidated 100 % of the shares in **ShareASale.com Inc.**, Chicago, USA, a leading affiliate network in the USA.

Acquisition costs amounted to € 44.4 million and, in addition to the purchase price of € 33.1 million paid in 2017, include a paid purchase price adjustment of € 2.0 million as well as a contingent purchase price liability of € 9.3 million recorded at the acquisition date which is dependent upon reaching earnings targets in 2017. The acquisition-related expenses recorded in other operating expenses totaled € 0.2 million.

Based on the purchase price allocation, the acquisition costs were allocated to the purchased assets and liabilities on the acquisition date as follows:

€ millions	Carrying amount after acquisition
Intangible assets	25.7
Other assets	2.2
Cash and cash equivalents	16.2
Provisions and liabilities	–15.2
Deferred tax liabilities	–10.2
Net assets	**18.8**
Acquisition cost	44.4
Goodwill	**25.5**

Of the intangible assets acquired, intangible assets with carrying amounts of € 12.0 million have indefinite useful lives. The non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise, expected synergy effects from the integration and the strategic advantages resulting from the leading market position and digital range of the company, and was allocated to the Marketing Media segment.

Since first inclusion as of the beginning of January 2017, ShareASale contributed to consolidated revenues in the amount of € 14.0 million and to consolidated net income in the amount of € 6.1 million.

As of October 1, 2017, Axel Springer and United Internet have merged their respective companies Awin and **affilinet** to create a common affiliate network. Axel

Springer thereby strengthens its market position in affiliate marketing business. After contributing 100 % of the affilinet shares, United Internet holds 20 % in the Awin Group.

The preliminary acquisition costs for the acquisition of the affilinet Group amounted to € 100.6 million and comprised the purchase price of € 1.4 million paid in 2017, and the fair value of the 20 % of the shares in the Awin Group given in exchange totaling € 99.2 million. As a result of the exchange following the contribution of the Awin shares, a positive difference of € 61.6 million was recorded directly in equity (thereof € 20.1 million attributable to non-controlling shareholders), taking into account the fair value of these shares and the addition of non-cotrolling interests in the amount of € 37.6 million. The share of the net assets of the Awin Group, which was attributable to non-controlling shareholders, increased by € 56.6 million of which € – 1.1 million resulting from foreign currency translation effects needed to be reclassified into the according accumulated other comprehensive income position. The acquisition-related expenses recorded in other operating expenses amounted to € 0.5 million.

Based on the preliminary purchase price allocation, the preliminary acquisition costs were allocated to the purchased assets and liabilities at the acquisition date as follows:

€ millions	Carrying amount after acquisition
Intangible assets	29.2
Property, plant, and equipment	0.7
Trade receivables	30.2
Other assets	1.0
Cash and cash equivalents	3.6
Trade payables	–26.0
Provisions and other liabilities	–6.2
Deferred tax liabilities	–9.5
Net assets	**23.1**
Acquisition cost (preliminary)	100.6
Goodwill (preliminary)	**77.5**

The purchase price allocation considers all knowledge and adjusting events about conditions that already existed on the acquisition date, and has not yet been completed, particularly due to the closeness in time to the reporting date.

Of the intangible assets acquired, intangible assets with carrying amounts of € 20.8 million have indefinite useful lives. The non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise, expected synergy effects from the integration and the strategic advantages resulting from the leading market position and digital reach of the company, and was allocated to the Marketing Media segment.

The gross amount of the acquired trade receivables was € 31.1 million. Corresponding valuation allowances of € 0.9 million were recorded.

Since initial consolidation as of the beginning of October 2017, the affilinet Group contributed to consolidated revenues in the amount of € 37.5 million and to consolidated net income in the amount of € 0.6 million. If the affilinet Group had already been fully consolidated on January 1, 2017, the affilinet Group would have contributed to consolidated revenues in the amount of € 155.9 million and to consolidated net income in the amount of € 4.7 million.

Further business combinations that occurred in the reporting period related in particular to the acquisition of 100 % of the shares in CV Keskus OÜ, Tallinn, Estonia, Tourismuszentrum GmbH Mecklenburgische Ostseeküste, Kröpelin, ICI Formations SAS, Paris, France, t-bee GmbH, Puchheim, Turijobs Tourism Services S.L., Barcelona, Spain, G-Construct SA, Brussels, Belgium and Autobazar.EU portál s.r.o., Topreality.sk s.r.o. und RealSoft s.r.o, all Nové Mesto nad Váhom, Slovakia, as well as the acquisition of a division of Ad Up Technology AG, Hamburg. These business acquisitions were generally carried out in the context of our strategy to become the leading digital publisher and individually had no major effects on the financial position, liquidity, and financial performance of the Axel Springer Group.

The acquisition costs for the acquisitions – which are partly preliminary – carried out in the reporting period amounted to € 36.9 million and contained besides the purchase prices paid also contingent considerations amounting to € 3.9 million. The acquisition-related expenses recorded in other operating expenses totaled € 0.2 million.

The contingent considerations resulted from earn-out agreements, and were recorded at their fair values on the acquisition date. The fair value predominantly depends on earnings performance of the acquired companies in the years prior to possible payment dates or exercise dates.

The cumulative acquisition costs of the business combinations were allocated to the purchased assets and liabilities based on the partly preliminary purchase price allocations as follows:

€ millions	Carrying amount after acquisition
Intangible assets	20.9
Property, plant, and equipment	0.2
Trade receivables	0.8
Other assets	0.6
Cash and cash equivalents	1.2
Trade payables	–1.1
Provisions and other liabilities	–1.2
Deferred tax liabilities	–3.0
Net assets	**18.3**
Acquisition cost (preliminary)	36.9
Goodwill (preliminary)	**18.6**

The purchase price allocations consider all knowledge and adjusting events regarding conditions that already existed on the acquisition date, and have not yet been completed for some acquisitions because of the closeness in time to the publication of the consolidated financial statements.

Of the intangible assets acquired in these acquisitions, intangible assets with carrying amounts of € 9.5 million have indefinite useful lives. The predominantly non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise as well as expected synergy effects from the integration and was allocated to the News Media (€ 11.9 million) and Classifieds Media (€ 6.7 million) segments.

Since their respective initial consolidations, these companies have contributed to the 2017 consolidated revenues in the amount of € 5.5 million and to the 2017 consolidated net income in the amount of € 1.2 million. If these acquisitions had already been finalized on January 1, 2017, consolidated revenues 2017 would have increased by € 10.1 million and consolidated net income 2017 by € 0.7 million.

In June 2017, Axel Springer Digital Classifieds France entered into a purchase agreement with the French media holding company Spir Communication SA ("Spir") for the purchase of 100 % of the shares of Spir's subsidiary **Concept Multimédia SAS** for a purchase price of € 105 million, taking into consideration purchase price adjustments which are to be determined on the basis of net debt and net cash. The transaction was approved by the French antitrust authorities at the end of January 2018 and completed in early February 2018. In particular, Concept Multimédia, headquartered in Aix-en-Provence and Paris, runs under the core brand of Logic-Immo.com a real estate portal in France as well as additional online portals for mediation of luxury real estate and newly-built properties.

Additional transactions carried out in the reporting period, as well as finalizations of purchase price allocations arising from acquisitions of companies in the prior year, had no material effects individually and collectively on the financial position, liquidity, and financial performance of the Axel Springer Group.

Acquisitions and divestitures in the prior year:

As part of the expansion of our digital activities in the English-speaking countries and the expansion of the innovative paid-content portfolio, we acquired approximately 93 % of the shares in **eMarketer Inc.**, New York, USA at the beginning of July 2016. eMarketer is a leading provider of high-quality analyses, studies and digital market data for companies and institutions. Reciprocal call and put options were agreed upon for the remaining approximately 7 % of the shares, for which the purchase price to be paid will be measured by the future corporate earnings of eMarketer. Insofar non-controlling interests are not accounted for in this respect.

The acquisition costs amounted to € 219.0 million and comprised the purchase price paid in July 2016 in the amount of € 207.0 million, a purchase price adjustment paid in October 2016 in the amount of € 2.0 million as well as a contingent purchase price liability of € 10.0 million recorded at the acquisition date for the agreed option rights. The acquisition-related expenses recorded in other operating expenses of the fiscal year 2016 amounted to € 1.6 million.

Based on the purchase price allocation, the acquisition costs were allocated to the purchased assets and liabilities on the acquisition date as follows:

€ millions	Carrying amount after acquisition
Intangible assets	137.2
Property, plant, and equipment	5.1
Trade receivables	5.6
Other assets	22.3
Deferred tax assets	0.4
Cash and cash equivalents	8.7
Trade payables	–3.3
Provisions and other liabilities	–25.1
Deferred tax liabilities	–57.5
Net assets	**93.5**
Acquisition cost	219.0
Goodwill	**125.5**

Of the intangible assets acquired, intangible assets with carrying amounts of € 79.0 million have indefinite useful lives. The non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise, expected synergy effects from the integration and the strategic advantages resulting from the leading market position of the company, and was allocated to the News Media segment.

The gross amount of the acquired trade receivables was € 5.6 million. No valuation allowances were recorded.

Since initial consolidation as of July 8, 2016, eMarketer contributed to consolidated revenues 2016 in the amount of € 13.8 million and to consolidated net income 2016 in the amount of € –3.5 million. If eMarketer had already been fully consolidated on January 1, 2016, eMarketer would have contributed to consolidated revenues 2016 in the amount of € 33.7 million and to consolidated net income 2016 in the amount of € –3.9 million.

In order to strengthen our market position in Scandinavia, we acquired 75.96 % of the shares of **Land & Leisure A/S**, Copenhagen, Denmark, at the end of July 2016 via the @Leisure Group through a public takeover offer. Land & Leisure A/S offers vacation homes under the brand DanCenter and accommodations in holiday parks in Denmark, Sweden, Norway, and Germany under the brand Danland.

The preliminary acquisition costs amounted to € 47.0 million and included the purchase price paid in 2016. The acquisition-related expenses recorded in other operating expenses of the fiscal year 2016 amounted to € 0.8 million.

Based on the preliminary purchase price allocation, the preliminary acquisition costs were allocated to the purchased assets and liabilities at the acquisition date as follows:

€ millions	**Carrying amount after acquisition**
Intangible assets	43.7
Property, plant, and equipment	4.8
Non-current financial assets	1.1
Trade receivables	7.9
Other assets	1.8
Deferred tax assets	0.1
Cash and cash equivalents	12.8
Trade payables	–13.9
Provisions and other liabilities	–4.1
Deferred tax liabilities	–9.7
Net assets	**44.4**
Share of non-controlling interests in net assets	10.2
Acquisition cost (preliminary)	47.0
Goodwill (preliminary)	**12.8**

The purchase price allocation considers all knowledge and adjusting events about conditions that already existed on the acquisition date, and had not yet been completed, particularly due to the closeness in time to December 31, 2016.

Of the intangible assets acquired, intangible assets with carrying amounts of € 32.8 million have indefinite useful lives. The non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise, expected synergy effects from the integration and the strategic advantages resulting from the leading market position and digital range of the company, and was allocated to the Classifieds Media segment.

In September 2016, we increased our share in Land & Leisure to 93.17 % at a purchase price of € 10.6 million and acquired the remaining approximately 6.8 % of the share capital at a purchase price of € 3.5 million as part of a squeeze-out process in November 2016. Both transactions were treated in the balance sheet as an acquisition of non-controlling interests (€ 10.2 million). The difference in the amount of € 3.9 million was offset in accumulated retained earnings attributable to the shareholders of Axel Springer SE.

The gross amount of the acquired trade receivables was € 8.4 million. Corresponding valuation allowances of € 0.5 million were recorded.

Since initial consolidation as of the end of July 2016, Land & Leisure contributed to consolidated revenues 2016 in the amount of € 15.1 million and to consolidated net income 2016 in the amount of € –0.6 million. If Land & Leisure had already been fully consolidated on January 1, 2016, Land & Leisure would have contributed to consolidated revenues 2016 in the amount of € 41.5 million and to consolidated net income 2016 in the amount of € 3.0 million.

In December 2016, we entered into an option agreement to acquire the remaining 47.5 % shares in the **Awin Group** (previously zanox Group) and treated it as an acquisition of non-controlling interests. The share of the net assets of the Awin Group, which was attributable to non-controlling shareholders, amounted to € 44.5 million of which € 4.9 million resulting from foreign currency translation effects needed to be reclassified into the according accumulated other comprehensive income position. Due to the option agreement, a liability for contingent consideration was recorded in the amount of € 63.1 million. The remaining difference of € 23.5 million was offset within the accumulated retained earnings attributable to the shareholders of Axel Springer SE which decreased accordingly. Overall, the equity was reduced by € 63.1 million.

Further business combinations that occurred in 2016 related in particular to the acquisition of 50.01 % of the shares in Traum-Ferienwohnungen GmbH, Bremen, of 60.4 % of the shares in infoRoad GmbH, Heroldsberg, as well as 100 % of the shares in Good & Co Labs, Inc., San Francisco, USA, and Milkround Online Ltd., London, United Kingdom. These business combinations were carried out in the context of our strategy to become the leading digital publisher, and individually had no material effects on the financial position, liquidity, and financial performance of the Axel Springer Group.

The acquisition costs for the acquisitions – which are partly preliminary – carried out in 2016 – amounted to € 41.2 million and contained besides the purchase prices paid in 2016 also contingent considerations amounting to € 2.6 million. The acquisition-related expenses recorded in other operating expenses of the fiscal year 2016 totaled € 0.2 million.

The contingent considerations resulted from earn-out agreements as well as from option rights for the purchase of the remaining shares, and were recorded at their fair values on the acquisition date. The fair value predominantly depends on earnings performance of the acquired companies in the years prior to possible payment dates or exercise dates of the options.

The cumulative acquisition costs of the business combinations in 2016 were allocated to the purchased assets and liabilities based on the partly preliminary purchase price allocations as of December 31, 2016, as follows:

€ millions	Carrying amount after acquisition
Intangible assets	39.6
Property, plant, and equipment and non-current financial assets	0.3
Trade receivables	0.7
Other assets	1.4
Deferred tax assets	3.3
Cash and cash equivalents	0.9
Trade payables	–0.1
Financial liabilities	–0.2
Provisions and liabilities	–7.2
Deferred tax liabilities	–13.0
Net assets	**25.7**
Share of non-controlling interests in net assets	11.2
Acquisition cost (preliminary)	41.2
Goodwill (preliminary)	**26.7**

The purchase price allocations consider all knowledge and adjusting events regarding conditions that already existed on the acquisition date, and have not yet been completed for some acquisitions because of the closeness in time to the publication of the consolidated financial statements 2016.

Of the intangible assets acquired in these acquisitions, intangible assets with carrying amounts of € 23.7 million have indefinite useful lives. The predominantly non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise as well as expected synergy effects from the integration and was allocated to the Classifieds Media (€ 24.6 million) and News Media (€ 2.1 million) segments.

Since their respective initial consolidations, these companies have contributed to the 2016 consolidated revenues in the amount of € 9.3 million and to the 2016 consolidated net income in the amount of € –3.2 million. If these acquisitions had already been finalized on January 1, 2016, consolidated revenues 2016 would have changed by € 12.5 million and consolidated net income 2016 by € –3.0 million.

At the beginning of January 2016, we jointly established with Ringier the company **Ringier Axel Springer Schweiz AG**, Zurich, Switzerland, in which we hold 50 % of the shares. The company gathers all Swiss-German and West Swiss newspaper titles (including their associated online portals) and the West Swiss broadsheet, Le Temps, belonging to Ringier and the entire business of Axel Springer in Switzerland. Due to rights granted to Ringier under the shareholder agreement, the company has been included in the consolidated financial statements using the equity method since then, see note (7a).

The carrying amounts contributed at the beginning of 2016 and of the assets and liabilities received in return as well as the recognition to profit or loss of foreign currency translation differences previously recognized in other comprehensive income in equity were as follows:

€ millions	Carrying amount
Fair value of investment	140.2
Receivable from disposal of trademarks	40.6
Other contractual claims and obligations	–16.9
Additions net assets	**163.9**
Goodwill	62.3
Intangible assets	88.1
Property, plant, and equipment and non-current financial assets	4.1
Trade receivables	3.0
Other assets	6.2
Deferred tax assets	9.0
Cash and cash equivalents	4.0
Provisions and liabilities	–56.0
Deferred tax liabilities	–10.0
Disposal net assets	**110.7**
Cumulative translation differences	49.0
Result from disposal	**102.2**

The income from disposal recorded in other operating income of 2016 amounted to € 102.2 million, was allocated to the News Media segment and adjusted as a non-recurring effect.

In January 2016, our shares (90.3 %) in the previously fully consolidated **Automotive Exchange Private Limited**, Mumbai, India (CarWale), were sold completely at a disposal price totaling € 81.1 million. The purchase price after deduction of taxes amounted to € 64.0 million. The profit reported in other operating income of 2016 totaled € 83.3 million, was allocated to the Classifieds Media segment and adjusted as a non-recurring effect. The carrying amounts of the assets and liabilities disposed of were as follows:

€ millions	Carrying amount
Goodwill	11.0
Intangible assets	5.1
Property, plant, and equipment	0.7
Trade receivables	1.2
Other assets	2.6
Cash and cash equivalents	0.1
Trade payables	–0.5
Financial liabilities	–15.5
Provisions and liabilities	–4.2
Deferred tax liabilities	–1.6
Disposal net assets	**–1.2**
Share of non-controlling interests in net assets	–1.2
Cumulative translation differences	2.2
Selling price	81.1
Gain on disposal before taxes	**83.3**

Further divestments finalized in 2016 related to disposal of 91.0 % of the shares in Smarthouse Media GmbH, Karlsruhe, 100 % of the shares in Axel Springer Vertriebsservice GmbH, Berlin, as well as the contribution of 100 % of the shares in Poliris S.A.S., Paris, France, into AC3 SAS which was founded together with Gercop. These divestments individually had no material effects on the financial position, liquidity, and financial performance of the Axel Springer Group. The cumulative gain on disposal recorded in other operating income or other operating expenses 2016 with respect to these further divestments amounted to € 17.5 million and was adjusted as a non-recurring effect. The carrying amounts of the assets and liabilities disposed of were as follows:

€ millions	Carrying amount
Goodwill	9.9
Intangible assets	13.8
Property, plant, and equipment	1.1
Trade receivables	12.5
Other assets	1.6
Deferred tax assets	0.6
Cash and cash equivalents	9.6
Trade payables	–1.5
Financial liabilities	–0.2
Provisions and liabilities	–20.1
Deferred tax liabilities	–4.4
Disposal net assets	**23.1**
Share of non-controlling interests in net assets	0.4
Selling price	40.2
Gain on disposal	**17.5**

Additional transactions carried out in 2016, as well as finalizations of purchase price allocations arising from company acquisitions in the reporting year 2015, had no material effects individually or collectively on the financial position, liquidity, and financial performance of the Axel Springer Group.

(d) Discontinued Operations

In 2014, we sold our German regional newspapers, TV program guides and women's magazines. In the reporting year, the resulting subsequent income and expenses were shown separately as discontinued operations in the same way as in the previous year.

For a part of the purchase price, the FUNKE Mediengruppe was granted a multi-year subordinated vendor loan from the Axel Springer SE. The loan was fully repaid in the previous year (see note (29)).

The results of the discontinued operations are as follows:

Mio. €	2017	2016
Gain on disposal of discontinued operations before taxes	1.9	2.8
Taxes on the gain on disposal	–0.6	–0.9
Gain on disposal of discontinued operations after taxes	**1.3**	**1.9**
Income from discontinued operations (after taxes)	**1.3**	**1.9**

As in the previous year, the cash inflows and cash outflows attributed to the discontinued operations were only included in the cash flow from investing activities and amounted to € –2.1 million (PY: € –3.2 million).

(e) Translation of separate financial statements denominated in foreign currency

Assets and liabilities of subsidiaries for which the functional currency is not the euro have been translated at the exchange rate in effect on the reporting date. Goodwill and fair value adjustments of assets and liabilities related to the acquisition of companies outside the European Monetary Union are assigned to the acquired company and accordingly translated at the exchange rate in effect on the reporting date.

Items of the income statement of these subsidiaries have been translated at the weighted average exchange rate for the year. Equity components have been translated at the historical exchange rate at the date of origination. Foreign exchange differences resulting from the translation have been recognized within accumulated other comprehensive income and/or non-controlling interests.

The exchange rates to the euro of foreign currencies that are significant for the Axel Springer Group underwent the following changes in the past year:

1 € in foreign currency	Average price		Exchange rate on balance sheet date	
	2017	2016	12/31/2017	12/31/2016
Polish zloty	4.26	4.36	4.18	4.42
Swiss franc	1.11	1.09	1.17	1.08
US-Dollar	1.13	1.11	1.20	1.06
Hungarian forint	309.29	311.44	310.03	309.82
British pound	0.88	0.82	0.89	0.86

(3) *Explanation of significant accounting and valuation methods*

(a) *Basic Principals*

The accounting and valuation principles applied uniformly across the Axel Springer Group in fiscal year 2017 are basically the same as those applied in the previous year.

For information on the accounting and valuation methods resulting from new or revised IFRS Standards and IFRS IC Interpretations, please refer to note (3q).

(b) *Recognition of income and expenses*

The Axel Springer Group mainly generates advertising and circulation revenues. Revenues are recognized at the time when the significant risks of ownership have passed to the buyer/the services have been rendered, the amount of revenue can be reliably measured, and it is sufficiently probable that the economic benefits will flow to the enterprise. Revenues are stated net of any discounts allowed. Revenues from services rendered over a certain period in an indefinite number of transactions are recognized on a straight-line basis over the contractual term.

Advertising revenues include sales from the online classified offerings, reach-based marketing and performance marketing, as well as from advertising marketing for our digital media and print media.

Circulation revenues encompass the sales of print media to retailers, wholesalers, and subscribers. Revenue is not recognized for that portion of products sold, which can be expected, on the basis of historical experience, to be returned. In addition, circulation revenues include the sale of digital subscriptions.

Where significant risks and rewards of business activities do not lie with the Axel Springer Group or the income is collected in the interest of third parties, only the corresponding commission income or proportion of revenue accruing to the Axel Springer Group are recognized as revenues.

Offers that contain multiple service components ("bundle products") are separated for purposes of revenue recognition when the delivered components have an independent benefit and the market values of goods not yet delivered or services not yet performed can be determined objectively. The total remuneration for these offers is distributed in principle among the individual service components in such a way that the service components still to be provided are allocated part of the remuneration in the amount of their fair value, and then the service components already provided are allocated the remaining remuneration in proportion to their fair values.

Revenues from barter transactions are recognized if the goods or services exchanged are dissimilar and the amount of revenue can be measured reliably. Revenues are measured at the fair value of services received. If the fair value of the service received under barter transactions cannot be measured reliably, the fair value is determined on the basis of the service rendered.

Other income is recognized when the future inflow of economic benefits from the transaction can be measured reliably and was received by the company during the reporting period.

Operating expenses are recognized either when the corresponding goods or services are sold or rendered, or at the time of their origination.

Interest expenses and income are recognized on an accrual basis in the period of their occurrence. Interest expenses incurred in connection with the acquisition and production of qualified assets are capitalized as assets in the financial statements. Dividend income is recognized when the legal entitlement is constituted.

(c) Intangible assets

Internally generated intangible assets are measured as the sum of costs incurred in the development phase from the time when the technical and economic feasibility has been demonstrated until the time when the intangible asset has been completed. The capitalized production costs include all costs that are directly or indirectly allocable to the development phase. Costs for the self-development of websites are capitalized only when the website directly serves the generation of revenues. Purchased intangible assets are measured at cost.

Internally generated and purchased intangible assets that have a determinable useful life are amortized over their expected useful lives using the straight-line method, starting from the time when they become available for use by the enterprise, as follows:

	Useful life in years
Software	3 - 8
Licenses	3 - 10
Supply rights	3 - 6
Internet platform	3 - 8
Customer relationships	3 - 17

Intangible assets with an indefinite useful life, which include goodwill, title rights, and brand rights, are not amortized. At present, the use of these assets by the company is not limited by any economic or legal restrictions.

(d) Property, plant, and equipment

Property, plant, and equipment are measured at cost and depreciated over their expected useful lives using the straight-line method. Any gains or losses on the disposal of property, plant, and equipment are recognized as other operating income or expenses.

Leased assets whose economic benefits are attributable to Axel Springer are recognized and measured at the present value of the minimum future lease payments or the lower fair value of the leased asset and depreciated by the straight-line method over the minimum contract term, taking any existing residual value into consideration. When it is reasonably certain that ownership will pass to Axel Springer at the end of the lease period, such assets are depreciated over their useful lives. The present value of the payment obligations associated with the minimum future lease payments is recognized as a liability.

For depreciation purposes, the following useful lives are generally applied for property, plant, and equipment:

	Useful life in years
Buildings	30 - 50
Leasehold improvements	2 - 15
Printing machines	5 - 20
Editing systems	3 - 7
Other operational and business equipment	2 - 15

Capital investment subsidies and bonuses granted by the government are recognized when it is reasonably certain that the subsidies will be granted and the related terms and conditions will be fulfilled. Bonuses and subsidies granted for the acquisition or construction of property, plant and equipment are recognized in a deferred income item within other liabilities. In subsequent periods, the deferred income item is released and recognized as income over the useful life of the corresponding assets.

(e) Investment property

Investment property intended for lease to third parties is measured at amortized cost. Such property is depreciated over a useful life of 50 years using the straight-line method. For leased assets whose economic benefits are attributable to Axel Springer, see note (3d).

(f) Recognition of impairment losses in intangible assets, in property, plant, and equipment, and in investment property

Impairment losses are recognized in intangible assets, in property, plant, and equipment, and in investment property when as a result of certain events or changed circumstances, the carrying amount of the assets is no longer covered by the recoverable amount, i.e. the higher of the fair value less cost of disposal ("net realizable value"), and the value in use. If it is not possible to determine the recoverable amount of an individual asset, the determination of the recoverable amount is carried out at the cash generating unit level, or in the group of cash generating units (each one a "reporting unit") to which the asset belongs.

Goodwill and intangibles with indefinite useful lives which are acquired in the context of business combinations, are not subject to amortization, and shall be tested at least once annually for impairment. In order to carry out the impairment tests, these assets are assigned to those reporting units that can be expected to profit from the synergies of the business combinations. These reporting units represent the lowest level at which these assets are monitored for management purposes. They generally correspond to individual titles and digital products of the Axel Springer Group. In the case of integrated business models, individual titles and digital products are summed up in a single reporting unit.

If the carrying amount exceeds the recoverable amount, this results in an impairment loss. For reporting units, the goodwill is initially reduced, and an additional impairment loss is allocated pro rata to the carrying amounts of the other assets of the reporting unit.

As a basic principle, the recoverable amount is initially determined based on the value in use. The net realizable value is additionally determined when the value in use is less than the carrying amount. The net realizable value corresponds to the amount reduced by the selling costs, which can be achieved on commercial terms through the sale of an asset or reporting unit. As quoted prices are not observable, as a general rule, the net realizable value is determined as the present value of future cash flows, which are derived from the medium-term planning and from the point of view of an independent third party. Thus, the valuation is based on unobservable input factors (Level 3, see note (3g)).

The determination of the value in use is taking into consideration the further use within the Group and is based on the estimated future cash flows, which are derived from the medium-term planning. Expenses of the Group's central operations are also taken into account. Basically, the planning horizon for the medium-term planning is five years. However, the values in use are primarily determined by the terminal value. The amount of the terminal value depends on the forecasted cash flow in the fifth year of medium-term planning, on the growth rate of the cash flows subsequent to the medium-term planning, and on the discount rate. The cash flows to be received after the five-year period are extrapolated on the assumption of a growth rate, which is derived from the assumed average market or industry growth rate of the reporting unit.

The discount rates for every business unit are determined with reference to the weighted average costs of capital and costs of debt of comparable companies. In this respect, country-specific risk premiums and tax rates are taken into account.

Estimation uncertainties arise in the following assumptions applied in the calculations:

- Medium-term planning: The medium-term planning is determined on the basis of past historical values, and factors in business-segment-specific expectations about future market growth. Here, we assume that cash flows in the electronic media sector will usually exhibit higher growth rates than in the print sector.

- Discount rates: Based on the average weighted capital costs of the sector in question, the discount rates of the reporting units also consider country-specific risks, which reflect the current market estimates.

- Growth rates: The growth rates are determined on the basis of published market research reports for the sectors in question. In estimating the long-term growth rates with regard to the determination of the value in use, due consideration was given to the compensatory effects between the different business lines, based on the adopted strategy of the Group.

Impairment losses are reversed when the recoverable amount exceeds the carrying amount of an asset or a reporting unit, due to changes in the estimates upon which the measurement is based. The reversal is limited to the amount that would have resulted if previous impairment losses had not been recognized. A recognized impairment loss in goodwill is never reversed.

(g) Financial assets and liabilities

Financial assets are mainly composed of cash and cash equivalents, trade receivables, receivables from related parties, loans, investments, securities, and financial derivatives with positive market values. Financial liabilities are mainly composed of trade payables, liabilities due to related parties, liabilities due to banks, promissory notes, contingent consideration, and financial derivatives with negative market values.

The initial recognition and derecognition of financial instruments coincide with the settlement dates of customary market purchases and sales of financial assets.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset have expired or have been transferred to third parties, or when the Group has assumed a contractual obligation to pay the cash flows to a third party, under which the risks and rewards or the power of control were transferred. A financial liability is derecognized when the obligation underlying the liability is settled or annulled, or has expired.

For financial assets and financial liabilities which need to be measured at fair value, we apply the following valuation hierarchy. Hereby, the input factors used in the valuation models are categorized into three levels:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities (e.g. stock market prices).

- Level 2: Input factors other than prices quoted in Level 1, which are observable for the asset or the liability, either directly or indirectly (e.g. interest yield curves, forward rates).

- Level 3: Input factors which are not observable on a market for the asset or the liability (e.g. estimated future results)

When determining the fair value, the application of relevant and observable input factors is given high priority, whereas the application of non-observable input factors is given less priority. The classification of the valuation models into the respective valuation hierarchy levels is monitored at the end of each reporting period.

Investments and securities

Investments that have not been consolidated or accounted for using the equity method in the consolidated financial statements, as well as securities, are measured at fair value if it can be determined reliably on the basis of stock exchange or market prices and generally accepted valuation methods, respectively. Otherwise, they are measured at amortized cost. The valuation methods employed include especially the discounted cash flow method (DCF method) based on the expected investment income. We assume that the fair value of investments and securities is not reliably measurable when either material valuation differences appear in estimating fair values based on projections and scenarios, or when the likelihood of such projections and scenarios cannot be reliably determined. Any unrealized gains or losses resulting from the changes in fair value of the financial assets and liabilities, considering resulting tax effects, are recognized in accumulated other comprehensive income. Changes in fair value are not recognized in profit or loss until the corresponding non-current financial assets are sold or an impairment loss is recognized.

The carrying amounts of investments and securities are reviewed on every reporting date to determine whether there are objective indications of a prolonged impairment. We assume a prolonged impairment when the impairment is significant, i.e. the impairment is at least 20 % of the carrying amount of the investment, or if the impairment already exists for twelve months. If a significant impairment is found to exist, an impairment loss is recognized in profit or loss.

Loans, receivables, and other financial assets

Upon initial recognition, loans, receivables, and other financial assets are measured at fair value plus transaction costs. In subsequent periods, they are measured at amortized cost, after deduction of any write-downs, using the effective interest method. A write-down is taken when objective indications suggest that the receivable may not be fully collectible. Such an indication might be the insolvency or other considerable financial problems of the debtor, for example. The amount of the write-down is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from this receivable, discounted by application of the effective interest rate. Write-downs are charged against income both in the form of an account for allowances on doubtful accounts and by means of direct write-downs. The account for allowances on doubtful accounts is used, in particular, for allowances on doubtful trade receivables and receivables due from related parties. If in subsequent periods the fair value has objectively risen, the write-downs are reversed and recognized in income in the appropriate amounts.

Financial derivatives

Financial derivatives are utilized to hedge against currency and interest rate risks that have an influence on future cash flows. These are stated at their current market value. The valuation is based on observable parameters, using recognized valuation methods, and is particularly influenced by the development of forward rates or yield curves. If the conditions for the application of hedge accounting are met, changes in the fair values, including the tax effects, are recognized directly in equity as accumulated other comprehensive income. The amounts recognized in accumulated other comprehensive income are recycled when the underlying transaction is recognized on the balance sheet or income statement. The changes in the fair value of derivatives that do not meet the conditions for the application of hedge accounting, despite their economic hedging effect, are measured at fair value through profit and loss. Furthermore, financial derivatives are used to cover the risk of impairments of investments and securities. When the underlying financial assets are recognized at amortized costs because their fair values are not reliably measurable, the financial derivative is recognized at amortized costs as well.

Contingent consideration

Contingent consideration arising from options written over non-controlling interests and earn-out agreements in connection with business combinations and the acquisition of non-controlling interests are recognized at fair value. To the extent it can be reliably measured, this value is derived from the estimated profit trends of the acquired companies in the years prior to the possible exercise dates of the options or the payment dates of the earn-outs. In the subsequent periods, changes in the fair value are recognized immediately in income. The discount rates are determined on the basis of the Group's cost of debt. The earnings used as a basis for measurement are generally EBITDA figures adjusted for material non-recurring effects.

Other financial liabilities

Upon initial recognition, other non-derivative financial liabilities are measured at fair value less transaction costs. In subsequent periods, they are principally measured at amortized cost using the effective interest method. Liabilities arising from put options written over non-controlling interests, which are not recognized as contingent consideration, are measured at the present value of the redemption amount through profit or loss.

(h) Inventories
Inventories are measured at cost. Purchase costs are determined on the basis of a weighted average value. Production costs include all costs directly related to the units of production and production-related overhead costs. Inventories are measured at the reporting date at the lower of the purchase or production cost and the net realizable value. The net realizable value is the estimated selling price less estimated costs to be incurred until the sale. The net realizable value of goods and services in progress is calculated as the net realizable value of finished goods and services less remaining costs of completion. Impairments are reversed whenever the reasons justifying an earlier write-down no longer exist.

(i) Assets held for sale and discontinued operations
Assets are classified as held for sale when their disposal has been initiated, the sale of such is highly probable and the asset or disposal group is available for immediate sale in its present condition. The non-current assets held for sale are measured at the lower of the carrying amount or the fair value less costs to sell. Depreciation is no longer applied to these assets. Liabilities that are held in connection with assets held for sale are disclosed likewise separately in the balance sheet as a current item.

Discontinued operations represent a material geographical or operational line of business of the Group that is available for sale.

The results from continued operations in the fiscal year and the prior year are shown in the income statement. The results from discontinued operations are shown separately. Cash inflows and cash outflows from discontinued operations are shown separately in the notes to the consolidated financial statements. The information in the notes relates to the continued operations of the Group.

(j) Pension provisions
Pension obligations under defined benefit plans are determined using the projected unit credit method under which future changes in compensation and benefits are taken into account. In order to calculate the pension provisions, the present value of the obligations is netted against the fair value of the plan assets.

The expected life spans of the participants are determined with reference to the country-specific recognized actuarial tables. The present value of the defined benefit commitments is determined by discounting the estimated future cash outflows. The discount rate applied for this purpose is determined with reference to high-quality AA-rated corporate bonds that match the underlying pension obligations with respect to currency and maturity. If corporate bonds with matching terms do not exist, then the yields of these bonds at the balance sheet date are adjusted along the yield curve for fixed-interest government bonds using a constant spread over the term of the underlying pension obligations.

The return underlying the measurement of the plan assets is identical to the discount rate for defined benefit commitments.

Actuarial gains and losses resulting from changes in actuarial parameters are offset against accumulated other comprehensive income without affecting net income.

(k) Other provisions and accrued liabilities
Other provisions have been formed to account for all discernible legal and constructive obligations to third parties, provided that the settlement of the obligation is probable and the amount of the obligation can be reliably estimated. The amount of each provision corresponds to the expected settlement amount. In the case of long-term provisions, the expected settlement amount is discounted to the present value at the reporting date by application of appropriate market rates of interest. Provisions are recognized for restructuring expenses only when the intended measures have been sufficiently concretized and announced on or before the reporting date.

(l) Deferred taxes
Deferred taxes are recognized to account for the future tax effects of temporary differences between the tax bases of assets and liabilities and the carrying amounts of those assets and liabilities in the consolidated financial statements, and for interest and tax loss carry-forwards. Deferred taxes are measured on the basis of the tax laws already enacted for those fiscal years in which it is probable that the differences will reverse or the tax loss carry-

forwards can be utilized. Deferred tax assets are recognized for temporary differences or interest and tax loss carry-forwards only when the ability to utilize them in the near future appears to be reasonably certain. Deferred taxes are recognized for temporary differences resulting from the fair value measurement of assets and liabilities obtained through business combinations. Deferred taxes are recognized for temporary differences relating to goodwill only when the goodwill can be utilized for tax purposes. Deferred tax assets and liabilities of tax groups are netted if they are based on the same kind of income taxes; otherwise, they are netted only if the deferred taxes are based on the income taxes imposed by the same tax authority and only when current taxes can be netted as well.

(m) Treasury shares

Treasury shares are measured at cost and are charged directly to equity.

(n) Share-based payment programs

As part of performance-based remuneration programs, Axel Springer Group grants equity-settled and cash-settled share-based payment programs. The compensation components to be recognized as expenses over the vesting period are measured as the fair value of the options granted at the time when they were granted (in case of equity-settled programs) or at the reporting date (in case of cash-settled programs). The fair values are determined on the basis of generally accepted option pricing models. The corresponding amount is recognized in the additional paid-in capital (in the case of equity-settled programs) or as provisions/liabilities (in the case of cash-settled programs). Additions to liabilities or provisions are recognized in personnel expenses; reversals are accounted for in other operating income

(o) Transactions in foreign currencies

Purchases and sales in foreign currencies are translated at the exchange rate on the date of the transaction. Assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate on the reporting date. Any foreign exchange gains or losses resulting from such translations are recognized in income.

(p) Estimates and assumptions

The preparation of financial statements requires estimates and assumptions, as well as the exercise of discretionary powers, which can have an impact on the amount and disclosure of assets and liabilities, income and expenses and contingent liabilities. Estimates and assumptions are regularly reviewed and adjusted if necessary. Nevertheless, they may differ from the actual values. Estimates and assumptions which are affected by uncertainty are associated in particular with impairment testing of goodwill and intangible assets with indefinite useful lives (see note (3f)), for allocating purchase prices (see note 2c)) and assessing contingent purchase price liabilities (see note (3g)), setting actuarial parameters in the context of the valuation of pension obligations (see note (3j)), determining the amount of deferred tax assets to be capitalized (see note (3l)), determining fair values of financial assets (see note (3g)), accounting for other provisions (see note (3k)), assessing share-based compensation programs (see note (3n)), and the determination of the useful lives of intangible assets (see note (3c)) and property, plant and equipment (see note (3d)). Information concerning the carrying amounts, which are based on estimates and assumptions, can be found in the comments on the specific line items.

(q) New accounting standards

In the fiscal year 2017, IFRS Standards or IFRIC Interpretations to be applied for the first time caused no material changes for Axel Springer. The following IFRSs have already been published, but have not yet been applied:

With the publication of the final version of IFRS 9 “Financial Instruments” in July 2014, the IASB completed its project for replacing IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 provides a standardized approach for classification and measurement of financial assets and liabilities which is primarily based on the company's business model and the cash flows of the financial instrument. Furthermore, IFRS 9 contains a new impairment model which also demands the recording of expected losses in addition to incurred losses. Finally, IFRS 9 also contains new guidelines for the use of hedge accounting, targeted in particular at better illustration of the risk management activities of a company and the monitoring of non-financial risks. Axel Springer has to apply IFRS 9 beginning with January 1, 2018. At the date of the initial application, we will record the cumulative effects of applying the new standard in equity. Our analyses have shown that the classification and valuation of financial assets as well as the accounting for financial liabilities will only change to an insignificant extent. In the future, we will generally recognize investments that are not consolidated or not included in the consolidated financial statements using the equity method at fair value through profit or loss. On December 31, 2017 fair value adjustments recorded in accumulated other comprehensive income for investments classified as available-for-sale will be reclassified into accumulated retained earnings. For all trade receivables, contract assets in accordance with IFRS 15, as well as receivables from leasing contracts in accordance with IFRS 16, we will apply the simplified procedure for the determination of risk provision for expected credit losses. Therefore we do not expect any significant change in risk provisions compared to the present accounting. The hedge accounting is in principle simplified by the new regulations. However, due to the low level of relevant hedging instruments we expect no significant adaptation effects. Overall, there will not be any significant changes in the presentation and recognition of financial assets and liabilities through the application of IFRS 9.

In May 2014, the IASB published the new standard for revenue recognition, IFRS 15 “Revenue from Contracts with Customers”, which will completely replace the existing regulations for the recognition of revenue, including related interpretations, in accordance with IAS 18 “Revenue” and IAS 11 “Construction Contracts”. Consequently, revenues will be recognized in the future, when the customer obtains control over the agreed goods and services and can derive benefits from these. Revenues are recognized in the amount of the consideration that the company will presumably receive. The new standard provides a five-step process, in which the volume of sales and the time or the period of revenue recognition can be determined. The model is as follows: Identification of the customer contract, identification of the individual performance obligations, determination of the transaction price, allocation of the transaction price to the separate contractual obligations, and the realization of revenue when individual contractual obligations are fulfilled. Furthermore, the new standard requires future qualitative and quantitative disclosures which go far beyond the current regulations. Axel Springer has to apply IFRS 15 beginning with January 1, 2018. We will apply the standard retrospectively, and will also report the comparative period by applying the new standard in the reporting year 2018. At Axel Springer, IFRS 15 will have an impact in particular on contracts that can give rise to a new classification, whether a principal or agent activity exists. Thus, for each separate performance obligation it is to be examined whether these are controlled prior to transfer to the customer. As supportive indicators, only the primary responsibility for provision of the service, the inventory risk as well as the pricing competency are to be taken into account in the assessment. Any potentially existing default risk should be disregarded. Taking into account the newly introduced control principle as well as the modified indicators, the contractual relationships of our business model in the area of Performance Marketing are to be accounted for as agent relationships from 2018 onwards. As a result of this change, both the revenues of the Performance Marketing subsegment and the material expenses will decrease. With respect to the fiscal year 2017, application of the new regulations would result in a reduction in the revenues and the material expenses of approximately € 500 million. This would correspond to a decline in sales in the Performance Marketing subsegment of around 75 %. Our Group performance figures adjusted EBITDA and adjusted EBIT, as well the balance sheet disclosure are not affected. The adjusted EBITDA margin of the Group as well as of the Marketing Media segment will increase accordingly. In addition, due to IFRS 15, an adjustment in the bundle offerings would result. In some cases, these contracts lead to an earlier recognition of revenues, since instead of the residual value method (see note (3b)), a price reduction in the bundle offer will also be applied to the goods to be delivered or services to be rendered in proportion to their fair values. The effects of these adjustments are, however, of minor importance.

In the reporting period, we also have also conducted a group-wide survey of the likely impact of the new lease accounting standard (IFRS 16). In January 2016, IASB published IFRS 16, “Leases”. IFRS 16 replaces IAS 17 “Leases” and the associated interpretations.

According to the new regulation, lessees are required to account for all leases in the form of a right-of-use asset, and a corresponding leasing liability. A leasing relationship exists if the fulfillment of the contract depends on the use of an identifiable asset, and the customer simultaneously obtains control of this asset. The presentation in the income statement is essentially a financing transaction, so that the right-of-use asset usually is depreciated in a linear manner, and the leasing liability is updated in accordance with the effective interest method. Leases with a total duration of a maximum of twelve months, and leases of so-called low-value assets (new value of up to USD 5,000) are excluded from this principle. In such cases, the lessee has the option of selecting an accounting method which is similar to that of the previous operating lease. IFRS16 is to be applied at the latest to fiscal years starting on or after January 1, 2019. Axel Springer will avail of the possibility of early application of the standard and apply IFRS 16 beginning with January 1, 2018. On January 1, 2018, we will record the cumulative effects of the initial application of the new standard in equity. At Axel Springer, the new regulations will affect in particular the accounting and valuation of rental and lease contracts, which are currently classified as operating leases. These mainly comprise office spaces, leased vehicles and other leased operating and office equipment, which will lead to the recognition of right-of-use assets and corresponding leasing liabilities in the future. We will make use of the duration-specific and value-specific simplification rules described above. On the basis of existing leasing relationships at the reporting date, we expect an increase in the adjusted Group EBITDA by approximately € 45-50 million in 2018 due to the changed accounting for lease expenses; we do not expect a significant effect on the adjusted Group's EBIT. The increase in adjusted Group EBITDA 2018 is expected to be distributed as follows across the operating segments: News Media (approximately 45 %), Classifieds Media (approximately 35 %), Marketing Media (approximately 20 %). Taking into account the interest expenses to be recorded in the financial result from the compounding of the leasing liabilities, a negative effect on the net income for 2018 in the low single-digit million Euro range results. Due to the reporting of the leasing liabilities in the fiscal year 2018, net debt is expected to increase by approximately € 200 million to € 220 million. At the same time, due to the future disclosure of the lease payments in the cash flow from financing activities, the free cash flow 2018 will increase by around € 40 million to € 45 million.

Furthermore, IASB and IFRS IC have published additional pronouncements that have had, or will have, no material influence on our consolidated financial statements.

Notes to the consolidated statement of financial position

(4) Intangible assets

The changes in intangible assets were as follows:

€ millions	Purchased rights and licenses	Internally generated rights	Goodwill	Total
Acquisition or production cost				
Balance as of January 1, 2016	2,012.1	208.7	2,277.9	4,498.7
Initial consolidation	210.6	9.9	168.8	389.2
Deconsolidation	–23.7	–4.5	–8.9	–37.2
Currency effects	–12.4	–8.7	–13.2	–34.3
Additions	35.2	64.9	0.0	100.1
Disposals	–9.8	–2.3	0.0	–12.0
Transfers	–20.9	20.9	0.0	0.0
Balance as of December 31, 2016	**2,191.1**	**288.9**	**2,424.6**	**4,904.6**
Initial consolidation	71.2	5.4	124.6	201.2
Deconsolidation	–8.3	0.0	–1.7	–10.0
Currency effects	–37.4	–3.2	–53.1	–93.6
Additions	33.8	79.6	0.0	113.4
Disposals	–50.4	–1.4	0.0	–51.8
Transfers	–160.2	0.0	–184.4	–344.7
Balance as of December 31, 2017	**2,039.9**	**369.2**	**2,310.0**	**4,719.1**
Depreciation, amortization, and impairments				
Balance as of January 1, 2016	469.2	103.4	29.1	601.7
Deconsolidation	–12.1	–1.9	0.0	–14.0
Currency effects	–5.9	–5.3	1.0	–10.2
Additions	127.7	48.7	0.0	176.4
Disposals	–9.5	–2.1	0.0	–11.6
Transfers	–4.1	4.1	0.0	0.0
Balance as of December 31, 2016	**565.3**	**146.8**	**30.1**	**742.2**
Deconsolidation	–7.4	0.0	0.0	–7.4
Currency effects	–1.1	–1.5	0.2	–2.5
Additions	110.4	69.9	2.0	182.3
Thereof amortization	*108.8*	*67.1*	*0.0*	*175.8*
Thereof impairment losses	*1.6*	*2.8*	*2.0*	*6.5*
Disposals	–49.7	–1.3	0.0	–51.0
Transfers	–51.6	4.6	–2.0	–49.0
Balance as of December 31, 2017	**566.0**	**218.4**	**30.3**	**814.7**
Carrying amounts				
Balance as of December 31, 2017	1,473.9	150.9	2,279.7	3,904.4
Balance as of December 31, 2016	1,625.8	142.0	2,394.4	4,162.3

The purchased rights and licenses mainly comprised title rights, trademarks, and customer relationships. The internally generated intangible assets mainly consisted of software solutions and websites.

The reclassifications in the prior year consisted almost exclusively of the reclassification into assets held for sale (see note (10)).

In the following tables, we disclose the allocation of goodwills and the purchased rights and licenses within the intangible assets with indefinite useful lives for reporting units, as well as the discount rates and growth rates used for impairment testing:

	€ millions					
2017	**Goodwill**	**Other intangible assets with indefinite useful life**	**Total**	**Discount rate (before tax)**	**Discount rate (after tax)**	**Growth rate**
SeLoger	463.4	127.4	590.8	9.2%	7.0%	2.5%
StepStone	235.7	142.2	377.9	8.6%	6.9%	2.5%
Ringier Axel Springer Media	192.5	172.6	365.1	8.6%	7.6%	2.5%
Business Insider	209.0	146.2	355.2	10.4%	7.9%	2.5%
Awin	247.4	31.2	278.6	10.8%	8.4%	2.5%
Immowelt	142.1	56.1	198.1	7.9%	6.3%	2.5%
Yad2	134.8	55.1	189.9	10.2%	8.4%	2.5%
eMarketer	115.9	73.2	189.1	11.1%	7.9%	2.5%
@Leisure	69.8	102.7	172.5	9.0%	7.4%	2.5%
Others	469.1	122.4	591.5	7.6% –10.9%	5.5% –8.1%	1.5% –2.5%
Total	**2,279.7**	**1,029.0**	**3,308.7**			
thereof Classifieds Media	1,275.9	585.2	1,861.0			
thereof News Media	607.1	397.2	1,004.3			
thereof Marketing Media	396.3	46.5	442.8			

2016	€ millions Goodwill	Other intangible assets with indefinite useful life	Total	Discount rate (before tax)	Discount rate (after tax)	Growth rate
SeLoger	463.4	127.4	590.8	10.0%	7.6%	2.5%
Business Insider	237.1	165.8	402.9	9.4%	7.3%	2.5%
Ringier Axel Springer Media	192.4	206.2	398.6	8.2%	7.2%	2.5%
StepStone	235.8	141.1	377.0	9.5%	7.7%	2.5%
AuFeminin	166.2	55.5	221.6	11.4%	8.6%	2.5%
eMarketer	131.7	82.9	214.6	10.1%	7.3%	2.5%
Immowelt	142.1	56.1	198.1	8.6%	6.8%	2.5%
Yad2	138.2	56.6	194.8	10.1%	8.3%	2.5%
Awin	148.9	0.0	148.9	10.6%	8.4%	2.5%
Others	538.6	231.2	769.8	6.4% –10.8%	5.0% –8.6%	1.5% –2.5%
Total	**2,394.4**	**1,122.8**	**3,517.2**			
thereof Classifieds Media	1,278.8	589.8	1,868.5			
thereof News Media	647.9	459.2	1,107.1			
thereof Marketing Media	467.2	73.8	540.9			

The changes in goodwill of the major reporting units were as follows:

€ millions	01/01/2016	Initial consolid ation	Deconsolid ation	Currency effects	12/31/2016	Initial conso-lidation	Deconsolid ation	Currency effects	Transfers	12/31/2017
SeLoger	471.5	0.0	–8.0	0.0	463.4	0.0	0.0	0.0	0.0	463.4
Awin	157.0	0.0	0.0	–8.1	148.9	103.1	0.0	–4.6	0.0	247.4
StepStone	242.3	12.1	0.0	–18.6	235.8	6.0	0.0	–6.1	0.0	235.7
Business Insider	230.4	0.0	0.0	6.7	237.1	0.0	0.0	–28.2	0.0	209.0
Ringier Axel Springer Media	198.3	–0.1	0.0	–5.7	192.4	11.7	0.0	9.8	–19.4	192.5
Immowelt	142.1	0.0	0.0	0.0	142.1	0.0	0.0	0.0	0.0	142.1
Yad2	132.0	0.0	0.0	6.2	138.2	0.0	0.0	–3.5	0.0	134.8
eMarketer	0.0	125.5	0.0	6.3	131.7	0.0	0.0	–15.7	0.0	115.9
@Leisure	40.5	28.9	0.0	–0.1	69.4	0.4	0.0	0.0	0.0	69.8
AuFeminin	166.4	0.1	0.0	–0.3	166.2	0.0	0.0	–3.1	–163.1	0.0
Total	1,780.5	166.5	–8.0	–13.7	1,925.2	121.3	0.0	–51.5	–182.5	1,810.6

In addition to the discount rates and growth rates stated above, the impairment tests depend upon the medium-term planning of the reporting units.

The medium-term planning of **SeLoger** is based on an increased market penetration through the development of innovative marketing offers. The high brand awareness of the core brand SeLoger will be maintained and further increased by continuous investments in marketing. User-friendly and innovate products will differentiate SeLoger from competitors. The online real estate classifieds market in France is assumed to grow moderately during the planning period.

In the medium-term planning of the **StepStone Group**, we assume that the anticipated development of the economy in continental Europe will still have a positive impact on the labor market. The assumptions made include increasing revenues in our European and South African core markets as well as in our Latin American markets. The respective market position is to be expanded and strengthened in particular through the further development of the product portfolio and further improvement of the system infrastructure, as well as by intensified marketing measures (online and offline) to further strengthen the Candidate Delivery (StepStone's capacity to deliver relevant candidates to its customers). In addition, Step-Stone is strengthening the sales organization in the UK in order to realize synergies between the individual job portals. We expect the returns of the StepStone Group to remain at a high level.

In the medium-term planning of **Ringier Axel Springer Media**, we assume that our digital content offerings will increasingly and sustainably participate in the structural shift from print to digital channels and that our digital business models will gain in importance in the areas of paid-content models and classified ad models in the long-term. However, the revenue streams in sales and in the print advertising market will come under increasing pressure in the coming years. It will be possible to at least partly compensate for the declining circulation figures by price increases. With a strict cost management in the print business it shall be possible to largely maintain profitability.

The medium-term planning of **Business Insider** is based on the assumption that sales will grow significantly. Advertising revenues as the main revenue source benefit from increasing user numbers. One relevant source of growth however is planned to be realized through circulation revenues from both B2B and B2C subscription offers. In order to reasonably consider in the cash flow projections the period of developing the company to stable conditions, we have used a detailed planning period of eight years, thereby exceeding the period normally applied.

The medium-term planning of **Awin Group** (previously Zanox Group) is based on the merger of the two businesses, Awin and affilinet, to develop a combined affiliate network. The merger will strengthen their competitive position and lay the foundations for accelerated growth in the core markets of Germany, western Europe and the USA, inter alia through the integration of platforms, the development of new and innovative business products (e.g. in the area of influencer marketing), and the realization of cost synergies.

The medium-term planning of the **Immowelt Group** is based on the assumption of continued positive market conditions related to economic growth, employment rates and interest rate developments. As result for the German real estate market, the Immowelt Group assumes stable development in case of continuing intense competition. Furthermore, the planning includes price increases and the possibility of up-selling activities in case of a largely stable customer base. In future years, investments in brand awareness are planned and various new product developments for differentiation on the market will be realized. The returns are expected to remain at a high level.

The medium-term planning of **Yad2** is based on the assumption of a moderate economic growth of Israel. Yad2 benefits from a high brand awareness in the classifieds market that translates into an excellent market position. Thus, in addition to continuous product innovations Yad2 assumes further growth of classifieds revenues in all of their three core verticals jobs, real estate and cars. At the same time advertising banner revenues are expected to decline.

The medium-term planning of **eMarketer** is based on the assumption, that the average revenue per customer can be increased through additional customers and the sale of new products. In addition, it is assumed to increase the number of customers continuously through an improved customer retention. Additional growth also stems from content expansions to attract new industry segments that are affected by digitalization.

In the medium-term planning of **@Leisure Group**, on one hand, the growth of Traum-Ferienwohnungen in the self-service segment as a result of new products and tariffs in the listing business, as well as the new range of intelligent software solutions for booking administration and sales channel control for private landlords contribute to this. On the other hand, DanCenter Group, through organic growth, as well as the further expansion of capacities of the Belvilla Group in high-demand target regions made a significant impact to the growth of the full-service segment. The Group is also planning to differentiate itself more strongly from the competition through further investments in the full-service segment and to accelerate its growth through specific cooperation with big global booking platforms and to expand its market position in the travel segment.

As in the previous year the recoverable amount was determined as the value in use for all reporting units.

In the course of a sensitivity analysis, we have assumed separately for each of our large reporting units a 10 % decrease of future cash flows in the last planning year, a 10 % increase of the weighted average costs of capital or a decrease of the terminal growth rate by half a percentage point. On this basis, no reporting unit showed that its carrying amount of the assets exceeded its recoverable amount.

Goodwill allocated to the other reporting units of the Group and intangible assets with indefinite useful lives of € 591.5 million (PY: € 769.8 million) amounted to less than 5 % (PY: 5 %) of the total value. In the course of a sensitivity analysis, we have assumed separately for each of our other reporting units a 10 % decrease of future cash flows in the last planning year, a 10 % increase of the weighted average costs of capital or a decrease of the terminal growth rate by half a percentage point. As in the previous year, no impairment was indicated for any of the other reporting units.

(5) Property, plant and equipment

The changes in property, plant, and equipment were as follows:

€ millions	Land and buildings	Technical equipment and machinery	Other equipment, operational and office equipment	Construction in progress	Total
Acquisition or production cost					
Balance as of January 1, 2016	416.2	535.2	222.3	22.7	1,196.4
Initial consolidation	3.9	0.0	6.3	0.0	10.3
Deconsolidation	0.0	0.0	–4.6	0.0	–4.6
Currency effects	–0.5	2.3	–3.2	0.0	–1.4
Additions	1.1	4.2	22.5	31.2	59.1
Disposals	–0.1	0.0	–1.2	0.0	–1.3
Transfers	3.2	1.1	1.4	–2.5	3.1
Balance as of December 31, 2016	**423.8**	**542.9**	**243.5**	**51.3**	**1,261.5**
Initial consolidation	0.0	0.0	0.8	0.0	0.8
Deconsolidation	0.0	0.0	–0.2	0.0	–0.2
Currency effects	0.9	0.3	–0.3	0.1	1.0
Additions	2.1	3.7	36.7	50.5	93.0
Disposals	–138.4	–2.3	–11.5	–0.4	–152.5
Transfers	3.1	1.7	–4.0	–7.6	–6.8
Balance as of December 31, 2017	**291.6**	**546.3**	**265.0**	**93.9**	**1,196.8**
Depreciation, amortization, and impairments					
Balance as of January 1, 2016	140.3	393.1	155.6	0.0	689.0
Deconsolidation	0.0	0.0	–3.5	0.0	–3.5
Currency effects	0.2	2.8	–2.2	0.0	0.7
Additions	8.8	21.6	25.0	0.0	55.4
Transfers	0.5	0.0	0.0	0.0	0.5
Balance as of December 31, 2016	**149.8**	**417.5**	**174.9**	**0.0**	**742.2**
Deconsolidation	0.0	0.0	–0.1	0.0	–0.1
Currency effects	0.2	0.1	0.0	0.0	0.4
Additions	7.1	21.7	24.8	0.0	53.5
Thereof depreciation	7.1	20.7	24.8	0.0	52.5
Thereof impairment losses	0.0	1.0	0.0	0.0	1.0
Disposals	–34.3	–1.8	–9.8	0.0	–45.9
Transfers	–0.5	0.0	–4.4	0.0	–4.8
Balance as of December 31, 2017	**122.3**	**437.5**	**185.4**	**0.0**	**745.1**
Carrying amounts					
Balance as of December 31, 2017	169.3	108.8	79.7	93.9	451.7
Balance as of December 31, 2016	274.0	125.4	68.6	51.3	519.2

As of December 31, 2017, property, plant and equipment with acquisition or production cost of € 299.3 million (PY: € 298.5 million) were in use, that had already been fully depreciated.

At the balance sheet date, property, plant, and equipment amounting to € 37.9 million (PY: € 35.7 million) had been pledged as security for own liabilities.

As of December 31, 2017, the carrying amount of property, plant, and equipment as part of finance leases was € 0.2 million (PY: € 0.8 million).

At the End of 2017, the sale of the Axel-Springer-Passage in Berlin, which was contracted in July 2017, was completed with payment of the purchase price of € 330 million (before tax payments of approximately € 80 million) and the handover of the building. The carrying value amounted to € 134.6 million and related with € 104.8 million to property, plant and equipment and with € 29.8 million to investment property (see note (6)). The tax expense, taking into account the reversal of deferred tax liabilities from previous years, amounted to € 55.7 million. Axel Springer will use the main part of the Axel-Springer-Passage as a tenant from January 1, 2018 till the end of 2020.

Additions during the reporting year in construction in progress amounted to € 48.3 million (PY: € 26.3 million) and relates to the new Axel Springer building in Berlin (for additional information to the construction project see note (39)).

In July 2017, a contract was signed for the sale of the new Axel Springer building under construction. The purchase price amounts to € 425 million (before tax payments of approximately € 30 million). The sale is subject to the completion of the construction and expected to be completed by the end of 2019. Axel Springer will rent the new building starting in 2020 on a long-term basis.

(6) Investment property

The investment property developed as follows:

€ millions	**Investment property**
Acquisition or production cost	
Balance as of January 1, 2016	**39.4**
Transfers	–3.1
Balance as of December 31, 2016	**36.3**
Transfers	0.5
Disposals	–36.8
Balance as of December 31, 2017	**0.0**
Depreciation, amortization, and impairments	
Balance as of January 1, 2016	**6.2**
Additions	0.8
Transfers	–0.5
Balance as of December 31, 2016	**6.5**
Additions	0.3
Transfers	0.1
Disposals	–6.9
Balance as of December 31, 2017	**0.0**
Carrying amounts	
As of December 31, 2017	0.0
As of December 31, 2016	29.8

The investment property exclusively concerned office and retail space leased to third parties in the Axel-Springer-Passage in Berlin. As a result of the sale of the Axel-Springer-Passage at the end of December 2017, the carrying amount has been derecognized (see note (5)).

Due to lower own use of office space in the reporting year reclassifications with carrying amounts of € 0.4 million from property, plant and equipment to investment property took place. In the previous year, due to increased use of office space, reclassifications with carrying amounts totaling € 2.6 million from investment property to property, plant and equipment took place.

In the reporting year, rental revenues of € 2.4 million (PY: € 2.4 million) were generated, with corresponding directly attributable operating expenses of € 0.4 million (PY: € 0.4 million).

The fair value of the investment property on the previous year's reporting date amounted to € 40.2 million. The valuation carried out by ourselves took place on the basis of forecasted net cash flows using the DCF method. The calculation was based on a discount rate of 5.4 % and a terminal growth rate of rate of 4.4 %.

On the previous year's reporting date the future minimum lease payments from investment property broke down as follows:

€ millions	2016
Due in up to one year	1.8
Due in one to five years	4.7
Due in more than five years	1.0
Total	**7.5**

(7) *Non-current financial assets*

(a) *Investments recognized using the equity method*

At the beginning of January 2016, we completed - together with Ringier - the establishment of Ringier Axel Springer Schweiz AG, Zurich, Switzerland (see note (2c)), in which we legally hold a 50 % stake. The company gathers all Swiss-German and West Swiss newspaper titles (including their associated online portals) and the West Swiss broadsheet, Le Temps, belonging to Ringier and the entire business of Axel Springer in Switzerland.

Due to rights granted to Ringier under the shareholder agreement, we account for our investment in this associated company using the equity method. The share of the total comprehensive income attributable to us diverges from the legal share due to special contractual arrangements with regard to profit participation. The same applies in the event of the disposal of the investment, for which our share is 35 %.

Summarized financial information (pursuant to IFRS) regarding the investment (including PPA effects and the goodwill (on a 100 % basis)) are shown below:

€ millions	2017	2016
Revenues	**206.8**	**255.2**
Income after taxes	12.7	8.1
Other income/loss	7.3	−2.5
Comprehensive income	**19.9**	**5.6**

€ millions	12/31/2017	12/31/2016
Current assets	**61.0**	**86.1**
Non-current assets	419.0	525.8
Current liabilities	−108.4	−106.9
Non-current liabilities	−86.3	−98.5
Net assets	**285.3**	**406.6**

Of the total comprehensive income, an amount of € 9.0 million (PY: € 3.5 million) is attributable to our share. Taking into account an impairment loss in the amount of € 38.7 million during the reporting year, as of December 31, 2017, thus we disclose a carrying amount of € 103.0 million (PY: € 143.7 million) for our investment. The change in the carrying amount of the investment also resulted from currency translation effects recognized in accumulated other comprehensive income.

The impairment loss recorded in the News Media segment is due to the development of the advertising market and the digitization potential of the segment in Switzerland and the resulting earnings expectations for future years. The recoverable amount of € 103.0 million bases on the fair value less cost to sell. The calculation based on non-observable impact factors (Level 3) using a discounted cash flow method by discounting future expected dividend payments. The used discount rate after taxes amounted to 7.07 % (PY: 5.90 %).

Summarized financial information regarding all companies which are accounted for using the equity method and are not individually material are shown below:

€ millions	2017	2016
Carrying amount	64.5	77.2
Share attributable to Axel Springer SE:		
Income from continued operations	1.1	–7.9
Other income/loss	0.0	0.0
Comprehensive income	1.1	–7.9

In the previous year proportionate net income to be recognized in income from investments was not recorded in the amount of €–0.5 million, since the respective net investment had been impaired in the previous year.

(b) Other non-current financial assets

The other non-current financial assets particularly included an amount of € 155.3 million (PY: € 146.3 million) relating to options secured by bank guarantees for the sale of our shares in Doğan TV ("put options"). The valuation of the put options at the balance sheet date is based on the discounted payment claim deriving from the agreed option rights, minus all costs to be incurred. The discount rates were determined according to the duration of the put options and the default risk, taking into account the granted bank guarantees.

Also included are the shares in Group Nine Media Inc. of € 68.5 million (PY: € 72.3 million) which we received in connection with the disposal of our shares in Thrillist Media Group Inc. and NowThis Media Inc. in the previous year.

In addition, other non-current financial assets mainly included other investments and other loans.

(8) Trade receivables

The trade receivables broke down as follows:

€ millions	12/31/2017	12/31/2016
Trade receivables, nominal	715.5	640.0
Allowances for doubtful trade receivables	–21.6	–25.4
Trade receivables	**693.9**	**614.6**

The changes in the allowances for doubtful trade receivables are presented below:

€ millions	2017	2016
Balance as of January 1	25.4	26.8
Additions	6.7	4.8
Reversals	–0.8	–2.5
Utilization	–4.0	–2.0
Disposal due to deconsolidation	0.0	–1.6
Other changes	–5.7	–0.1
Balance as of December 31	**21.6**	**25.4**

Other changes mainly relate to reclassifications into assets held for sale (see note (10)).

As of December 31, 2017, receivables in the amount of € 569.6 million (PY: € 424.1 million) were neither past due nor subject to valuation allowances. With regard to these receivables, there were no indications at the reporting date that would suggest that the customers would not fulfill their payment obligations.

The past-due trade receivables at the reporting date for which no valuation allowances have been charged are presented in the table below:

€ millions	12/31/2017	12/31/2016
up to 30 days	70.6	46.3
31 to 90 days	30.4	23.1
91 to 180 days	3.9	6.5
181 to 360 days	4.2	3.6
361 days and longer	4.8	5.0

(9) Other assets

The other assets broke down as follows:

€ millions	12/31/2017	12/31/2016
Reimbursement claim for pension obligations	24.8	26.6
Derivatives	0.0	0.6
Deposits	10.4	4.8
Other	43.1	63.5
Other financial assets	**78.3**	**90.7**
Thereof current	42.8	58.1
Thereof non-current	35.5	32.6
Advance payments	25.3	33.9
Receivables from other taxes	30.5	23.7
Other	14.6	12.6
Other non-financial assets	**70.4**	**70.2**
Thereof current	61.9	63.2
Thereof non-current	8.5	6.9
Other assets	**148.7**	**160.9**
Thereof current	104.7	121.3
Thereof non-current	44.0	39.5

Regarding the reimbursement right concerning pension obligations, see note (13).

The miscellaneous other financial assets particularly included a purchase price claim for the final instalment regarding the sale of the office building in Hamburg, debit balances in accounts payable and receivables from the insolvency proceedings against the Kirch Group.

(10) Assets held for sale

At the balance sheet date, the assets held for sale and the related liabilities disclosed broke down as follows:

	12/31/2017	
€ millions	Assets	Liabilities
auFeminin Group	285.3	55.7
RAS Slovakia	78.8	15.5
Infor Biznes	3.2	0.0
Held for sale	**367.3**	**71.2**

In December 2017, Axel Springer and Télévision Française 1 (TF1) signed an option agreement and in January 2018 signed an agreement on the sale of Axel Springer's share in the French aufeminin Group (Marketing Media segment). Completion of the transaction requires approval by the relevant antitrust authorities.

As of the reporting date, assets and liabilities of the aufeminin Group broke down as follows:

€ millions	Carrying amount
Goodwill	163.1
Other intangible assets	63.6
Property, plant, and equipment and non-current financial assets	1.5
Inventories	3.8
Trade receivables	28.2
Other assets	9.7
Deferred tax assets	2.1
Cash and cash equivalents	13.3
Assets held for sale	**285.3**
Trade payables	11.2
Other liabilities and provisions	29.9
Deferred tax liabilities	14.6
Liabilities related to assets held for sale	**55.7**

In addition to the assets held for sale, as of the reporting date intragroup receivables by cashpooling of the aufminin Group towards Axel Springer existed in the amount of € 52.8 million, which will be derecognized with the sale as well. The proportion of non-controlling interests in the net assets amounted to € 43.9 million. From the accumulated other comprehensive income from currency translation, € −2.3 million is attributable to the assets and liabilities of the auFeminin Group.

In November 2017, the sale of the newspaper and magazine portfolio including the associated online offers of **RAS Slovakia** (News Media segment) was contracted. The disposal is expected after authorization by the local authorities in the middle of the year 2018.

As of the reporting date, assets held for sale and the related liabilities of RAS Slovakia broke down as follows:

€ millions	Carrying amount
Goodwill	19.4
Other intangible assets	49.8
Trade receivables	6.6
Other assets	1.4
Cash and cash equivalents	1.6
Assets held for sale	**78.8**
Trade payables	3.4
Other liabilities and provisions	1.7
Deferred tax liabilities	10.4
Liabilities related to assets held for sale	**15.5**

As of December 31, 2017 the proportion of non-controlling interests in the net assets amounted to € 4.9 million. The valuation of the fair value less costs to sale lead to an impairment loss in goodwill in the amount of € 2.0 million (see note (22)).

(11) Equity

The components and changes in consolidated equity are summarized in the consolidated statement of changes in equity.

(a) Subscribed capital

The fully paid-in subscribed capital in the amount of € 107.9 million remained unchanged and is divided into 107,895,311 registered shares with a calculated ratio of € 1.00 per share. The shares can only be transferred with the company's consent.

(b) Authorized capital

The Annual General Meeting of April 14, 2015 allowed the Executive Board, with the approval of the Supervisory Board, to increase the share capital until April 13, 2020 by up to € 11,000,000 through the issue of newly registered shares in return for cash and/or contributions in kind (authorized capital). With the approval of the Supervisory Board, the Executive Board can waive the subscription right of the shareholders in case of a capital increase against contributions in kind. As of December 31, 2017 the authorized capital remained un-changed as compared to the previous year totaling € 8,955,311 with the result that the remaining authorized capital amounted to € 2,044,689.

(c) Additional paid-in capital

The additional paid-in capital (€ 501.0 million; PY: € 500.1 million) mainly consists of the share premium achieved from the capital increase against contributions in kind from the fiscal year 2015 and the equivalent of the personnel expenses for the share-based payment programs (see note (12)).

(d) Accumulated retained earnings

The accumulated retained earnings comprised the income of the companies included in the consolidated financial statements, to the extent that they have not been distributed to shareholders. In the reporting year, Axel Springer SE distributed an amount of € 205.0 million (PY: € 194.2 million) or € 1.90 (PY: € 1.80) per qualifying share for the previous reporting year. For the reporting year 2017, the Executive Board and the Supervisory Board propose to distribute a dividend of € 2.00 per share entitled to the dividend, in total representing approximately € 216 million in expected payments. Payment of the proposed dividend is contingent upon approval at the Annual General Meeting on April 18, 2018.

Moreover, transactions with shareholders are recognized within the accumulated retained earnings. In the reporting year, the contribution of 20 % of the shares of AWIN AG (previously ZANOX AG) related to the acquisition of the affilinet Group led to an increase of the accumulated retained earnings in the amount of € 41.5 million (see note (2c)).

(e) Accumulated other comprehensive income

At the balance sheet date, accumulated other comprehensive income mainly comprised actuarial gains and losses from pension plans of € – 118.9 million (PY: € – 120.4 million). In the previous year, this included actuarial losses (after taxes) of € 5.1 million, which were reclassified into accumulated retained earnings as a result of the deconsolidation of the entire Swiss business from Axel Springer.

Changes in foreign currency translations are primarily due to conversions of financial statements denominated in US dollar. In the previous year, changes resulted from the reclassification of unrealized gains and losses from foreign currency translations previously recognized under accumulated other comprehensive income into the income statement due to the disposal of investments (see note (2c)).

(f) Non-controlling interests

The non-controlling interests mainly related to the following companies:

€ millions	12/31/2017	12/31/2016
Ringier Axel Springer Media Group	261.0	243.7
Immowelt Group	74.1	70.9
Awin Group (previously Zanox Group)	58.8	0.0
Other companies	117.4	106.5
Non-controlling interests	**511.4**	**421.2**

As of December 31, 2017 the non-controlling interests in Ringier Axel Springer amounted to 50.0 % (PY: 50.0 %), whilst their share in the Group net income amounted to € 11.4 million (PY: € 13.2 million). As in the previous year, there were no distributions in the reporting year.

Summarized financial information for the Ringier Axel Springer Media sub-group are shown in the following table:

€ millions	2017	2016
Revenues	273.0	267.4
Net income	20.0	24.8
Comprehensive income	43.9	13.6
Current assets	187.7	133.0
Non-current assets	466.8	503.2
Current liabilities	71.1	109.4
Non-current liabilities	51.6	36.0
Cash flow from operating activities	41.2	44.0
Cash flow from investing activities	– 14.2	– 39.7
Cash flow from financing activities	– 28.6	– 2.9

Regarding the contribution of 20 % of the shares of AWIN AG (previously ZANOX AG) related to the acquisition of the affilinet Group see note (2c).

(12) Share-based payment

In the reporting year, the expenses recorded for share-based payment programs amounted to € – 44.9 million (PY: € – 7.9 million). These effects were attributable to equity-settled programs with an amount of € – 1.0 million (PY: € – 0.2 million) and to cash-settled programs with an amount of € – 43.9 million (PY: € – 7.7 million). The liability recorded for share-based payments concerns especially the following stock option plans and totaled € 55.1 million (PY: € 15.1 million).

As of May 1, 2016 members of the Executive Board were granted a new long-term variable remuneration in the form of a **long-term incentive plan** ("LTIP") with a duration - including lock-up periods - until 2023. The LTIP stipulates a participation in the increase in the company value, measured on the basis of market capitalization. It will be distributed in the form of a cash bonus and contains a subsequent obligation to purchase Axel Springer shares in the corresponding amount.

The compensation entitlement requires market capitalization of Axel Springer SE to increase at least 40 % within three, four, and maximally five years (respective "performance periods"). No claim for compensation can be made below this threshold. In the event of targets being achieved, the whole Executive Board is entitled to payment amounting to a total of 4 % of the increase in market capitalization. The compensation entitlement will increase only up to a growth in market capitalization by maximally 60 %.

The increase in market capitalization will be calculated on the basis of the volume-weighted average price of the Axel Springer share within the last 90 calendar days before May 1, 2016, or before the end of the respective performance period, multiplied by the number of outstanding Axel Springer shares (less treasury shares) adding dividend payments during the performance period.

In the event of targets being achieved, an amount in the value of 50 % of the total amount (“payout amount I“) will be paid out. On meeting the targets after four or five years respectively, a lock-up period of two or one year respectively follows, before the remaining 50 % of the total amount ("payout amount II") will be paid out. Should targets be met prematurely after three years, each Executive Board member will have the option to request pay-out amount I. Payout amount II will then only be remunerated after targets are once again met after four or five years, and after a lock-up period of two, or one year respectively.

The net amount of all payouts (after the Executive Board members’ taxes and duties are paid) in each case has to be fully invested in Axel Springer shares by the Executive Board member. Regarding the shares acquired with payout amount I, or II respectively, the Executive Board member has to retain the shares for a minimum of two years, or one year respectively. The LTIP contains the usual provisions for early resignation. Thus, all non-contractual claims paid under the LTIP lapse if the member of the Executive Board leaves the Executive Board at his own request before expiration of the waiting period.

The LTIP is valued as a share-based compensation program with cash settlement at its fair value as of the balance sheet date and is recorded according to the expected vesting date.

The value of the LTIP at the grant date was calculated on the basis of a stochastic model for the valuation of share option rights at € 32.1 million. The calculated remuneration component for the financial year 2017 recorded in personnel expenses amounted to € 20.2 million (PY: € 3.5 million) for all members of the Executive Board. An accumulated liability was recognized in the amount of € 23.7 million (PY: € 3.5 million).

Members of the Executive Board and selected executives (beneficiaries) were granted **virtual stock option plans**, the fundamental parameters of which are described below:

	Virtual stock option plans				
	Executive Board Program			Senior Executive Program	
	2012	2014 I	2014 II	2011 II	2014
Grant date	01/01/2012	01/01/2014	09/01/2014	10/01/2011	03/01/2014
Term in years	6	6	6	6	5
Qualifying period in years	4	4	4	4	3
Option rights granted	450,000	205,313	675,000	472,500	60,000
Underlying (€)	30.53	44.06	44.56	35.00	46.80
Maximum payment (€)	61.06	88.12	89.12	70.00	93.60
Value at grant date (€)	5.26	6.69	6.26	2.31	8.14
Total value at grant date (€ million)	**2.4**	**1.4**	**4.2**	**1.1**	**0.5**

Provided that the beneficiary is employed by the company at least until the expiration of the vesting period, all virtual stock options granted to the relevant senior executive may become vested. If the authorized senior executive's employment with the company ends before the end of the vesting period, but is at least one year after the grant date, the stock options are vested on a prorated basis in relation to the vesting period (Executive Board program), up to one half (senior executive program 2014), or to one quarter per elapsed year of the vesting period (senior executive program 2011 II).

A further condition for vesting to take place is that either the volume-weighted average price of the Axel Springer share is at least 30 % over the base value or that the percentage increase of this average price exceeds that of the base value of the development of the DAX over a period of 90 calendar days (Executive Board program) or three calendar months (senior executive programs) within a time period of a year before the end of the waiting period.

Exercising stock options is only possible if the volume-weighted average price of the Axel Springer share 90 calendar days (Executive Board program) or three calendar months (executive programs) before exercising such options is at least 30 % over the base value and that the percentage increase exceeds that of the DAX index. Each option grants a payment claim in the amount of the growth in value of the Axel Springer share, restricted to a maximum of 200 % of the base value, which corresponds to the difference between the volume-weighted average price during the last 90 calendar days or three months prior to exercise and the base value.

Beneficiaries are obligated to hold one Axel Springer share for every ten stock options as their own investment. Disposing of these shares prior to exercising the stock options would result in the stock options being forfeited at the same rate.

The value of the options was determined by application of a Black-Scholes model in a Monte Carlo simulation at the grant date. The options will be remeasured at each reporting date and recognized proportionally in accordance with the projected vesting.

The development of the stock options is shown below:

	Virtual stock option plans				
	Executive Board Program			Senior Executive Program	
	2012	2014 I	2014 II	2011 II	2014
01/01/2016	393,750	205,313	675,000	472,500	60,000
Exercise	−393,750	0	0	−471,650	0
Lapse	0	0	0	−850	0
12/31/2016	**0**	**205,313**	**675,000**	**0**	**60,000**
Exercise	0	0	0	0	0
Lapse	0	0	0	0	0
12/31/2017	**0**	**205,313**	**675,000**	**0**	**60,000**

The expenses and income in the fiscal year, as well as the portfolio of liabilities and provisions at the reporting date are shown below:

	Virtual stock option plans				
	Executive Board Program			Senior Executive Program	
€ millions	2012	2014 I	2014 II	2011 II	2014
Expenses/revenues 2017	**0.0**	**– 4.2**	**– 10.7**	**0.0**	**– 1.2**
Expenses/Income 2016	1.7	0.5	0.9	0.5	0.2
Carrying amount as of 12/31/2017	**0.0**	**4.9**	**13.0**	**0.0**	**1.3**
Carrying amount as of 12/31/2016	0.0	0.7	2.3	0.0	0.1

The following major stock option programs existed at our subsidiaries:

Upon closing date of the acquisition with respect to the majority shareholding in Business Insider at the end of 2015, both management board members of Business Insider were granted a total of 21,952 new stock options to acquire shares in **Business Insider Inc.** as a replacement for an existing stock option program. The new stock options are vested over a period of ten years. 30 % of these granted stock options become vested after three years and subsequently, a further 10 % of the granted stock options become vested each year over the remaining vesting period. The option rights become exercisable once they are vested until the end of the total period of 10 years after grant date. The exercise of the options is not dependent upon any other earnings or market conditions. Should the employment relationship with the two management board members be terminated after the first three years, there is – depending on the reason for the termination – a purchase obligation on the side of Axel Springer or rather a right to acquire the shares arising from the options which have vested. Within a three-month period after the total period of ten years, the management board members are entitled to tender all shares that have been obtained through the options to Axel Springer at fair value on exercise date, which leads to an irrevocable obligation to be settled in cash. Thus, it is a cash-settled share-based payment.

At grant date, the fair value of these stock options was € 12.9 million. A partial amount of € 7.4 million of the fair value of the options was treated as consideration transferred in the course of the initial consolidation for the acquisition. The remaining fair value of € 5.5 million was classified as remuneration for the continuing employment of the board members of Business Insider. The fair value was determined on the basis of an option pricing model using a Monte Carlo simulation, taking into account the strike price of the options, the risk-free interest rate and the expected dividends; the volatility was derived using a peer group comparison. At each reporting date, the option rights will be remeasured; likewise, the personnel expenses to be recorded over the vesting period will be calculated.

As of December 31, 2016, one management board member had resigned from the company, so that a total of 6,098 options have expired. As of December 31, 2017 15,854 options existed unchanged as compared to the previous year, none of which are exercisable. The exercise price to be paid for the option per share is kUSD 3.6 (k€ 3.4). The weighted average remaining term of these options was 7.8 years (PY: 8.8 years).

In the reporting year, the stock option program was adjusted. In the event of earnings and revenue targets being achieved at the end of June 2018, 30 % of the stock options will be acquired by Axel Springer for USD 4.6 million (€ 3.8 million). In addition, it has been agreed that, should targets be met in the year 2020, the management board member of Business Insider will receive an upfront payment in the amount of USD 15.0 million (€ 12.5 million), which will be offset against future payments from the stock option program. There is no repayment obligation in case of stock options being forfeited or not exercised. If targets are not achieved, the stock option program will continue unchanged at the respective dates. Due to the adjustment of the stock option program the fair value of the program increased by approximately USD 4.2 million (€ 3.5 million). The fair value was still determined on the basis of an option pricing model using a Monte Carlo simulation.

In the reporting year, an amount of € 4.9 million in personnel expenses was recorded (PY: 1.7 million in personnel expenses and € 1.1 million in other operating income). The value of the liability as of December 31, 2017 arising from the option program amounted to € 12.3 million (PY: € 8.5 million).

Our subsidiary **AUFEMININ SA** has granted its senior executives option rights to be settled with shares in AUFEMININ SA as well as free shares.

In August 2016, June 2017 and December 2017, senior executives were given the right to receive a total of 150 thousand free shares in AUFEMININ SA. The fair value of a free share at the grant or modification date was between € 26.56 and € 38.34 and was based on the current share price on the stock market taking into account expected dividends. The free shares will become fully vested two years after the grant date, provided that the relevant earnings targets have been reached. As of the balance sheet date, the weighted average remaining term of the free shares was between one and two years (PY: two years).

In November 2013, 300 thousand stock options for acquisition of one share of AUFEMININ SA, each with an exercise price of € 26.19 were issued to senior executives. These options vested upon expiration of the first (50 %) and second (50 %) years after the grant date, insofar as the earnings target established for the individual tranche (EBITDA for the fiscal year prior to the year of vesting) was achieved. Once they have vested, the options can be exercised for a total of five (50 %) or four (50 %) years.

The number of options and the weighted average exercise price developed as follows:

	2017		2016	
	Options in thousands	Exercise price[1] in €	Options in thousands	Exercise price[1] in €
Balance as of January 1	250	26.19	441	23.32
Lapse	– 30	26.19	– 67	24.00
Exercise	– 15	26.19	– 124	17.16
Balance as of December 31	**205**	**26.19**	**250**	**26.19**
Thereof exercisable	205	26.19	250	26.19

[1] Weighted average exercise price.

The weighted average stock price at the date of exercise of the stock options during the financial year was € 26.57 (PY: € 28.94). As in the previous year, the exercise price for options outstanding at the balance sheet date was € 26.19. The weighted average remaining term of the options was two years (PY: three years).

The compensation expense for option rights and free shares recognized in personnel expenses amounted to € 1.0 million in the reporting year (PY: € 0.2 million); the additional paid-in capital was increased accordingly.

Other share-based payment programs were individually and in total insignificant for the financial position, liquidity, and financial performance of the Group.

(13) Pension obligations

The pension obligations in the reporting year relate almost exclusively to Group companies domiciled in Germany.

Under its defined contribution pension plans, the Group mainly contributes to public-sector pension insurance carriers by virtue of the applicable laws. The current contribution payments amounted to € 50.0 million (PY: € 48.6 million) and were shown as social security contributions in personnel expenses.

Provisions for pensions were created to account for the obligations arising from vested pension rights and current benefits for former and active employees of the Axel Springer Group and their survivors. The reserves for performance-based pension plans correspond to the cash value of the obligations on the reporting date less the time value of the plan assets. Along with general actuarial risks such as risks from salary and pension increases, longevity risk, and interest rate risk as well as inflation risk, capital market and investment risk.

Essentially, four different pension plans exist in the German Group companies that are subject to the German Company Pension Act, and thus to the statutory regulations relating in particular to vesting, compensation for inflation in the benefit phase, and insolvency protection by the Pensions Guarantee Corporation. The pension plans are partially financed by premium reserve funds that are managed by Axel Springer Pensionstreuhand e.V. as trustee. Two pension plans provide for an annual pension for entitled persons based on fixed amounts that depend for the first pension plan only on the length of service in the company, and for the second pension plan additionally on the position in the company, and are static in the vesting period and dynamic in the benefit payment period in accordance with the requirements of the Company Pension Act. The promises to the Executive Board correspond in their design to the second pension plan and are additionally dynamic in the vesting period depending on inflation. The third pension plan is a defined-contribution benefit in which a benefit is calculated using fixed factor tables dependent on converted compensation components. Ongoing benefits are adjusted from the beginning of pension payments at 1 % p.a. The fourth pension plan includes direct commitments based on subsidized remuneration conversions which are congruently covered by insurance and usually grant a one-time payment upon retirement.

The measurement was based on the following parameters:

Information in %	2017	2016
Discount rate	1.6	1.7
Salary trend	1.5	1.5
Pension trend	1.5	1.5

As in the previous year, the expected life spans were determined with reference to the guideline tables 2005 G by Dr. Klaus Heubeck.

The amount of the provision is almost completely attributable to Germany and was calculated as follows:

€ millions	12/31/2017	12/31/2016
Present value of defined benefit obligations financed by fund	407.4	384.8
Fair value of plan assets	−174.9	−162.9
Present value of defined benefit obligations not financed by fund	131.2	149.6
Reclassification into liabilities in connection with assets held for sale	−0.2	0.0
Provision	**363.5**	**371.5**
Thereof current	20.4	21.1
Thereof non-current	343.2	350.4
Reimbursement right	−24.8	−26.6
Net obligation	**338.7**	**345.0**

The changes in the present value of the pension obligations are almost completely attributable to Germany and are presented in the table below:

€ millions	2017	2016
Present value of obligations as of January 1	534.4	502.5
Change in consolidated companies	0.0	−0.3
Current service cost	8.4	6.5
Interest expense	8.8	11.7
Actuarial gains/losses arising from changes in demographic assumptions	−1.9	−2.9
Actuarial gains/losses arising from changes in financial assumptions	7.2	36.2
Payments by employees	3.0	3.0
Payments to retirees	−21.4	−22.3
Plan curtailments	0.1	−0.1
Reclassification into or from liabilities in connection with assets held for sale (see note (10))	−0.2	0.0
Present value of obligations as of December 31	**538.4**	**534.4**

In the fiscal year 2018, contributions to fund-financed defined benefit plans are expected to total € 1.2 million (PY: € 30.4 million). In addition, as of January 1, 2018 the Axel Springer high-rise (main building) in Berlin was transferred to Axel Springer Pensionstreuhand e.V., Berlin, on a fiduciary basis (see note (40)).

The fair value of the plan assets is almost completely attributable to Germany and showed the following changes:

€ millions	2017	2016
Plan assets as of January 1	162.9	163.3
Income from plan assets	2.9	3.9
Employee contribution	0.3	0.2
Employer contribution	0.3	0.3
Benefits paid	−18.1	−0.6
Actuarial gains/losses arising from changes in demographic assumptions	0.2	−4.2
Actuarial gains/losses arising from changes in financial assumptions	0.1	0.0
Additions to plan assets	26.3	0.0
Plan assets as of December 31	**174.9**	**162.9**

The investment portfolio for the plan assets is almost completely attributable to Germany and broke down as follows:

€ millions	12/31/2017	12/31/2016
Shares	53.7	36.2
Bonds	72.5	43.0
Money market instruments	0.0	0.6
Cash and cash equivalents	21.8	75.1
Real estate funds	18.3	3.5
Others	7.8	3.8
Plan assets with market price quotations	**174.1**	**162.1**
Real Estate	0.5	0.5
Others	0.3	0.2
Plan assets without market price quotations	**0.8**	**0.7**
Total	**174.9**	**162.9**

Axel Springer SE is entitled to reimbursement of pension obligations or pension expenses arising in connection with them in the context of the outsourcing of rotogravure printing operations in 2005. The reimbursement right was presented as an other financial asset, whereas in the income statement, the income from the reimbursement was netted with the corresponding pension expenses. Based on the existing contractual regulations, we do not assume a short-term settlement of the reimbursement claim and the corresponding pension obligations any more, and therefore in the reporting period, we classified the asset as well as the related pension liability in an amount of € 22.7 million (PY: € 24.4 million) as non-current. The remaining amount of € 2.1 million (PY: € 2.2 million) was classified as current.

The value of the reimbursement right developed as follows:

€ millions	2017	2016
Reimbursement right as of January 1	26.6	27.4
Income from reimbursement rights	0.4	0.6
Paid-out benefits	– 2.1	– 2.2
Actuarial gains/losses arising from changes in demographic assumptions	– 0.3	– 0.2
Actuarial gains/losses arising from changes in financial assumptions	0.2	1.0
Reimbursement right as of December 31	**24.8**	**26.6**

The expenses for defined benefit pension plans are almost completely attributable to Germany and broke down as follows:

€ millions	2017	2016
Current service cost	8.4	6.5
Interest expense	8.8	11.7
Employee contribution	– 0.1	0.0
Income from plan assets	– 2.9	– 3.9
Income from reimbursement rights	– 0.4	– 0.6
Plan curtailments	0.1	– 0.1
Pension expenses	**13.9**	**13.5**

Service cost is presented within the personnel expenses. The interest portions contained in the pension expenses and the income from the plan assets and interest reimbursements are presented as components of interest expenses.

An increase or decrease in the material actuarial assumptions would have the following effects on the present value of the total pension obligations as of the balance sheet date:

Information in %	Increase by 25 basis points	Decrease by 25 basis points
2017		
Discount rate	– 3.4	3.6
Salary trend	0.1	– 0.1
Pension trend	2.4	– 2.3

Information in %	Increase by 25 basis points	Decrease by 25 basis points
2016		
Discount rate	– 3.4	3.7
Salary trend	0.1	– 0.1
Pension trend	2.4	– 2.3

The sensitivity calculations are based on the average term of the pension obligations calculated as of the balance sheet date. The calculations were carried out in isolation for the actuarial parameters classified as material. As the sensitivity analysis is based on the average term of the expected pension obligations and as a consequence, the expected payment dates are not taken into account, they only lead to approximate information or to describe tendencies. In case of changes to the mortality rates or life expectancies which act as a basis, it is assumed that if life expectancy of the beneficiary increases by one year as of December 31, 2017, pension obligations in Germany would have risen by 3.2 % (PY: 3.1 %).

As of December 31, 2017, the weighted average duration of the defined benefit obligation was 14 years (PY: 15 years).

(14) Other provisions

The other provisions broke down as follows:

€ millions	Balance as of 01/01/2017	Utilization	Reversals	Additions	Other changes	Balance as of 12/31/2017	Thereof current	Thereof non-current
Other obligations towards employees	98.9	–65.8	–3.8	72.0	–9.7	91.6	68.5	23.1
Partial early retirement program (Altersteilzeit)	42.7	–10.0	0.0	12.2	0.0	44.9	11.2	33.7
Structural measures	28.8	–22.5	–1.0	38.1	–0.3	43.1	31.8	11.3
Discounts and rebates	14.4	–11.8	–0.9	14.6	–0.7	15.6	15.6	0.0
Returns	11.9	–8.9	–0.3	9.6	–0.3	12.0	12.0	0.0
Litigation expenses	5.5	–0.2	–0.3	6.6	–0.1	11.6	10.5	1.1
Other taxes	9.4	0.0	–2.4	1.6	0.0	8.5	8.5	0.0
Dismantling obligations	7.8	–0.1	–0.5	0.1	0.4	7.7	1.2	6.5
Other	33.7	–15.3	–1.8	14.8	–0.7	30.8	26.8	4.0
Other provisions	**253.0**	**–134.6**	**–10.9**	**169.7**	**–11.4**	**265.8**	**186.0**	**79.8**

Other obligations towards employees primarily included variable compensation tied to performance. Structural measures were mainly allocated to the newspaper and magazine as well as distribution and sales divisions, and printing plants. Provisions for returns comprised the expected sales returns of publishing products. Other provisions mainly involved restructuring measures still to be implemented in connection with the sale of the office building complex in Hamburg and the sale of the Axel-Springer-Passage in Berlin (see note (5)) and guarantee obligations in the context of the takeover of the domestic regional newspapers, TV program guides, and women's magazines by FUNKE Mediengruppe.

The other changes resulted from the initial consolidation of acquired companies, currency translation differences, compounding and also from reclassifications into liabilities related to assets held for sale (see note (10)).

(15) Financial liabilities

The financial liabilities comprised liabilities from promissory notes in the amount of € 817.7 million (PY: € 577.5 million), other liabilities due to banks amounting to € 365.1 million (PY: € 681.2 million), as well as from finance leases of € 0.3 million (PY: € 0.6 million).

The promissory notes (nominal amounts) were characterized by the following utilizations, interest rates, and maturities at the reporting date:

2017 € million	2016 € million	Interest rate in %	Maturity
327.5	0.0	1.14	05/30/2024
146.0	0.0	0.73	05/30/2022
104.0	162.0	1.03	10/11/2018
72.0	0.0	0.91	05/30/2023
70.5	112.0	3.06	04/11/2018
69.0	177.0	1.47	10/12/2020
66.5	0.0	6-month EURIBOR + 0.7	05/30/2024
12.0	0.0	6-month EURIBOR + 0.55	05/30/2022
11.5	0.0	0.51	05/30/2021
0.0	71.5	6-month EURIBOR + 0.9	10/12/2020
0.0	58.0	6-month EURIBOR + 0.7	10/11/2018

The other liabilities due to banks (nominal amounts) were characterized by utilizations, interest rates, and maturities set forth in the table below. All liabilities were denominated in euros. Short-term loans are not presented in the table.

2017 € million	2016 € million	Interest rate in %	Maturity
170.0	190.0	1-month EURIBOR + 0.425	07/03/2020
135.0	130.0	Eonia + 0.425	07/03/2020
60.0	60.0	Eonia + 0.475	07/03/2020
0.0	300.0	3-month EURIBOR + 0.80	07/22/2020
2.4	2.9	3-month EURIBOR + 0.30	10/15/2022

The interest rates were mainly equivalent to the effective rates of interest. In the case of fixed-interest loan tranches, the interest rates were fixed until the maturity date.

Furthermore, on the reporting date additional unused short-term and long-term credit facilities amounted to € 855.0 million (PY: € 840.0 million).

(16) Other liabilities

The other liabilities broke down as follows:

€ millions	12/31/2017	12/31/2016
Contingent consideration and other put options for purchase of non-controlling interests	297.9	511.5
Debit balances in accounts receivable	12.6	13.4
Liabilities from derivatives	0.4	12.9
Other	51.9	33.7
Other financial liabilities	**362.8**	**571.6**
Thereof current	233.3	379.6
Thereof non-current	129.5	192.0
Advance payments from customers	204.9	173.5
Liabilities from other taxes	55.7	68.0
Liabilities due to employees	45.4	41.8
Advance payments	14.2	27.8
Accrued liabilities	20.3	19.9
Capital investment subsidies	4.3	10.0
Liabilities due to social insurance carriers	8.5	9.5
Liabilities for duties and contributions	5.1	4.9
Other	18.5	29.7
Other non-financial liabilities	**376.9**	**385.1**
Thereof current	348.3	365.5
Thereof non-current	28.6	19.5
Other liabilities	**739.7**	**956.7**
Thereof current	581.6	745.1
Thereof non-current	158.1	211.6

Other financial liabilities mainly related to other loan liabilities. Contingent consideration and other put options for the purchase of non-controlling interests primarily decreased due to payouts and subsequent valuation (see note (33)). Advanced payments from customers increased due to the development of the operating earnings performance. Liabilities due to employees related to outstanding wage and salary payments, management bonuses, and severance award claims. Accrued liabilities contained liabilities resulting from over-time and unused vacation.

(17) Maturity analysis of financial liabilities

The contractually agreed (undiscounted) payments related to financial liabilities are presented in the following table:

		Undiscounted cash outflows		
€ millions	**Carrying amount as of 12/31/2017**	**2018**	**2019-2022**	**2023 ff.**
Financial liabilities	1,237.0	185.4	633.3	472.2
Contingent consideration and other put options for purchase of non-controlling interests	297.8	199.5	88.9	10.9
Other non-derivative financial liabilities	547.5	516.5	15.0	16.0
Derivative financial liabilities	0.4	0.2	0.2	0.0

		Undiscounted cash outflows		
€ millions	**Carrying amount as of 12/31/2016**	**2017**	**2018-2021**	**2022 ff.**
Financial liabilities	1,259.3	14.2	1,286.5	0.5
Contingent consideration and other put options for purchase of non-controlling interests	511.5	333.1	177.2	7.0
Other non-derivative financial liabilities	450.0	437.2	10.5	2.2
Derivative financial liabilities	12.9	12.5	0.4	0.0

Notes to the consolidated income statement

(18) Revenues

The revenues broke down as follows:

€ millions	2017	2016
Advertising revenues	2,521.3	2,223.1
Circulation revenues	633.0	646.9
Printing revenues	49.2	54.6
Other revenues	359.1	365.7
Revenues	**3,562.7**	**3,290.2**

During the fiscal year, revenues from barter transactions amounted to € 54.5 million (PY: € 56.4 million). These revenues were generated mainly from the bartering of advertising services.

(19) Other operating income and change in inventories and internal costs capitalized

The other operating income broke down as follows:

€ millions	2017	2016
Income from disposal of intangible assets, property, plant, equipment, and investment property	204.7	71.8
Subsequent valuation of contingent purchase price liabilities and other option liabilities for the acquisition of non-controlling interests	54.9	1.6
Income from reversal of provisions	8.5	20.2
Foreign exchange gains	4.6	3.8
Gain on disposal of subsidiaries and business units	4.2	207.2
Miscellaneous operating income	40.5	35.2
Other operating income	**317.3**	**339.9**

Income from the disposal of intangible assets and property, plant and equipment and investment property resulted in € 200.5 million from the sale of the Axel-Springer-Passage in Berlin (see note (5)). Gains from the subsequent valuation of contingent purchase price liabilities in the amount of € 50.0 million were attributable to options to acquire non-controlling interests in Bonial Holding (see note (33)). Miscellaneous operating income contained a large number of non-material items.

Change in inventories and internal costs capitalized increased to € 87.7 million (PY: € 82.6 million) in the reporting year and mainly related to IT development projects to develop and expand our digital business models.

(20) Purchased goods and services

The purchased goods and services broke down as follows:

€ millions	2017	2016
Raw materials and supplies and purchased merchandise[1]	114.5	122.8
Purchased services	936.8	848.7
Purchased goods and services	**1,051.4**	**971.5**

[1] Reclassification of expenses of the previous year into expenses for purchased services on a pro-rated basis

Raw materials and supplies and purchased merchandise comprised paper costs amounting to € 53.3 million (PY: € 52.9 million).

The cost of purchased services was predominantly composed of publisher services in the context of performance-based marketing, purchased third-party printing services and professional fees. The purchased third-party printing services also included paper costs.

The increase in purchased services is mainly attributable to the Awin Group (previously zanox Group) and is due to increased revenues and to the acquisition of affilinet in the reporting year.

(21) Personnel expenses

The personnel expenses broke down as follows:

€ millions	2017	2016
Wages and salaries	995.4	940.9
Social security	148.7	138.0
Pension expenses	11.6	8.7
Expenses for share-based payments	44.9	7.9
Other benefit expenses	1.5	4.6
Personnel expenses	**1,202.1**	**1,100.1**

The average number of employees in the Group is shown below:

	2017	2016
Salaried employees	12,397	11,797
Editors	2,867	2,888
Wage-earning employees	572	638
Total employees	**15,836**	**15,323**

The increase in personnel figures compared to the prior year resulted besides the initial consolidation of acquired companies from staff increases in the strongly growing digital business units.

(22) Depreciation, amortiziation, and impairments

The depreciation, amortization, and impairments broke down as follows:

€ millions	2017	2016
Impairment losses in goodwill	2.0	0.0
Amortization of other intangible assets	175.8	173.8
Impairment losses in other intangible assets	4.5	2.6
Depreciation of property, plant, and equipment	52.5	54.3
Impairment losses in property, plant, and equipment	1.0	1.1
Depreciation of investment property	0.3	0.8
Depreciation, amortization, and impairments	**236.1**	**232.6**

Impairment losses in financial assets recognized in the fiscal year are included in the income from investments.

(23) Other operating expenses

The other operating expenses broke down as follows:

€ millions	2017	2016
Advertising expenses	266.8	243.1
Expenses for non-company personnel	181.7	161.0
Mailing and postage expenses	94.5	77.7
Rental and leasing expenses	69.9	61.0
Consulting, audit and legal fees	53.3	51.9
Commissions and gratuities	38.9	36.6
Maintenance and repairs	30.7	31.1
Subsequent valuation of contingent purchase price liabilities and other option liabilities for the acquisition of non-controlling interests	21.4	30.4
Travel expenses	26.7	30.3
Training of employees	16.3	12.5
Services provided by related parties	16.6	11.8
Allowances for doubtful receivables	7.4	10.2
Other taxes	8.4	8.2
Foreign exchange losses	2.9	5.1
Miscellaneous operating expenses	76.9	80.1
Other operating expenses	**912.4**	**851.2**

The miscellaneous operating expenses included additions to provisions relating to legal and other risks, as well as other operating expenses.

The following professional fees for the services rendered by the auditor Ernst & Young GmbH were recognized:

€ millions	2017	2016
Audits of the annual financial statements	1.4	1.2
Tax advisory services	0.3	0.4
Other services	0.2	0.4
Total professional fees	**1.9**	**2.1**

The professional fees for the audit of financial statements included statutory and voluntary audits of the separate financial statements of Axel Springer SE and other German subsidiaries, the consolidated financial statements, the auditor's review of the half-year financial report, the audit of financial statements according to IDW PS 480, which prescribes the audit of financial statements compiled for a special purpose, the audit of internal control systems in service companies according to IDW PS 951, as well as the audit of the system implemented in order to ensure compliance with Section 32 (1) WpHG. The tax advisory fees were a result of support services regarding specific tax questions. Other services consisted of due diligence services as part of acquisitions within the fiscal year.

(24) Income from investments

The income from companies accounted for using the equity method amounted to €–43.9 million (PY: € 23.4 million). Besides of our share in the investee’s net income, it consisted of impairment losses of € 51.1 million (PY: € 2.5 million). Impairment losses were mainly attributable to our investment in Ringier Axel Springer Schweiz AG. In the previous year, income from investments included income from the disposal of Thrillist Media Group Inc. of € 29.2 million (see note (7)).

The other investment income of € 4.9 million (PY: € 16.8 million) included dividends received from other investments as well as impairment losses from other investments in the amount of € 4.4 million (PY: € 0.2 million). In the previous year, the other operating income included income from the disposal of NowThis Media Inc. in the amount of € 5.6 million (see note (7b)).

(25) Financial result

The net financial result broke down as follows:

€ millions	2017	2016
Interest income from bank accounts	0.7	1.2
Interest income from loans and securities	0.9	8.0
Interest income from taxes	0.4	1.7
Other interest income	7.2	1.8
Interest income	**9.2**	**12.7**
Interest expenses on liabilities due to banks and on promissory note	−18.0	−16.9
Interest expenses on pension provisions, less reimbursements	−5.2	−7.2
Interest expenses from compounding	*−3.6*	*−3.6*
Miscellaneous interest expenses	−3.2	−1.1
Interest and similar expenses	**−30.0**	**−28.7**
Other financial result	**2.4**	**−5.4**
Financial result	**−18.4**	**−21.4**

A total of € 2.3 million (PY: € 10.7 million) of the interest income and € −19.3 million (PY: € −16.9 million) of the interest expense was allocated to financial assets and liabilities that were not measured at fair value through profit or loss.

(26) Income taxes

The income taxes paid or owed and the deferred taxes are recognized under income taxes. The income taxes consist of trade tax, corporate income tax, and solidarity surcharge, and the corresponding foreign income taxes. The income tax expenses are broken down below:

€ millions	2017	2016
Current taxes	274.6	149.0
Deferred taxes	– 144.4	– 22.9
Income taxes from discontinued operations	130.2	126.1
Income taxes from continued operations	0.6	0.9
Income taxes	**130.8**	**126.9**

Changes in current and deferred taxes are mainly related to the sale of the Axel-Springer-Passage (see note (5)) as well as the disposal of the office building complex in Hamburg in the previous year. The increase in deferred tax income resulted from tax rate changes in particular in the USA.

The expected income tax expense – applying the tax rate of Axel Springer SE – is reconciled to the income tax expense recognized in the income statement as follows:

€ millions	2017	2016
Income before income taxes	508.3	576.1
Tax rate of Axel Springer SE	31.00%	31.00%
Expected tax expenses	157.6	178.6
Differing tax rates	– 3.8	– 13.8
Changes in tax rates	– 55.0	– 19.3
Permanent differences	2.8	0.4
Adjustments to carrying amounts of deferred taxes	6.3	10.8
Current income taxes for prior years	27.8	4.2
Deferred income taxes for prior years	– 19.1	1.6
Non-deductible operating expenses	12.5	9.5
Tax-exempt income	– 1.2	– 43.3
Trade tax additions/deductions	2.4	1.6
Other effects	– 0.1	– 4.1
Income taxes	**130.2**	**126.1**

Companies with the legal form of a corporation domiciled in Germany are subject to corporate income tax at the rate of 15 % and solidarity surcharge of 5.5 % of the corporate income tax owed. In addition, the profits of these companies are subject to trade tax, for which the amount is municipality-specific. Companies with the legal form of a partnership are subject to trade tax exclusively. The net income is assigned to the shareholder for purposes of corporate income tax. The Group tax rate remains unchanged at 31.0 %.

The effects of different tax rates for partnerships and for foreign income taxes from the tax rate applicable to Axel Springer SE are explained in the reconciliation in the item differing tax rates. In the reporting year, effects from tax rate changes mainly resulted from reduced tax rates in the USA. In the previous year, tax rate changes particularly in France, Great Britain and Israel had a positive impact. The permanent differences result mainly from impairment losses in goodwill and deconsolidation effects that are not taken into account for tax purposes. The adjustments made to the carrying amounts of deferred taxes included € 21.4 million (PY: € 17.3 million) for the non-recognition of deferred taxes on tax loss carry-forwards. In addition, effects from the first-time recognition of deferred tax assets are included. In the previous year, tax-exempt income was mainly attributable to the establishment of the company Ringier Axel Springer Schweiz AG (see note (2c)).

Deferred tax assets and liabilities were recognized to account for temporary differences and tax loss carry-forwards, as follows:

€ millions	**12/31/2017**		**12/31/2016**	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	11.8	374.2	13.3	463.1
Property, plant, and equipment and investment property	2.2	51.0	1.8	79.2
Non-current financial assets	1.0	0.3	0.8	0.3
Inventories	0.6	0.0	0.6	0.0
Receivables and other assets	54.9	6.5	52.5	10.2
Pension provisions	19.1	0.0	21.4	0.5
Other provisions	11.1	5.9	15.0	5.4
Liabilities	22.9	3.9	11.1	41.0
Temporary differences	**123.6**	**441.8**	**116.5**	**599.7**
Tax loss carry-forwards	**3.5**	**0.0**	**7.7**	**0.0**
Total	**127.1**	**441.8**	**124.2**	**599.7**
Offsetting	– 72.5	– 72.5	– 69.3	– 69.3
Amounts as per balance sheet	**54.6**	**369.3**	**55.0**	**530.5**

The decrease in deferred tax liabilities related to intangible assets mainly resulted from tax rate changes, amortizations as well as reclassifications into liabilities related to assets held for sale (see note (10)). The decrease in deferred tax liabilities related to property, plant, and equipment, and investment property and liabilities concerns mainly the sale of the Axel-Springer-Passage (see note (5)) as well as the disposal of the office building complex in Hamburg in the previous year.
The net balance of deferred tax items from January 1 to December 31, 2017 was derived as follows:

€ millions	**2017**	**2016**
Deferred tax assets as of January 1	55.0	46.8
Deferred tax liabilities as of January 1	– 530.5	– 481.2
Net tax position as of January 1	**– 475.5**	**– 434.4**
Deferred tax of current year	144.4	22.9
Changes in deferred taxes recognized in other comprehensive income	1.6	11.0
Changes due to currency translations	14.9	0.0
Changes in consolidation group	– 23.0	– 75.0
Reclassification into assets and liabilities held for sale	22.8	0.0
Net tax position as of December 31	**– 314.8**	**– 475.5**
Deferred tax assets as of December 31	54.6	55.0
Deferred tax liabilities as of December 31	– 369.3	– 530.5

Of the deferred tax assets, an amount of € 22.4 million (PY: € 9.6 million), and of the deferred tax liabilities, an amount of € 5.2 million (PY: € 1.0 million) can be realized in the short term.

The amount of deferred tax assets to be disclosed in accordance with IAS 12.82 was € 3.8 million (PY: € 4.5 million). It is expected that this amount can be realized by utilization against the available operating income.

Deferred taxes in the total amount of € 52.2 million (PY: € 50.6 million) were recognized directly in equity, as they relate to matters that were likewise recognized directly in equity.

In the fiscal year, no deferred tax assets were recognized with respect to corporate income tax loss carry-forwards amounting to € 233.6 million (PY: € 209.6 million), and with respect to trade tax loss carry-forwards amounting to € 87.7 million (PY: € 45.4 million) because it did not appear probable that sufficient taxable income could be generated for these amounts in the near future. In addition, there are interest carry-forwards amounting to € 1.9 million (PY: € 1.9 million) for which no deferred tax assets were recognized. Of these tax loss carry-forwards, an amount of € 6.1 million (PY: € 4.4 million) can be carried forward for up to five years and an amount of € 0.0 million (PY: € 1.9 million) can be carried forward for six to ten years. The utilization of tax loss carry-forwards or interest carry-forwards that had not previously been recognized as deferred tax assets caused a reduction in income tax expenses of € 1.9 million (PY: € 2.3 million). In the past fiscal year, there were corrections of recognized tax loss carry-forwards due to tax audits or differing tax assessments in the amount of € – 0.7 million (PY: € 0.3 million).

As a rule, deferred taxes must be recognized to account for the difference between the Group's interest in the equity of the subsidiaries as presented in the consolidated balance sheet and the corresponding investment balance recognized in the financial statements for tax purposes, e.g. by retaining profits. Deferred tax liabilities were not recognized on differences of € 6.0 million (PY: € 8.2 million) because a realization is not planned at the present time. In the case of sale or profit distribution, 5 % of the gain on disposal or the dividend, respectively, would be subject to taxation in Germany; in addition, foreign withholding taxes might be incurred.

(27) Earnings per share

The earnings per share were determined as follows:

		2017	2016
Result of continued operations attributable to shareholders of Axel Springer SE	€ millions	344.1	425.4
Result of discontinued operations attributable to shareholders of Axel Springer SE	€ millions	1.3	1.9
Net income attributable to shareholders of Axel Springer SE	€ millions	345.5	427.3
Weighted average shares outstanding	000s	107,895	107,895
Earnings per share from continuing operations (basic/diluted)	**€**	**3.19**	**3.94**
Earnings per share from discontinued operations (basic/diluted)	€	0.01	0.02
Net income attributable to shareholders of Axel Springer SE per share (basic/diluted)	**€**	**3.20**	**3.96**

Notes to the consolidated statement of comprehensive income

(28) Other income/loss

The other income/loss broke down as follows:

	2017			2016		
€ millions	**Before tax**	**Tax effect**	**Net**	**Before tax**	**Tax effect**	**Net**
Actuarial gains/losses from defined benefit pension obligations	–5.1	1.7	–3.4	–36.4	11.0	–25.3
Currency translation differences	–80.8	0.0	–80.8	–47.0	0.0	–47.0
Changes in fair value of available-for-sale financial assets	–17.8	0.0	–17.8	13.6	0.0	13.6
Changes in fair value of derivatives in cash flow hedges	0.1	0.0	0.1	0.2	0.0	0.1
Other income/loss from investments accounted for using the equity method	2.8	0.0	2.8	–1.9	0.0	–1.9
Other income/loss	**–100.7**	**1.6**	**–99.1**	**–71.5**	**11.0**	**–60.5**

Other income/loss from companies accounted for using the equity method in the reporting year and the previous year is exclusively attributable to items that may not be reclassified into the income statement in future periods.

Notes to the consolidated statement of cash flows

(29) Other disclosures

The cash and cash equivalents were composed of short-term available cash in banks, securities, cash on hand, and checks.

Additions in both intangible assets and property, plant, and equipment of € 6.6 million (PY: € 5.3 million) were not yet reflected in cash.

The cash flow from investing activities contains income taxes paid of € 113.0 million (PY: € 17.1 million). In the reporting period these resulted from real estate sales. Together with the income taxes paid in the cash flow from operating activities disclosed below the cash flow statement the income taxes paid amount in total to € 274.7 million (PY: € 187.4 million).

The acquisition costs, cash payments, and purchased assets and liabilities for business acquisitions are presented in the following table (see note (2c) for the major acquisitions):

€ millions	2017	2016
Intangible assets	75.9	220.6
Property, plant, and equipment	0.9	10.2
Non-current financial assets	0.0	1.1
Trade receivables	31.0	14.2
Other assets	3.9	29.1
Cash and cash equivalents	21.1	22.4
Provisions and other liabilities	–49.8	–53.8
Deferred tax liabilities	–22.7	–80.3
Net assets	**60.2**	**163.6**
Acquisition cost (preliminary)	181.9	307.2
Thereof paid	86.2	293.7

The amounts from the purchases of shares in consolidated subsidiaries and business units less cash and cash equivalents acquired reported in the cash flow statement, in addition to the cash payments and acquired funds listed in the table, also include payments for acquisitions of the previous years (in particular payments from contingent considerations totaling € 120.0 million (PY: € 93.4 million); see note (33)).

The following table provides details of sales proceeds, paid up amounts, and disposed assets and liabilities arising from transactions with loss of control:

€ millions	2017	2016
Goodwill	1.7	83.3
Other intangible assets	0.8	107.1
Property, plant, and equipment and non-current financial assets	0.1	5.8
Trade receivables	3.6	16.7
Other assets	0.7	20.0
Cash and cash equivalents	0.4	13.7
Provisions and other liabilities	–5.1	–97.9
Deferred tax liabilities	–0.3	–16.0
Disposal net assets	**1.9**	**132.6**
Net realizable value	6.4	268.1
Thereof paid-up	5.6	90.9

In the previous year, besides the received purchase prices (after taxes), the proceeds from disposals (after taxes) comprised in particular the addition of the net assets of € 163.9 million in connection with the establishment of the company Ringier Axel Springer Schweiz AG, see note (2c). The disclosure of cash inflows from divestitures in the cash flow statement is made under proceeds from disposals of consolidated subsidiaries and business units less cash and cash equivalents given up.

The proceeds from disposal of intangible assets property, plant, and equipment, and investment property in the amount of € 247.6 million related to the sale of the Axel-Springer-Passage in Berlin, see note (5). For the purchases of intangible assets and property, plant, and equipment in connection with the new Axel Springer headquarter building in Berlin see note (5) and note (39).

In the previous year the payments from the disposal of financial assets, including repayment of the vendor loan, amounting to € 247.9 million relate to the early repayment of the subordinated vendor loan including capitalized interest from the FUNKE Mediengruppe, see note (2d).

In the line purchase of non-controlling interests primarily the payment for the exercise of the option on the acquisition of non-controlling interests of the Awin Group has been recorded, see note (2c) and note (33).

The change in the statement of financial positions of current and non-current financial liabilities related almost exclusively from cash proceeds and cash repayments disclosed in the cash flow from financing activities.

The cash inflows from other financial transactions resulted primarily from other non-current loans and correspond to the change in the statement of financial positions within other non-current financial liabilities. In the previous year the other financing activities within the cash flow from financing activities included the transfer to the plan assets of € 67.5 million, which was part of the purchase price received in 2015 for the sale of the Hamburg office building complex.

Regarding cash inflows and outflows with respect to discontinued operations, see note (2d).

Notes to the consolidated segment report

(30) Basic principles of segment reporting

The segment reporting reflects the internal management and reporting structures. In the fiscal year the names of our segments have been adjusted. The content composition of the segments remained unchanged. The reporting format is broken down into the three operating segments, those being News Media (previously Paid Models), Marketing Media (previously Marketing Models), and Classifieds Media (previously Classifieds Ad Models). In addition, there is the Services/Holding segment.

Segmentation of assets, liabilities, and investments based on the operating segments does not occur as these measures do not serve as a basis for decision making at segment level.

(a) Operating segments

All business models which predominantly generate revenues in online classified advertising are summarized in the Classifieds Media segment. Our portfolio comprises leading domestic and foreign online classified portals focusing on real estate, jobs and cars, as well as general classifieds. Our online classifieds portals include the real estate portals SeLoger, Immoweb, Immowelt/Immonet, the job portals of the StepStone Group (including the portals of Totaljobs, Jobsite and Saongroup), the regional portal meinestadt.de, the portals of @Leisure for holiday properties (incl. the portals Traum-Ferienwohnungen and DanCenter), as well as the car and generalist classified ad portals LaCentrale and Yad2.

The News Media segment includes primarily business models that are based on content creation and funded by paying readers and/or advertisers. News Media National include the digital and print media of the BILD and WELT Group, the computer, car and sport magazines of the BILD brand family, B.Z. and the music magazines.

News Media International include Axel Springer's digital and printed media services in Europe and the USA. In Europe our main areas of representation are in Poland, Slovakia, Serbia, Hungary, Switzerland, Belgium, Spain and the Baltic States. Onet.pl and azet.sk, the leading internet portals in Poland and Slovakia, also belong to this sub-segment. In the USA, we are represented with businessinsider.com and additionally with eMarketer.

The Marketing Media segment compromises all domestic and foreign business models whose revenues are primarily generated by advertising customers in marketing based on performance or reach. These include, in particular, the performance-based activities of the Awin Group (previously Zanox Group), which have been strengthened through the offerings of ShareASale.com and the affilinet Group, as well as the reach-based marketing offers of

Idealo, finanzen.net, Bonial and auFeminin (see for the planned disposal of auFeminin note (10), (40)).

The Services/Holding segment comprises group services including IT, printing plants, real estate management, gastronomy, and financial and personnel services, as well as holding functions such as accounting, controlling, finance, law, tax, HR, internal audit, strategy, and communication. Group services are purchased by customers within the Group and are priced at arm's length.

(b) Geographical information

The activities of the Axel Springer Group are conducted mainly in Germany, other European countries, and the USA.

For purposes of geographical segment reporting, the revenues are segmented according to the location of the customer's registered office and the non-current assets according to the location of the legal entity.

(31) Segment information

The segment information was compiled on the basis of the recognition and measurement methods applied in the consolidated financial statements.

The external revenues comprise circulation revenues from the sale of publishing products, advertising revenues, and revenues from rendering services. The internal revenues consist of revenues from the exchange of goods and services between the various segments. The transfer pricing is based on cost coverage.

We use the performance figure adjusted EBITDA, which illustrates earnings before interest, taxes, depreciation and amortization, as well as adjusted EBIT, which is defined as earnings before interest and taxes, to measure segment results. In calculating this performance figure, non-recurring effects and effects of purchase price allocations are eliminated. Non-recurring effects include effects from the acquisition and disposal (including contribution) of subsidiaries, business units, and investments (including effects from the subsequent valuation of contingent considerations and other option liabilities for the acquisition of non-controlling interests), as well as impairment and write-ups of investments, effects from the sale of real estate, impairments, and write-ups of real estate used for own operational purposes, plus expenses related to the long-term incentive plan for the current Executive Board members (LTIP) granted at the beginning of May 2016. Purchase price allocation effects include the expenses of amortization, depreciation, and impairments of intangible assets, and property, plant, and equipment from the acquisition of companies and business divisions.

The breakdown of the eliminated non-recurring effects from the adjusted EBITDA and adjusted EBIT into the segments is shown below:

	2017				2016			
€ millions	Classifieds Media	News Media	Marketing Media	Services/ Holding	Classifieds Media	News Media	Marketing Media	Services/ Holding
Effects from acquisitions of subsidiaries and investments	−2.4	−10.9	−1.3	0.0	−2.6	−17.0	−0.4	0.0
Subsequent valuation of contingent purchase price liabilities and other option liabilities for the acquisition of non-controlling interests	−15.1	−2.6	52.7	0.0	−20.2	−3.0	−6.6	0.0
Effects from initiated and finalized disposals of subsidiaries, investments and real estate	0.4	−12.4	0.7	183.7	77.4	94.0	50.3	69.1
Impairment on investments	0.0	−40.3	−15.3	0.0	−0.5	0.0	−2.5	0.0
Executive Board Program 2016 (LTIP)	0.0	0.0	0.0	−20.2	0.0	0.0	0.0	−3.5
Non-recurring effects	**−17.2**	**−66.2**	**36.8**	**163.5**	**54.1**	**74.0**	**40.9**	**65.6**

The effects from business acquisitions are mainly attributable to the News Media segment, mainly resulting from effects of purchase price allocations in connection with the establishment of Ringier Axel Springer Schweiz AG. In the previous year effects of purchase price allocations in connection with the acquisition of eMarketer have been included.

The effects of the subsequent valuation of contingent consideration and other option liabilities for the acquisition of non-controlling interests related primarily to Bonial Holding (Marketing Media) and Immowelt (Classifieds Media) in the reporting year (PY: Immowelt and Immoweb (both Classifieds Media)).

The effects from the sale and disposal of real estate and companies conducted and initiated are mainly attributable to the sale of the Axel-Springer-Passage in Berlin (Services/Holding, see note (5)). In the previous year, the effects related primarily to the disposal of CarWale (Classifieds Media), as well as the income from the disposal of the entire Swiss business in connection with the establishment of Ringier Axel Springer Schweiz AG jointly with Ringier (News Media), the income from the disposal of Smarthouse Media and the disposal of the investment in Thrillist (both Marketing Media). Furthermore, in the previous year the gain on the sale of the office building complex in Hamburg was included in the Services/Holding segment.

The impairments on investments related primarily to the News Media segment and related to Ringier Axel Springer Schweiz AG, see note 7(a).

For the long-term incentive plan for the current Executive Board members 2016 (LTIP) see further explanations in note (12).

The reconciliation of the income from investments disclosed in the income statement as well as the impairments are shown below:

€ millions	2017	2016
Income from investments included in adjusted EBITDA	16.0	18.7
Non-recurring effects included in result from investments accounted for using the equity method	–51.1	16.8
Non-recurring effects included in other investment income	–4.0	4.7
Income from investments	**–39.0**	**40.2**
Depreciation, amortization, impairments, and write-ups (except from non-recurring effects and purchase price allocations)	–141.9	–124.3
Amortization and impairments from purchase price allocations	–94.2	–108.3
Depreciation, amortization, and impairments	**–236.1**	**–232.6**

The non-current segment assets include goodwill, intangible assets, property, plant, and equipment as well as investment properties. The largest share of non-current segment assets of the other countries is attributable to France in the amount of € 839.6 million (PY: € 1,024.8 million) and the USA in the amount of € 668.0 million (PY: € 733.6 million).

Other disclosures

(32) Capital management

Beyond the provisions of German law applicable to stock corporations, Axel Springer SE is not subject to any further obligations relating to capital preservation, whether from its own Articles of Incorporation or from contractual obligations. The financial key figures we used for management purposes are primarily earnings-driven. The goals, methods, and processes of our capital management are subordinate to the earnings-driven financial key figures.

We can utilize the funds derived from the promissory notes (€ 879.0 million) and also avail ourselves of our long-term credit lines (€ 1,200.0 million), both for general business purposes as well as to finance acquisitions.

In order to optimize our financing conditions, in May 2017, we improved the average rate of interest, extended the average term and significantly increased the financing volumes through the partial termination, transformation and subscription of our existing promissory notes. In this context, the long-term credit lines drawn down were also repaid, as well the early repayment of two promissory notes with floating interest rates. The maturity of our credit lines remained unchanged.

As of December 31, 2017, there were now promissory notes totaling € 879.0 million with a term to April 2018 (€ 70.5 million), to October 2018 (€ 104.0 million), to October 2020 (€ 69.0 million), to May 2021 (€ 11.5 million), to May 2022 (€ 158.0 million), to May 2023 (€ 72.0 million) and to May 2024 (€ 394.0 million). In addition, on the balance sheet date credit lines amounting to € 1,200.0 million, the utilization of which is due for repayment in July 2020. The utilization of the credit lines is tied to compliance with covenants. Since the existence of the credit lines we have fully complied with all credit terms.

For the purpose of maintaining and adjusting the capital structure, the company can adjust the dividend payments to its shareholders or purchase treasury shares representing up to 10.0 % of the subscribed capital as of the date of the resolution at the Annual General Meeting on the authorization to acquire treasury shares on April 16, 2014. Treasury shares can be used for acquisition financing or they can be retired. At the reporting date and the prior year's reporting date, we held no treasury shares.

(33) Financial assets and liabilities

The balance sheet items comprising financial assets and liabilities can be attributed to the measurement categories according to IAS 39 as follows:

€ millions	Carrying amount	Loans and receiv-ables	Financial liabilities	Available-for-sale financial assets	Financial assets and liabilities held for trading	No category according to IAS 39 and non financial assets and liabilities
Assets 12/31/2017						
Other non-current investments and securities	163.9			163.9		
Loans and advances	40.1	40.1				
Derivatives	155.3				155.3	
Other non-current financial assets	359.3	40.1		163.9	155.3	
Trade receivables	693.9	693.9				
Receivables due from related parties	29.3	29.3				
Other	148.7	53.5				95.2
Other assets	148.7	53.5				95.2
Cash and cash equivalents	216.8	216.8				
Liabilities 12/31/2017						
Financial liabilities	1,237.0		1,236.8			0.3
Trade payables	462.1		462.1			
Liabilities due to related parties	64.5		22.9			41.6
Derivatives designated as a hedging instrument	0.4				0.4	
Contingent consideration	80.6					80.6
Other	658.7		281.8			376.9
Other liabilities	739.7		281.8		0.4	457.4
Assets 12/31/2016						
Other non-current investments and securities	154.5			154.5		
Loans and advances	41.6	41.6				
Derivatives	146.3				146.3	
Other non-current financial assets	342.3	41.6		154.5	146.3	
Trade receivables	614.6	614.6				
Receivables due from related parties	40.0	40.0				
Derivatives	0.6				0.6	
Other	160.3	63.5				96.8
Other assets	160.9	63.5			0.6	96.8
Cash and cash equivalents	224.1	224.1				
Liabilities 12/31/2016						
Financial liabilities	1,259.3		1,258.7			0.6
Trade payables	379.8		379.8			
Liabilities due to related parties	29.6		23.1			6.5
Derivatives designated as a hedging instrument	0.6				0.6	
Derivatives not designated as a hedging instrument	12.4				12.4	
Contingent consideration	309.3					309.3
Other	634.4		249.3			385.1
Other liabilities	956.7		249.3		12.4	695.0

With the exception of the following financial assets and liabilities, the valuation is at amortized cost.

€ millions	12/31/2017 Fair value based on market price (level 1)	Fair value based on observable market data (level 2)	Fair value not based on observable input factors (level 3)	12/31/2016 Fair value based on market price (level 1)	Fair value based on observable market data (level 2)	Fair value not based on observable input factors (level 3)
Other non-current investments and securities			103.7			106.0
Derivatives not designated as a hedging instrument (positive fair value) (see note (35b))			155.3		0.6	146.3
Derivatives designated as a hedging instrument (negative fair value) (see note (35a))		0.4			0.6	
Derivatives not designated as a hedging instrument (negative fair value) (see note (35b))					12.4	
Contingent consideration			80.6			309.3

Besides additions of € 21.1 million (PY: € 77.9 million) and disposals of € 5.6 million (PY: € 0.0 million) the development of other non-current investments and securities related to fair value changes of € – 17.8 million (PY: € 13.9 million) recognized directly in equity. In addition, fair value changes of € – 0.6 million (PY: € 0.0 million) have been recognized in other investment income.

In the reporting year, the fair values of liabilities for contingent considerations from business combinations developed as follows:

€ millions	2017	Thereof Immoweb	Thereof Bonial Holding	thereof Awin	Thereof Onet
January, 1	309.3	67.4	54.2	63.1	41.9
Acquisitions or granting of option rights	13.2				
Payment	– 187.0	– 52.8		– 62.4	– 43.8
Subsequent valuation affecting net income	– 43.9	3.4	– 50.0	– 1.1	2.0
Thereof other operating income	– 56.6		– 50.0	– 1.1	
Thereof other operating expenses	12.6	3.4			2.0
Compound	2.0	0.2	0.1	0.4	
Other	– 13.0				
December, 31	**80.6**	**18.2**	**4.3**	**0.0**	**0.0**

Other effects mainly related to the reclassification of contingent considerations into liabilities related to assets held for sale, see note (10). The subsequent valuation of the contingent consideration for the acquisition of non-controlling interests of the Bonial Holding is connected to the closing of the business in the USA in the reporting year and the associated adjustment of the medium-term planning of the entity.

€ millions	2016	Thereof Immoweb	thereof Awin	Thereof Bonial Holding	Thereof Onet	Thereof Car&Boat Media
January, 1	307.8	61.2	0.0	52.8	42.9	89.8
Acquisitions or granting of option rights	75.2		63.1			
Divestment	0.0					
Payment	– 93.4				– 1.9	– 89.7
Subsequent valuation affecting net income	17.2	5.5	0.0	1.8	0.9	– 0.6
Thereof other operating income	– 3.1				– 1.5	– 0.6
Thereof other operating expenses	20.3	5.5		1.8	2.4	
Compound	2.2	0.7		– 0.4		0.5
Other	0.3					
December, 31	**309.3**	**67.4**	**63.1**	**54.2**	**41.9**	**0.0**

The fair value measurement of the contingent purchase price liabilities essentially depends on the estimated results of the acquired companies in the years before the possible exercise periods of the option rights or the payment dates of the earn-outs. The earnings used as a basis for measurement are generally EBITDA figures adjusted for material non-recurring effects. In case of an increase of the relevant estimated earnings measures by 10 %, the value of the contingent consideration would increase by approximately 23 %. A decrease of the relevant earnings measures by 10 % would result in a reduction of approximately 2 %.

With the exception of the financial liabilities presented below, the carrying amounts of the financial assets and liabilities were identical to their fair values.

€ millions	12/31/2017		12/31/2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	793.3	804.1	448.0	456.1
Thereof promissory note	793.3	804.1	448.0	456.1

The fair value disclosed is determined on the basis of the advantage between the contractually agreed effective interest rate and the market interest rate taking into account our credit risk (level 2 of the measurement hierarchy, see note (3g)).

The net gains and losses of financial instruments (excluding interest and income from investments) recognized in the income statement are presented in the following table.

€ millions	2017	2016
Loans and receivables, financial liabilities	–5.2	–27.3
Available-for-sale financial assets	–4.5	5.5
Financial assets and liabilities held for trading	4.7	15.0

The net gains and losses in the categories of “loans and receivables” and “financial liabilities” consisted mainly of the result from the currency conversion and valuation allowances.

The net gains or losses of available-for-sale financial assets consisted mainly of impairment losses. In the previous year gains and losses on the disposal of these financial assets have been included.

The net gains or losses in the category of “financial assets and liabilities held for trading” mostly resulted from changes in fair value of foreign currency derivatives and gains (PY: expenses) from other financial derivatives.

In the fiscal year, fair value changes of € –17,7 million (PY: € 14.1 million) before taxes were recognized directly in equity.

(34) Financial risk management

With respect to its financial assets and liabilities, the Axel Springer Group is exposed to financial market risks, liquidity risks, and credit risks. The task of financial risk management is to limit these risks by means of targeted measures.

(a) Financial market risks

Financial market risks for financial assets and liabilities mainly consist of interest rate risks and exchange rate risks.

In principle, the effects of these risks on the value can be assessed promptly and, where applicable, the loss risks can be reduced.

Selected derivative hedging instruments are used to hedge risks. The use of financial derivatives is governed by appropriate guidelines of the Group. These guidelines define the relevant responsibilities, permissible actions, reporting requirements and business partner limit, and prescribe the strict separation of trading and back-office functions.

To hedge the interest rate risk, we employ in particular interest rate derivatives such as interest rate swaps, in addition to increased use of fixed interest agreements. The degree of hedging specified in the Axel Springer finance regulations ranges between 30 % and 100 % of the underlying transaction volume. The use of fixed interest agreements and interest rate derivatives resulted in an annual average hedging ratio regarding the gross indebtedness (promissory notes and liabilities for banks) of 49.0 % (PY: 39.1 %).

The effects of market interest rate changes on variable-interest financial instruments not hedged with financial derivatives are calculated using a sensitivity analysis. Assuming a parallel shift in the yield curve of +50 basis points, the financial result would decrease by € 0.9 million (PY: € 1.8 million). Assuming a parallel shift of the interest curve by –50 basis points, the financial result would increase by € 0.4 million (PY: € 0.0 million). The financial result reacts less sensitively to interest rate reductions due to variable interest rate financial instruments with an agreed minimum interest rate.

Currency risks from operations are mainly avoided through the occurrence of operating costs in the countries in which we sell our products and services. Remaining currency risks from operations are insignificant to the Group since the majority of adjusted EBITDA is earned in the euro currency zone. In the reporting period, the share of adjusted EBITDA not earned in Euros was 13 % (PY: 20 %).

Currency risks from foreign currency claims and liabilities (without liabilities from contingent consideration) as well as claims and liabilities in euros in non-euro countries with net exposures starting at € 5 million per foreign currency are in principal hedged by means of maturity-congruent forward exchange transactions.

Local-currency cash flows generated in non-euro zone countries are either reinvested to expand local business operations, or invested with Axel Springer SE and hedged by means of forward exchange deals or distributed in the form of dividends. Therefore, the foreign exchange risk from fluctuating exchange rates for foreign currency cash and cash equivalents is limited.

Effects from the currency translation of statements prepared by subsidiaries in foreign currencies are recorded directly in accumulated other comprehensive income. Therefore, Axel Springer does not hedge such currency effects.

(b) Liquidity risk

We continually monitor the availability of financial resources to fund the company's operating activities and investments by means of a Group-wide liquidity planning system and monthly cash flow analyses. Liquidity and financial flexibility of the Axel Springer Group is ensured by fixed credit lines in the amount of € 1,200.0 million (until 2020) as well as by the promissory notes (€ 879.0 million). Note (17) contains a maturity analysis of our financial liabilities. The payment obligations for financial obligations that have been contractually agreed but not yet recorded are presented in note (39).

(c) Credit risk

Financial assets may be impaired if business partners do not adhere to payment obligations. The maximum exposure to risk from financial assets, which are fundamentally subject to credit risk, correspond to their carrying amounts.

Significant risk items are contained in non-current financial assets (loans) as well as in trade receivables, receivables due from related parties, and other assets.

The majority of our business models are based on a widely distributed and heterogeneous customer base. We therefore estimate the risk of significant defaults to be low. To the extent that credit risks are discernible, we reduce them using active management of receivables, credit limits, and credit checks of our business partners. Appropriate allowances are formed to account for discernible default risks.

Investments in securities are made only in instruments with first-class ratings according to our finance regulations. Investment in time deposits occurs exclusively at financial institutions that belong to the deposit protection fund and/or are classified by leading rating agencies as being at least of Investment Grade Status BBB- (S&P) or Baa3 (Moody's).

(35) Financial derivatives

(a) Financial derivatives designated as hedging instruments

In the reporting period, designated hedging instruments were used in particular to hedge against the interest rate risks of long-term liabilities. The cash flows were hedged through an interest rate swap. Regarding maturity and nominal amount the interest rate swap was chosen to match the corresponding tranches of the variable-interest loans (hedged items). The interest rate swap was measured at fair value. The changes in the fair value were recognized in accumulated other comprehensive income until the hedged item was realized.

The fair value measurement of the interest rate swap on the reporting date yielded negative fair values of € –0.4 million (PY: € –0.6 million). During the reporting period a profit (after tax) of € 0.1 million was recorded in other comprehensive income (PY: € 0.1 million).

In addition, in the previous year designated hedging instruments were used to hedge against currency risks from purchase price payments for company acquisitions in foreign currency. Unrealized gains of € 4.1 million from foreign exchange transactions and currency options realized during the previous year were initially recorded in other equity to hedge purchase price payments and were included in acquisition costs of the acquired non-financial assets. On the reporting date as well as in the previous year, there were no further derivatives designated as hedging instruments.

(b) Financial derivatives not designated as hedging instruments

In order to secure our investment in Doğan TV, we concluded several put options for a successive sale of all shares with the seller. With regard to the accounting of this hedging agreement, see note (7b). From the valuation of these put options we recognized gains of € 6.4 million (PY: losses of € 4.9 million) in the financial result. Besides the agreed fixed price secured by bank guarantees, the valuation of the derivatives depends in particular on the discounting of the future payment entitlements. A supposed variation of the interest rate by 25 basis points would lead to an opposite change of the fair value of the put options by approximately € 1.1 million (PY: € 1.4 million).

Furthermore, as of the balance sheet date of the previous year for exchange transactions with a nominal value of € 138.3 million forward exchange transactions and exchange options with a negative fair value of € –12.4 million and a positive fair value of € 0.6 million;

these were entered in order to secure against currency risks in loans from foreign subsidiaries or a contingent purchase price liability. The profits and losses from the fair value measurement of these forward exchange transactions, as well as the opposite profits and losses from the foreign currency measurement of the hedged loan claims and obligations were recognized.

(36) Relationships with related parties

Related parties are defined as those persons and companies that control the Axel Springer Group, or that are controlled, jointly managed, or subject to significant influence by the Axel Springer Group. Accordingly, the members of the Springer family, the companies controlled, jointly managed, or subject to significant influence by this family, as well as companies in whose management they hold a key position have been defined as related parties for the Axel Springer Group. Control of the Group is exercised by Axel Springer Gesellschaft für Publizistik GmbH & Co. or its parent company, Friede Springer GmbH & Co. KG, a majority of which is attributable to Dr. h.c. Friede Springer. In addition, the subsidiaries, joint ventures, and associated companies of the Axel Springer Group have been defined as related companies. In addition to the active members of the Executive Board and Supervisory Board of Axel Springer SE (including their family members) and their controlled or jointly managed holdings, the institutions managing the plan assets of the Axel Springer Group must also be considered related parties.

Besides the business relationships with the consolidated subsidiaries, the following business relationships existed with related parties:

€ millions	Total	Associated companies	Other related parties	Total	Associated companies	Other related parties
Balance sheet	**12/31/2017**			**12/31/2016**		
Loans	0.7	0.1	0.6	2.7	1.5	1.3
Receivables	29.3	27.0	2.2	40.0	37.6	2.3
Thereof trade	3.4	2.5	0.9	6.8	5.6	1.1
Allowances included	1.2	0.0	1.2	18.3	3.1	15.2
Provisions	17.5	0.0	17.5	15.2	0.0	15.2
Liabilities	64.3	12.0	52.2	29.4	15.5	13.9
Thereof trade	3.7	0.9	2.8	2.4	0.8	1.7
Income statement	**2017**			**2016**		
Goods and services supplied	19.2	16.7	2.5	24.6	17.7	6.8
Goods and services received	78.3	2.5	75.9	40.3	2.2	38.0
Financial result	0.1	0.1	0.1	1.0	0.9	0.1

The changes in the allowances for receivables due to related parties are presented in the table below:

€ millions	2017	2016
Balance as of January 1	18.3	26.5
Additions	0.2	1.1
Utilization	–17.0	–9.3
Reversals	–0.4	0.0
Other changes	0.0	–0.1
Balance as of December 31	**1.2**	**18.3**

As of December 31, 2017, receivables in the amount of € 2.6 million (PY: € 2.6 million) were neither past due nor subject to valuation allowances. With regard to these receivables, there were no indications at the reporting date that would suggest that the related parties would not fulfill their payment obligations.

The receivables and liabilities relating to associated companies mainly relate to Ringier Axel Springer Schweiz AG and contain outstanding receivables and liabilities in connection with the formation of the company (see note (2c)).

The provisions referred to pension obligations owed to members of the Executive Board. The liabilities include obligations from the share-based compensation programs granted to the Management Board of Axel Springer SE in the amount of € 41.6 million (PY: € 6.5 million).

Goods and services provided to related parties were mostly related to the distribution of newspapers and magazines as well as other services. The services received from related parties mainly regarded Executive Board or Supervisory Board services, purchased publishing products and other services.

In the fiscal year 2017, the fixed compensation of the members of the Executive Board of Axel Springer SE amounted to € 9.5 million (PY: € 9.1 million). The variable compensation amounted to € 10.2 million (PY: € 10.1 million). The measurement of the share-based compensation granted to the Executive Board of Axel Springer SE resulted in personnel expenses of € 35.1 million (PY: personnel expenses of € 3.5 million) and other operating income of € 3.1million). Furthermore, the Supervisory Board has granted the Executive Board members a bonus totaling € 12.0 million, which was part of a voluntary one-off payment of the global growth investor General Atlantic in recognition of the outstanding success of the joint investment in the online classifieds business and the development of the company and which did not lead to expenses in the consolidated income statement (see further explanation in the combined management report, page 79). Guaranteed pension payments to members of the Executive Board resulted in a personnel expense of € 1.6 million (PY: € 2.3 million).

The compensation of the members of the Supervisory Board amounted to € 3.0 million (PY: € 3.0 million). At the end of 2017, we have founded an investment fund for media start-ups together with a related party of a Supervisory Board member. Axel Springer's share in the investment fund is approx. 93 %, which needs to be treated as a joint venture due to partnership arrangements. For the takeover of the management services the related party of the Supervisory Board member receives an annual compensation of USD 0.3 million (€ 0.3 million). In the previous year a Supervisory Board member received compensation of € 0.1 million for services as an author.

The compensation of the members of the Executive and Supervisory Board is described in detail in the compensation report, which is part of the notes to the consolidated financial statements. The compensation report is included in the section “Corporate Governance Report”.

An amount of € 2.5 million (PY: € 2.7 million) was paid to former Executive Board members and former managing directors and their survivors. A total amount of € 31.4 million (PY: € 33.6 million) was deferred for pension obligations.

For transactions with the institutions managing the plan assets of the Axel Springer Group, please find the explanations in note (13).

(37) Contingent liabilities

As of December 31, 2017, contingent liabilities from guarantees existed in the amount of € 4.3 million (PY: € 4.9 million).

(38) Contingent assets

Contingent assets were due from KirchMedia GmbH & Co KGaA i. L. in the amount of € 211.3 million (PY: € 221.0 million). Insofar as advance payments are announced in the context of the insolvency proceedings against KirchMedia GmbH & Co. KGaA i.L., we recognize them as receivables. The receivables accepted in the table of claims by the insolvency administrator originally totaled € 325.0 million. A total of € 8.1 million (PY: € 3.3 million) was paid out in the reporting year.

(39) Other financial commitments

The other financial commitments broke down as follows:

€ millions	12/31/2017	12/31/2016
Purchase commitments for		
- intangible assets	1.9	0.8
- property, plant, and equipment	193.7	228.7
- inventories	48.9	22.9
Future payments under operating leases	479.3	198.5
Future payments under finance leases	0.3	0.7
Long-term purchase obligations	38.4	59.9
Other financial obligations	**762.5**	**511.5**

In Berlin, the construction of the new Axel Springer building in direct vicinity of the old headquarter building is currently taking place. From 2020 on up to 3,500 employees will be working on about 52,000 m^2. Total construction budget will be approximately € 305 million. As of the balance sheet date, investments amounted to around € 90 million (PY: around € 42 million). The purchase commitments for property, plant, and equipment almost exclusively result from this new construction project. In July 2017 a contract for the sale of the new Axel Springer building under construction was signed (see note (5)).

The increase in purchase commitments for inventories is due to new paper delivery contracts.

The increase in future payments under operating leases primarily relates to the leaseback of the Axel-Springer high-rise (main building) (see note (40)) and the Axel-Springer-Passage (see note (5)) (both in Berlin).

Long-term purchase obligations resulted primarily from contracts for TV productions.

The future minimum lease payments from operating leases on December 31, 2017 are broken down in the following table:

€ millions	2017	2016
Due in up to one year	73.8	58.5
Due in one to five years	208.7	118.9
Due in more than five years	196.8	21.1
Total	**479.3**	**198.5**

(40) Events after the reporting date

On January 1, 2018, the Axel-Springer high-rise (main building) in Berlin was transferred with a fair value of € 156.0 million for the formation of plan assets to Axel Springer Pensionstreuhand e.V., Berlin, ("association") on a fiduciary basis. In return, the association made a payment in the amount of € 15.6 million, so that the plan assets increased in total by € 140.4 million. For further use of the building by Axel Springer, a rental contract with a duration of 30 years and an initial annual rent in the amount of € 5.9 million was concluded with the association. The disposal and leaseback were to be reported as a so-called sale-and-leaseback transaction according to the new standard for lease accounting (IFRS 16). Consequently, the remaining carrying amount of the building as of January 1, 2018 (€ 27.0 million) in the amount of € 19.7 million was to be carried forward as a new leasing right-of-use asset and derecognized in the amount of

€ 7.3 million. On the basis of the future rent payments, a leasing liability in the amount of € 113.8 was recognized as of January 1, 2018. In total, the transaction resulted in income of € 34.9 million in the fiscal year 2018.

In December 2017, Axel Springer and Télévision Française 1 (TF1) signed an option agreement and in January 2018 an agreement on the sale of Axel Springer's share in the French aufeminin Group at a price of € 38.74 per share. This was equivalent to a premium of 45.7 % on the closing price as of December 8, 2017. Axel Springer's 78.43 %-share was therefore valued at € 286.1 million, plus a monthly interest payment until completion of the transaction. Completion of the transaction requires approval by the relevant antitrust authorities (for further information, see note (10)).

At the beginning of February 2018, the acquisition of 100 % of the shares in Concept Multimédia SAS, Aix-en-Provence/Paris, France, was completed (for further information, see note (2c)).

Moreover, there are no further significant events after the reporting date to be reported.

(41) Declaration of Conformity with the German Corporate Governance Code

Axel Springer SE published the Declaration of Conformity with the German Corporate Governance Code issued by the Management Board and Supervisory Board in accordance with Section 161 of the German Stock Corporations Act (AktG) on the company's website www.axelspringer.de → Investor Relations → Corporate Governance, where it is permanently available to shareholders. The Declaration of Conformity is also printed in the Corporate Governance section of this Annual Report.

(42) Companies included in the consolidated financial statements and share property

No.	Company	12/31/2017 Share-holding in %	12/31/2017 via No.	12/31/2016 Share-holding in %	12/31/2016 via No.	
1	**Axel Springer SE, Berlin**	-	-	-	-	
	Fully consolidated subsidiaries					
	Germany					
2	affilinet GmbH, Munich	100.0	5	-	-	
3	AS Osteuropa GmbH, Berlin	100.0	21	100.0	21	
4	AS TV-Produktions- und Vertriebsges. mbH, Hamburg	100.0	1	100.0	1	
5	AWIN AG (previously ZANOX AG), Berlin	80.0	11	52.5	11	16)
6	Axel Springer All Media GmbH & Co. KG, Berlin	100.0	1	100.0	1	6)
7	Axel Springer Asia GmbH, Hamburg	100.0	21	100.0	21	
8	Axel Springer Auto-Verlag GmbH, Hamburg	100.0	1	100.0	1	5)
9	Axel Springer Digital Classifieds GmbH, Berlin	100.0	11	100.0	11	5)
10	Axel Springer Digital Classifieds Holding GmbH, Berlin	100.0	9	100.0	9	5)
11	Axel Springer Digital GmbH, Berlin	100.0	1	100.0	1	5)
12	Axel Springer Digital Ventures GmbH, Berlin	100.0	11	100.0	11	5)
13	Axel Springer Digital Ventures US GmbH, Berlin	100.0	12	100.0	12	
14	Axel Springer Digital Ventures US II GmbH (previously Sechsundsiebzigste "Media" Vermögensverwaltungsges. mbH), Berlin	100.0	12	-	-	
15	Axel Springer Druckhaus Spandau GmbH & Co. KG, Berlin	100.0	1	100.0	1	6)
16	Axel Springer hy GmbH (previously Axel Springer Transformator Holding GmbH), Berlin	62.1	12	-	-	
17	Axel Springer Ideas Engineering GmbH, Berlin	100.0	35	100.0	35	5)
18	Axel Springer ideAS Ventures GmbH, Berlin	100.0	35	100.0	35	5)
19	Axel Springer INSIDER Ventures GmbH, Berlin	80.1 19.9	12 130	-	-	
20	Axel Springer International GmbH, Berlin	100.0	1	100.0	1	5)
21	Axel Springer International Holding GmbH, Berlin	100.0	20	100.0	20	5)
22	Axel Springer Kundenservice GmbH, Hamburg	100.0	1	100.0	1	5)
23	Axel Springer Liveware IT GmbH, Berlin	100.0	17	-	-	5)
24	Axel Springer Mediahouse Berlin GmbH, Berlin	100.0	1	100.0	1	5)
25	Axel Springer Medien Accounting Service GmbH, Berlin	100.0	1	100.0	1	5)
26	Axel Springer Offsetdruckerei Ahrensburg GmbH & Co. KG, Ahrensburg	100.0	1	100.0	1	6)
27	Axel Springer Offsetdruckerei Kettwig GmbH & Co. KG, Essen	100.0	1	100.0	1	6)
28	Axel Springer Personalservice GmbH, Berlin	100.0	1	100.0	1	5)
29	Axel Springer Services & Immobilien GmbH, Berlin	100.0	1	100.0	1	5)
30	Axel Springer Sport Dienstleistungs-GmbH, Hamburg	100.0	31	100.0	31	
31	Axel Springer Sport Verlag GmbH, Hamburg	100.0	1	100.0	1	5)
32	Axel Springer Syndication GmbH, Berlin	100.0	35	100.0	35	5)
33	Axel Springer Teaser Ad GmbH (previously Sechsundneunzigste "Media" Vermögensverwaltungsges. mbH), Berlin	100.0	6	-	-	
34	Axel Springer TV Productions GmbH, Hamburg	100.0	1	100.0	1	5)
35	"Axel Springer Verlag" Beteiligungsgesellschaft mbH, Berlin	100.0	1	100.0	1	5)
36	B.Z. Ullstein GmbH, Berlin	100.0	35	100.0	35	5)
37	Bilanz Deutschland Wirtschaftsmagazin GmbH, Hamburg	100.0	35	100.0	35	5)
38	BILD GmbH & Co. KG, Berlin	100.0	1	100.0	1	6)
39	Bonial Holding GmbH, Berlin	72.5	11	72.5	11	9)
40	Bonial International GmbH, Berlin	100.0	39	100.0	39	
41	Bonial Management GmbH, Berlin	100.0	39	100.0	39	
42	Buch- und Presse-Großvertrieb Hamburg GmbH & Co. KG, Hamburg	77.1	1	77.1	1	6)
43	Buzz Technologies GmbH, Berlin	51.0	1	51.0	1	
44	Casamundo GmbH, Hamburg	100.0	92	100.0	92	
45	Commerz-Film GmbH, Berlin	100.0	21	100.0	21	
46	comparado GmbH, Lüneburg	100.0	56	100.0	56	
47	COMPUTER BILD Digital GmbH, Hamburg	100.0	1	100.0	1	5)
48	Contact Impact GmbH, Hamburg	75.1	6	-	-	
49	Content Factory TV-Produktion GmbH, Berlin	100.0	88	100.0	88	5)
50	DanCenter GmbH, Hamburg	100.0	139	100.0	139	
51	eprofessional GmbH, Hamburg	100.0	5	100.0	5	
52	finanzen.net GmbH, Karlsruhe	75.0	12	75.0	12	10)
53	Gofeminin.de GmbH, Cologne	100.0	103	100.0	103	

No.	Company	12/31/2017 Shareholding in %	12/31/2017 via No.	12/31/2016 Shareholding in %	12/31/2016 via No.	
54	hamburg.de GmbH & Co. KG, Hamburg	-	-	61.9	11	
55	Idealo International GmbH, Berlin	100.0	56	100.0	56	
56	Idealo Internet GmbH, Berlin	74.9	11	74.9	11	
57	ImmoSolve GmbH, Bad Bramstedt	100.0	59	51.0	59	9)
58	Immowelt AG, Nuremberg	100.0	60	100.0	60	
59	Immowelt Hamburg GmbH (previously Immonet GmbH), Hamburg	100.0	60	100.0	60	
60	Immowelt Holding AG, Nuremberg	55.0	10	55.0	10	
61	infoRoad GmbH, Heroldsberg	60.4	8	60.4	8	9)
62	Maz&More TV-Produktion GmbH, Berlin	100.0	88	100.0	88	5)
63	Media Impact GmbH & Co. KG, Berlin	74.9	6	74.9	6	6)
64	meinestadt.de GmbH, Cologne	100.0	65	100.0	65	
65	meinestadt.de Holding GmbH, Berlin	100.0	10	100.0	10	
66	meinestadt.de Vertriebs-GmbH, Cologne	100.0	64	100.0	64	
67	MeinProspekt GmbH, Berlin	100.0	40	100.0	40	
68	Newspaper Impact GmbH, Hamburg	100.0	1	100.0	1	5)
69	PACE Paparazzi Catering & Event GmbH, Berlin	100.0	1	100.0	1	5)
70	Panther Holding GmbH, Berlin	100.0	56	100.0	56	
71	Sales Impact GmbH & Co. KG, Hamburg	100.0	1	100.0	1	6)
72	StepStone Continental Europe GmbH, Berlin	100.0	74	100.0	74	5)
73	StepStone Deutschland GmbH, Dusseldorf	100.0	72	100.0	74	5)
74	StepStone GmbH, Berlin	100.0	10	100.0	10	5)
75	t-bee GmbH, Puchheim	100.0	79	-	-	
76	Tourismuszentrum GmbH Mecklenburgische Ostseeküste, Kröpelin	100.0	44	-	-	
77	TraderFox GmbH, Reutlingen	50.1	52	-	-	
78	Transfermarkt GmbH & Co. KG, Hamburg	51.0	38	51.0	38	6)
79	Traum-Ferienwohnungen GmbH, Bremen	50.0	90	50.0	90	
80	Ullstein Ges. mit beschränkter Haftung, Berlin	100.0	35	100.0	35	5)
81	Umzugsauktion GmbH & Co. KG, Schallstadt	100.0	59	100.0	59	6)
82	upday GmbH & Co. KG, Berlin	100.0	1	100.0	1	6)
83	upday Holding GmbH, Berlin	100.0	82	100.0	82	
84	Vertical Media GmbH, Berlin	88.0	88	88.0	88	9)
85	Visoon Video Impact GmbH & Co. KG, Berlin	51.0	6	51.0	6	6)
86	Visual Meta GmbH, Berlin	75.6	56	75.6	56	
87	WeltN24 Club GmbH (previously Sechsundachtzigste "Media" Vermögensverwaltungsges. mbH), Berlin	100.0	88	-	-	
88	WeltN24 GmbH, Berlin	100.0	1	100.0	1	5)
89	YOURCAREERGROUP GmbH, Dusseldorf	100.0	72	100.0	74	5)
	Other countries					
90	@Leisure BR B.V., Eindhoven, Netherlands	100.0	91	100.0	91	
91	@Leisure Holding B.V., Rotterdam, Netherlands	51.0	10	51.0	10	
92	AanZee VillaXL B.V., Bergen, Netherlands	100.0	91	100.0	91	
93	Administrationsselskabet af 1.10.2015 ApS, Copenhagen, Denmark	100.0	139	100.0	153	
94	affilinet Austria GmbH, Vienna, Austria	100.0	2	-	-	
95	affilinet Benelux B.V., Amsterdam, Netherlands	100.0	2	-	-	
96	affilinet España SLU, Madrid, Spain	100.0	2	-	-	
97	affilinet France SAS, Saint-Denis, France	100.0	2	-	-	
98	affilinet Limited, London, United Kingdom	100.0	2	-	-	
99	affilinet Schweiz GmbH, Zurich, Switzerland	100.0	2	-	-	
100	alFemminile s.r.l., Milan, Italy	100.0	103	100.0	103	
101	APM Print d.o.o., Belgradee, Serbia	100.0	195	100.0	195	
102	AS-NYOMDA Kft, Kecskemét, Hungary	100.0	197	100.0	197	
103	AUFEMININ SA, Paris, France	78.3	21	78.4	21	
104	auFeminin.com Productions SARL, Paris, France	100.0	103	100.0	103	
105	Autobazar.EU portál s.r.o., Nové Mesto nad Váhom, Slovakia	100.0	222	-	-	
106	AWIN AB (previously zanox we create partners AB), Stockholm, Sweden	100.0	5	100.0	5	
107	AWIN B.V. (previously zanox B.V.), Amsterdam, Netherlands	100.0	5	100.0	5	
108	AWIN Global Affiliate Network S.L. (previously ZANOX Hispania SL), Madrid, Spain	100.0	5	100.0	5	
109	AWIN Inc. (previously Digital Window Inc.), Wilmington, USA	100.0	110	100.0	110	
110	AWIN Ltd. (previously Digital Window Limited), London, United Kingdom	100.0	5	100.0	5	
111	AWIN SAS (previously zanox SAS), Paris, France	100.0	5	100.0	5	
112	AWIN Sp. z o.o. (previously zanox Sp. z o.o.), Warsaw, Poland	100.0	5	100.0	5	

No.	Company	12/31/2017 Share-holding in %	via No.	12/31/2016 Share-holding in %	via No.	
113	AWIN SRL (previously zanox SRL), Milan, Italy	100.0	5	100.0	5	
114	AWIN VEICULAÇÃO DE PUBLICIDADE NA INTERNET LTDA. (previously ZANOX VEICULAÇÃO DE PUBLICIDADE NA INTERNET LTDA.), São Paulo, Brazil	100.0 0.0	5 51	100.0 0.0	5 51	7)
115	Axel Springer Beteiligungen Schweiz AG, Zurich, Switzerland	100.0	122	100.0	122	
116	Axel Springer Digital Classifieds France SAS, Paris, France	100.0	10	100.0	10	
117	Axel Springer España S.A., Madrid, Spain	100.0	1	100.0	1	
118	Axel Springer France S.A.S., Paris, France	100.0	1	100.0	1	
119	Axel Springer International AG, Zurich, Switzerland	100.0	120	100.0	120	
120	Axel Springer International Limited, London, United Kingdom	100.0	21	100.0	21	
121	Axel Springer Norway AS, Oslo, Norway	100.0	120	100.0	120	
122	Axel Springer Schweiz AG, Zurich, Switzerland	100.0	1	100.0	1	
123	Belles Demeures S.A.S., Paris, France	100.0	188	100.0	188	
124	Belvilla Ferienwohnungen GmbH, Kitzbühel, Austria	50.0	90	50.0	90	11)
125	BEMFEMININO.COM.BR, Sao Paulo, Brazil	99.9 0.1	103 104	- -	- -	
126	Blikk Kft., Budapest, Hungary	100.0	198	100.0	198	
127	Bonial Enterprises North America Inc., New York, USA	100.0	39	100.0	39	
128	Bonial SAS, Paris, France	98.0	40	100.0	40	
129	Business Insider Europe Limited, London, United Kingdom	100.0	130	100.0	130	
130	Business Insider Inc., New York City, USA	100.0	12	100.0	12	
131	Candidate Manager (US) Inc, Boston, USA	100.0	132	100.0	132	
132	Candidate Manager Ltd, Dublin, Ireland	100.0	202	100.0	202	
133	Car&Boat Media SAS, Paris, France	61.0 39.0	10 116	61.0 39	10 116	
134	CaribbeanJobs Ltd, George Town, Cayman Islands	100.0	202	100.0	202	
135	City-Nav Sp. z o.o., Poznań, Poland	69.3	182	-	-	
136	Coral-Tell Ltd., Tel Aviv, Israel	100.0	10	100.0	10	
137	CV Keskus OÜ, Tallinn, Estonia	100.0	198	-	-	
138	Cybersearch S.A., Guatemala City, Guatemala	100.0 0.0	214 202	100.0 0.0	214 202	7)
139	DanCenter A/S, Copenhagen, Denmark	100.0	91	100.0	153	
140	DanCenter EDB Service ApS, Copenhagen, Denmark	100.0	139	100.0	139	
141	DreamLab sp. z o.o., Krakow, Poland	100.0	183	100.0	183	
142	eMarketer Europe Ltd., London, United Kingdom	100.0	143	100.0	143	
143	eMarketer Inc., New York, USA	93.9	12	93.4	12	9)
144	ENFEMENINO AUFEMININ S.A, Madrid, Spain	100.0	103	100.0	103	
145	Estascontratadocom S.A., Panama City, Panama	100.0	214	100.0	214	
146	Etoilecasting.com SAS, Paris, France	100.0	103	100.0	103	
147	Gambettes Box SAS, Paris, France	100.0	172	100.0	172	
148	Garantie System SAS, Paris, France	100.0	133	100.0	133	
149	G-Construct SA, Brussels, Belgium	100.0	155	-	-	
150	GoBrands Sp. z o.o., Krakow, Poland	100.0	183	100.0	183	
151	Good & Co Labs, Inc., San Francisco, USA	100.0	74	100.0	74	
152	ICI Formations SAS, Paris, France	100.0	208	-	-	
153	Land & Leisure A/S, Copenhagen, Denmark	-	-	100.0	91	
154	ictjob SPRL, Waterloo, Belgium	99.0 1.0	72 209	99.0 1.0	74 209	
155	Immoweb SA, Brussels, Belgium	94.5	116	80.0	116	9)
156	Interactive Junction Holdings Proprietary Limited, Rosebank/Johannesburg, South Africa	100.0	186	100.0	202	
157	Jobmagnet Limited, London, United Kingdom	100.0	74	-	-	
158	Jobs LU Ltd, Dublin, Ireland	100.0	202	100.0	202	
159	Jobs.ie Ltd, Dublin, Ireland	100.0	202	100.0	202	
160	Jobsite UK (Worldwide) Limited, London, United Kingdom	100.0	212	100.0	212	
161	Les Rencontres aufeminin.com SAS, Paris, France	100.0	103	100.0	103	
162	Livingly Media, Inc., San Carlos, USA	100.0	103	100.0	103	
163	Maritimo 101 SL, Malaga, Spain	100.0	139	100.0	153	
164	Marmiton SAS, Paris, France	100.0	103	100.0	103	
165	MyJob Group Ltd i.L., Sheffield, United Kingdom	-	-	100.0	160	
166	Media Impact Polska Sp. z o.o., Warsaw, Poland	50.0 50.0	183 199	50.0 50.0	183 199	
167	Merci Alfred S.A.S., Paris, France	100.0	103	100.0	103	

No.	Company	12/31/2017 Share-holding in %	12/31/2017 via No.	12/31/2016 Share-holding in %	12/31/2016 via No.	
168	Milkround Online Ltd., London, United Kingdom	100.0	220	100.0	220	
169	My Little Box KK, Tokyo, Japan	100.0	172	100.0	172	
170	ofeminin.pl Sp. z o.o., Warsaw, Poland	-	-	51.0 49.0	103 199	
171	My Little Campus SAS, Paris, France	100.0	172	100.0	172	
172	My Little Paris S.A.S., Paris, France	91.7	103	70.0	103	9)
173	My Web Ltd, Ebene, Mauritius	100.0	186	100.0	186	
174	NARKS INFOSERVIS, a.s., Bratislava, Slovakia	100.0	222	100.0	222	
175	Netmums Limited, London, United Kingdom	100.0	103	100.0	103	
176	New Digital d.o.o. Belgradee, Belgrade, Serbia	100.0	195	100.0	195	
177	NIJobs.com Ltd, Belfast, United Kingdom	100.0	202	100.0	202	
178	NIN d.o.o., Belgrade, Serbia	99.7	195	99.7	195	
179	Ofertia Colombia Retail Services SAS, Bogotá, Colombia	100.0	206	-	-	
180	OfertiaCL Retail Services SpA, Santiago de Chile, Chile	100.0	206	-	-	
181	OFERTIAMX RETAIL SERVICES, S. de R.L. de C.V., Mexico City, Mexico	100.0	206	100.0	206	
182	ONET Holding Sp. z o.o., Warsaw, Poland	100.0	198	75.0	198	9)
183	Onet.S.A., Krakow, Poland	100.0	182	100.0	182	
184	OnetMarketing Sp. z o.o., Krakow, Poland	100.0	183	100.0	183	
185	Opineo Sp. z o.o., Wroclaw, Poland	100.0	182	100.0	182	
186	Pnet (Pty) Ltd, Johannesburg, South Africa	100.0	202	100.0	202	
187	Praxis SARL, Chambery, France	100.0	188	100.0	188	
188	PressImmo On Line S.A.S., Paris, France	100.0	194	100.0	194	
189	profession.hu Kft, Budapest, Hungary	100.0	198	100.0	198	
190	RealSoft s.r.o., Nové Mesto nad Váhom, Slovakia	50.0 50.0	219 222	-	-	
191	Residence de Monbrison A/S, Copenhagen, Denmark	73.2	139	73.2	153	
192	SeLoger Finances S.A.S., Paris, France	-	-	100.0	188	
193	Seloger Solutions SAS, Paris, France	-	-	100.0	194	
194	SeLoger.com SAS, Paris, France	100.0 -	116 -	97.7 2.3	116 10	
195	Ringier Axel Springer d.o.o., Belgrade, Serbia	100.0	198	100.0	198	
196	Ringier Axel Springer Inwestycje Sp. z o.o., Warsaw, Poland	99.0	199	99.0	199	
197	Ringier Axel Springer Magyarország Kft, Budapest, Hungary	100.0	198	100.0	198	
198	Ringier Axel Springer Media AG, Zurich, Switzerland	50.0	120	50.0	120	3)
199	Ringier Axel Springer Polska Sp. z o.o., Warsaw, Poland	100.0	198	100.0	198	
200	Ringier Axel Springer Slovakia a.s., Bratislava, Slovakia	89.0	198	89.0	198	
201	Saknai Net Ltd., Tel Aviv, Israel	70.0	136	70.0	136	9)
202	Saongroup Limited, Dublin, Ireland	100.0	212	100.0	212	12)
203	ShareASale.com Inc., Chicago, USA	100.0	109	-	-	
204	Skapiec Sp. z o.o., Wroclaw, Poland	100.0	182	100.0	182	
205	soFeminine.co.uk Limited, London, United Kingdom	100.0	103	100.0	103	
206	SOKOWEB TECHNOLOGIES, S.L., Barcelona, Spain	70.0	40	63.6	40	9)
207	SPORT.SK s.r.o., Zilina, Slovakia	66.7	200	66.7	200	
208	StepStone France SAS, Paris, France	100.0	72	100.0	74	
209	StepStone NV, Brussels, Belgium	100.0 0.0	72 210	100.0 0.0	74 210	7)
210	StepStone Austria GmbH, Vienna, Austria	100.0	73	100.0	73	
211	StepStone Services Sp. z o.o., Warsaw, Poland	100.0	72	100.0	74	
212	StepStone UK Holding Limited, London, United Kingdom	100.0	74	100.0	74	
213	Tecoloco El Salvador S.A. de C.V., San Salvador, El Salvador	100.0 0.0	214 202	100.0 0.0	214 202	
214	Tecoloco International Inc, Panama City, Panama	100.0	202	100.0	202	
215	Traveezee Insurance N. V., Eindhoven, Netherlands	-	-	100.0	91	
216	Tecoloco S.A. de C.V. Honduras, Tegucigalpa, Honduras	99.6 0.4	214 202	99.6 0.4	214 202	
217	Tecoloco.com S.A. de C.V. Nicaragua, Managua, Nicaragua	95.0 3.0 2.0	214 213 138	95.0 3.0 2.0	214 213 138	
218	Topic Travel B.V., Den Haag, Netherlands	100.0	91	100.0	91	
219	Topreality.sk s.r.o., Nové Mesto nad Váhom, Slovakia	100.0	222	-	-	
220	Totaljobs Group Limited, London, United Kingdom	100.0	212	100.0	212	

No.	Company	12/31/2017 Share-holding in %	12/31/2017 via No.	12/31/2016 Share-holding in %	12/31/2016 via No.
221	Turijobs Tourism Services S.L., Barcelona, Spain	100.0	72	-	-
222	United Classifieds s.r.o., Bratislava, Slovakia	60.0	200	60.0	200
223	upday France SARL, Paris, France	100.0	83	100.0	83
224	upday Italia S.r.l., Milan, Italy	100.0	83	-	-
225	upday Nederlands B.V., Amsterdam, Netherlands	100.0	83	-	-
226	upday Nordics AB, Stockholm, Sweden	100.0	83	-	-
227	upday Polska Sp. z o.o. Sp.k., Warsaw, Poland	100.0	83	100.0	83
228	upday UK Ltd., London, United Kingdom	100.0	83	100.0	83
229	WEBIMM SAS, Paris, France	65.0	194	65.0	194
230	wewomen.com Inc., Wilmington, USA	100.0	103	-	-
231	YOURCAREERGROUP Austria GmbH, Vienna, Austria	100.0	72	-	-
232	YOURCAREERGROUP Switzerland GmbH, Kloten, Switzerland	100.0	72	100.0	74

No.	Company	12/31/2017 Share holding in %	12/31/2017 via No.
	Other subsidiaries[1)]		
	Germany		
233	Achtundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
234	Achtundsiebzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
235	AS Buchversand GmbH, Munich	100.0	35
236	Axel Springer All Media Verwaltungs-GmbH, Berlin	100.0	1
237	Axel Springer Audio GmbH (previously Neunundachtzigste "Media" Vermögensverwaltungsges. mbH), Berlin	100.0	1
238	Axel Springer Financial Media GmbH, Munich	100.0	1
239	Axel Springer Print Management GmbH, Ahrensburg	100.0	1
240	Axel Springer Security GmbH, Berlin	100.0	1
241	BILD Multimedia Verwaltungs GmbH, Berlin	100.0	1
242	Bonial Ventures GmbH, Berlin	74.9	1
243	CEO Event GmbH, Berlin	100.0	84
244	Dreiundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
245	Dreizehnte "Media" Vermögensverwaltungsges. mbH, Hamburg	100.0	1
246	Einhundertdritte "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
247	Einhunderterste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
248	Einhundertste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
249	Einhundertzweite "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
250	Einundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
251	Finanzen Corporate Publishing GmbH, Berlin	100.0	1
252	Fünfundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
253	Fünfundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
254	Fünfundsiebzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	35
255	Hammerich & Lesser Zeitschriften- und Buchverlag GmbH, Hamburg	100.0	1
256	Hauptstadtsee 809. VV GmbH, Berlin	100.0	1
257	hy! GmbH, Berlin	100.0	1
258	Informationsmedien Handels GmbH, Hamburg	100.0	1
259	kinkaa GbR, Berlin	50.0 50.0	56 70
260	Media Impact Management GmbH, Berlin	74.9	6
261	meinestadt.de Vermögensverwaltungsgesellschaft mbH, Cologne	100.0	64
262	myPass GmbH, Berlin	100.0	1
263	Neunundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
264	Room 49 GmbH, Berlin	100.0	18
265	Sales Impact Management GmbH, Hamburg	100.0	1
266	Scubia GbR, Berlin	50.0 50.0	56 70
267	Shop Now GmbH i.L., Berlin	90.0	18
268	Siebenundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
269	SPRING Axel Springer Digital News Media GmbH & Co. KG, Berlin	100.0	1
270	SPRING Axel Springer Digital News Media Management GmbH (previously Zweiundachtzigste "Media" Vermögensverwaltungsges. mbH), Berlin	100.0	1
271	Tarif24 GmbH, Berlin	100.0	56
272	TOPS Online Publications GbR, Lüneburg	90.0 10.0	46 56
273	Transfermarkt Verwaltungs GmbH, Hamburg	51.0	38
274	TunedIn Media GmbH i.L., Berlin	86.4	1
275	Umzugsauktion Verwaltungs GmbH, Schallstadt	100.0	59
276	upday Management GmbH, Berlin	100.0	1
277	Varsavsky Axel Springer Management GmbH (previously Siebenundneunzigste "Media" Vermögensverwaltungsges. mbH), Berlin	100.0	12
278	Vierundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
279	Visoon Video Impact Management GmbH, Berlin	51.0	6
280	Zuio GmbH, Berlin	100.0	35
281	Zweiundsechzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
	Other countries		
282	Alpha Real spol. s.r.o., Zilina, Slovakia	100.0	200
283	AUTOVIA, s.r.o., Bratislava, Slovakia	100.0	222

No.	Company	12/31/2017 Share holding in %	via No.
284	Axel Springer Hírszolgálat Kft, Tatabánya, Hungary	100.0	197
285	Axel Springer International Group Limited, London, United Kingdom	100.0	1
286	Axel Springer Media France S.A.R.L., Neuilly-sur-Seine, France	100.0	63
287	Axel Springer Media Italia s.r.l., Milan, Italy	100.0	63
288	Axel Springer Publishing International Limited, London, United Kingdom	100.0	284
289	Axel Springer Services Inc., Wilmington, USA	100.0	12
290	Axel Springer TV International Limited, London, United Kingdom	100.0	284
291	Azet.sk – katalóg s.r.o., Zilina, Slovakia	100.0	200
292	BILD Inc., City of Wilmington, USA	100.0	38
293	Car Price List Yad2 Ltd., Tel Aviv, Israel	100.0	136
294	CompuTel Telefonservice AG, Chur, Switzerland	100.0	122
295	Cpress Media s.r.o., Zilina, Slovakia	100.0	200
296	Digitalni klik d.o.o., Zagreb, Croatia	60.0	58
297	ETSBA Ltd., Tel Aviv, Israel	100.0	136
298	Euro Blic Press d.o.o., Banja Luka, Bosnia-Herz.	100.0	195
299	eurobridge Inc., New York, USA	100.0	1
300	Flyers 24hs S.A., São Paulo, Brazil	58.3	242
301	Gemini Moon Trading 343 Proprietary Limited i.L., Cape Town, South Africa	100.0	156
302	ICI JOB SAS, Paris, France	100.0	152
303	Immostreet ES, Barcelona, Spain	100.0	188
304	Jean Frey AG, Zurich, Switzerland	100.0	122
305	Jobcity Ltd., Tel Aviv, Israel	100.0	136
306	Media Impact Inc., New York, USA	100.0	63
307	Novy cas, a.s., Bratislava, Slovakia	89.0	198
308	Realty Media House s.r.o., Bratislava, Slovakia	100.0	174
309	Ringier Axel Springer SK, a.s., Bratislava, Slovakia	89.0	198
310	Saongroup Caribbean (Jamaica) Ltd, Kingston, Jamaica	100.0	134
311	Saongroup Caribbean (Trinidad) Ltd, Port of Spain, Trinidad,and Tobago	100.0	134
312	Saongroup.com India Pvt Ltd, Pune, India	100.0	202
313	Tecoloco Holding S.A. de C.V., San Salvador, El Salvador	100.0 0.0	214 202
314	Tecoloco.com S.A. de C.V. Panama, Panama City, Panama	100.0	214
315	Turijobs México S DE RL DE CV, Mexico-Stadt, Mexico	85.0 15.0	221 72
316	upday Polska Sp. z o.o., Warsaw, Poland	100.0	83
317	Yad2 Internet Ads Ltd., Haifa, Israel	100.0	136
318	Yad2Pay Ltd., Tel Aviv, Israel	100.0	136
319	zanox Switzerland AG i.L., Zurich, Switzerland	100.0	5
320	Zivot Publishing, a.s., Bratislava, Slovakia	89.0	198
	Investments accounted for using the equity method		
	Germany		
321	AS TYFP Media GmbH & Co. KG, Berlin	50.0	1
322	Axel Springer Plug and Play Accelerator GmbH, Berlin	50.0	12
323	mytic myticket AG, Frankfurt on the Main	24.9	1

No.	Company	12/31/2017 Share holding in %	via No.	
324	Project A Ventures GmbH & Co. KG, Berlin	26.3	11	
325	Radio Hamburg GmbH & Co. KG, Hamburg	35.0	1	
326	Varsavsky Axel Springer GmbH & Co. KG, Berlin	93.3	12	4)
327	Verimi GmbH, Frankfurt on the Main	11.1	1	8)
	Other countries			
328	AC3 SAS, Guipavas, France	40.0	116	
329	Editions Mondadori Axel Springer (EMAS) S.E.N.C., Montrouge Cedex, France	50.0	118	
330	INFOR BIZNES Sp. z o.o., Warsaw, Poland	49.0	196	
331	Ozy Media, Inc., Mountain View, USA	16.8	12	8)
332	QWANT SAS, Paris, France	18.4	12	8)
333	Ringier Axel Springer Schweiz AG, Zurich, Switzerland	50.0	115	
	Other associated companies and joint ventures[2)]			
	Germany			
334	Berliner Pool TV Produktion Gesellschaft mbH, Berlin	50.0	88	
335	Blitz-Tip Radio Hessen Beteiligungsges. mbH & Co. KG, Bad Soden am Taunus	33.3	1	
336	Dalim Software GmbH, Kehl	21.9	1	
337	Filmgarten GmbH, Berlin	42.0	56	
338	Ges. für integr. Kommunikationsforschung mbH & Co. KG, Munich	20.0	1	
339	Ges. für integr. Kommunikationsforschung Verwaltungs GmbH, Munich	20.0	1	
340	Intermedia Standard Presse-Code GmbH, Hamburg	32.0	1	
341	InterRed GmbH, Haiger	24.0	1	
342	ISPC Intermedia Standard Presse-Code GmbH & Co.KG, Hamburg	32.0	1	
343	LAUT AG, Constance	25.0	1	
344	Marina Wendtorf Invest II GmbH & Co. KG, Kiel	49.0	139	
345	Mont Ventoux Media GmbH, Berlin	50.0	34	
346	Project A Management GmbH, Berlin	26.3	11	
347	Project A Services GmbH & Co. KG, Berlin	37.5	11	
348	Qivive GmbH i. L., Bad Homburg	33.3	1	
349	Sparheld International GmbH, Berlin	30.0	56	
350	V.V. Vertriebs-Ver. Berl. Zeitungs- und Zeitschr. Grossisten, Berlin	48.5	1	
351	Zeitungs- und Zeitschriften Vertrieb Berlin GmbH, Berlin	35.5	1	
	Other countries			
352	Asocijacija Privatnih Media, Belgrade, Serbia	20.0	195	
353	BULGARPRESS OOD, Veliko Tarnovo, Bulgaria	25.5	1	
354	EMAS Digital SAS, Montrouge Cedex, France	50.0	118	
355	HUNGAROPRESS Sajtóterjesztö Kft, Budapest, Hungary	24.0	1	
356	Inoveo Holding SA, Sugiez, Switzerland	20.0	194	
357	Real Estate Media S.A., Esch-sur-Alzette, Luxembourg	35.0	155	
358	SereniPay SAS, Paris, France	19.4	133	
359	VINA WOMAN UK LTD., London, United Kingdom	30.0	103	

No.	Other significant investments	12/31/2017 Shareholding in %	via No.	Equity € million [13]	Net Income € million [13]
	Germany				
360	ANTENNE BAYERN GmbH & Co. KG, Ismaning	16.0	1	-	- [15]
361	RADIO/TELE FFH GmbH & Co. Betriebs-KG, Bad Vilbel	15.0	1	-	- [15]
	Other countries				
362	Airbnb, Inc., San Francisco, USA	0.1	1	-	- [15]
363	Doğan TV Holding A.S., Istanbul, Turkey	7.0	45	303.7	– 36.0
364	Group Nine Media, Inc., New York, USA	13.0	12	-	- [14]
365	Lakestar II LP, Guernsey, Guernsey	6.6	12	143.4	– 3.2

[1] No full consolidation due to immaterial impact (relation of net income and balance sheet total for the company to net income and balance sheet total of the Group).
[2] No at-equity consolidation due to immaterial impact (relation of net income of the company to net income of the Group).
[3] Control due to existing option rights exercisable at any time.
[4] In the reporting year and/or the previous year, no control due to the lack of contractual agreements, which exclude the power of control and the possibility to influence the variable outflows.
[5] The company has exercised the exemption rights of Section 264 (3) of the German Commercial Code (Handelsgesetzbuch - HGB).
[6] The company has exercised the exemption rights of Section 264b of the German Commercial Code (Handelsgesetzbuch – HGB).
[7] Shares less than 0.1 %.
[8] Significant influence on the basis of contractual agreements.
[9] Due to option rights in the reporting year and/or in the prior year a share of 100 % consolidated.
[10] Due to option rights in the reporting year and in the prior year a share of 89.99 % consolidated.
[11] Control due to contractual agreements and rights to obtain power.
[12] Applying rules of Section 357(1) of the Companies Act 2014.
[13] Unless otherwise stated, equity and profit for the year according to local annual financial statements for the financial year 2016. Values translated into foreign currency using the closing rate as at December 31, 2017.
[14] The company was recently founded. There is no financial statement yet.
[15] No statement of equity and profit for the year as the annual financial statements are not published.
[16] Due to option rights in the prior year a share of 100 % consolidated (see note (2c)).

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the financial position, liquidity, and financial performance of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal rewards and risks associated with the expected development of the Group.

Berlin, February 20, 2018

Axel Springer SE

Dr. Mathias Döpfner

Jan Bayer

Dr. Julian Deutz

Dr. Andreas Wiele

Independent Auditor's Report

To Axel Springer SE

Report on the audit of the consolidated financial statements and of the Group management report

Opinions

We have audited the consolidated financial statements of Axel Springer SE, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of Axel Springer SE and the Axel Springer Group (hereinafter "Group management report") for the fiscal year from January 1 to December 31, 2017. With respect to the section "Corporate Governance Report", we have solely audited the information contained in its subsection "Compensation Report". In accordance with the German legal requirements, we have not audited the content of the other information included in the section "Corporate Governance Report".

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 Section 315e (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, 2017, and of its financial performance for the fiscal 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. Our opinion on the Group management report does not cover the content of the section "Corporate Governance Report" referred to above.

Pursuant to Section 322 (3) 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 opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 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 Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 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 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 fiscal 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 opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

[1] Goodwill impairment test

Reasons why the matter was determined to be a key audit matter

In the consolidated financial statements of Axel Springer SE, the balance sheet item "Intangible assets" showed goodwill in the amount of € 2.280 million, which represented approximately 35 % of the balance sheet total, and approximately 83 % of the Group's balance sheet equity.

On November 30 of each year, the company carries out a goodwill impairment test in order to determine whether there are impairment loss requirements. The result of these valuations depends to a large extent on how the executive directors estimate future cash inflows and derive relevant discount rates.

Given the complexity in connection with the valuation as well as the professional judgment that can be exercised as part of the valuation process, the impairment test for goodwill constitutes a key audit matter within the scope of our audit.

Auditor's response

As part of our audit, we have examined the process implemented by the executive directors of Axel Springer SE, as well as the accounting and valuation guidelines that have been used to calculate the recoverable amounts from cash-generating units or groups of such units to which goodwill has been allocated, in order to determine the possible risk of errors. In addition, we have gained an understanding of the steps involved in the process and of the internal controls implemented.

We have determined that the approach adopted by the executive directors of Axel Springer SE is in accordance with IAS 36.

We have analyzed the business plans by comparing actual past earnings with the current performance of business figures. As part of our analysis, we have also examined the market performance of comparable companies based on figures from the actual financial year and forecasted figures for future financial years. We have reviewed the key assumptions made in the business plans for development and growth of the business by discussing these in detail with the executive directors of Axel Springer SE. This is the basis on which we have assessed the appropriateness of these assumptions.

The appropriateness of the various key valuation assumptions, such as the discount rate and the terminal growth rate, was examined with the support of our internal valuation experts based on an analysis of market indicators. We have analyzed the parameters that were applied when calculating the discount rates to ensure correct derivation, and have verified that the calculation is in accordance with the corresponding IAS 36 requirements.

By means of sensitivity analyses, we have assessed the risk of impairments in the event of changes to key valuation assumptions. Further, we have verified the mathematical correctness of the valuation model taking into account the requirements of IAS 36.

Based on our audit procedures, no reservations apply in relation to the valuation of goodwill.

Reference to related disclosures

Information relating to the accounting and valuation methods applied to goodwill can be found in the notes to the consolidated financial statements in section (3) "Explanation of significant accounting and valuation methods", regarding impairments of intangible assets to section (f). Related information concerning the exercise of professional judgment by the executive directors and the sources of uncertainties in relation to estimates as well as disclosures relating to goodwill can be found in the notes to the consolidated financial statements in the section "Notes to the consolidated statement of financial position", note (4) "Intangible assets". This note also includes information with respect to sensitivity.

[2] Revenue recognition

Reasons for classification as a key audit matter

For the fiscal year 2017, the Axel Springer Group recognized total revenues of € 3,563 million, predominantly from circulation and advertising activities. Circulation revenues are generated from the sales of newspapers and magazines ("print media") as well as digital subscription models. Advertising revenues are generated from the marketing of advertisements and advertising space in online and print media. Of the total revenue figure, € 1,759 million originate from revenues generated outside of Germany, which represents a share of 49 %.

The executive directors of Axel Springer SE issued detailed accounting guidelines for the recognition of revenues and implemented corresponding processes.

Given the large number of different contractual agreements for the various services in the different segments and countries included in the consolidated financial statements of Axel Springer SE, our view is that revenue recognition is complex. As the issues concerning revenue recognition are considered material and complex, we consider revenue recognition as a key audit matter.

Auditor's response

As part of our audit, we have assessed the accounting and valuation guidelines applied in the consolidated financial statements of Axel Springer SE for revenue recognition with respect to the criteria defined in IAS 18. We have verified the processes implemented by the executive directors of Axel Springer SE in relation to revenue recognition, particularly by ensuring that returns and further sales discounts have been taken into account correctly; we have also reviewed the controls implemented as part of these processes.

In addition, we have analyzed the key revenues for the fiscal year 2017 to determine whether, inter alia, there is a correlation with the associated trade receivables and with payments received. Furthermore, we have randomly verified appropriate revenue recognition on the basis of contractual agreements in regard to the requirements of IAS 18. We have audited the revenues for the fiscal year 2017 on a random basis with regard to accrual accounting by performing case-by-case assessments of revenue transactions shortly before and after the reporting date. In addition, we obtained balance confirmations from customers on a random basis.

Based on our audit procedures, no reservations apply in relation to revenue recognition from the sale of circulation and advertising services.

Reference to related disclosures

For information concerning the accounting and valuation methods used for revenues, see the notes to the consolidated financial statements, section (3) "Explanation of significant accounting and valuation methods", in section (b) "Recognition of income and expenses". For the effect on revenues regarding changes to companies included in the consolidation of financial statements, see section (2) "Consolidation", in section (c) "Acquisitions and divestitures". Detailed information concerning the composition of revenues can be found in the notes to the consolidated financial statements, in the "Notes to the consolidated statement of comprehensive income" section, note (18) "Revenues".

[3] Internally generated rights

Reasons for classification as a key audit matter

In its consolidated financial statements, under the balance sheet item "Intangible assets," Axel Springer SE discloses internally generated rights with a carrying amount of € 132 million. The consolidated income statement item "Change in inventories and internal costs capitalized" amounts to € 88 million and mainly comprises IT development projects for upgrading and expanding the digital business model. The costs attributable to development, in particular those relating to software solutions and websites were capitalized in accordance with the requirements of IAS 38.

The criteria for capitalizing internally generated rights pursuant to IAS 38 are subject to professional judgment in regard to, inter alia, future economic benefits and the clear distinction from the further development of existing projects, since these criteria are, to a large degree, dependent on the assessments and assumptions of the executive directors.

In light of the material importance, the complexity of the valuation models and the assumptions of the executive directors which are subject to professional judgment, we consider the determination of the fair values as a key audit matter.

Auditor's response

During the course of our audit, we analyzed the process implemented by the legal representative of Axel Springer SE as well as the accounting and valuation guidelines for capitalizing internally generated rights in order to determine the types of error risks that these may present. We have obtained an understanding of the relevant process steps and internal controls implemented.

We have verified the accounting and valuation guidelines applied in the consolidated financial statements of Axel Springer SE regarding the capitalization of internally generated rights on the basis of the criteria defined in IAS 38 including the implementation by the executive directors.

We have verified compliance with the capitalization requirements defined by IAS 38 by means of random checks. On the basis of documentation substantiating the existence of significant improvements relating to existing software solutions and websites, we have verified the recognition criterion relating to the economic benefit of the individually capitalized IT development project. In addition, we have verified the capitalized amounts for key projects based on the reported costs, capitalization date as well as estimated useful life.

Overall, as a result of our audit procedures, no reservations apply in relation to the capitalization of internally generated rights.

Reference to related disclosures

Information relating to internally generated intangible assets can be found in the notes to the consolidated financial statements under section (3) "Explanation of significant accounting and valuation methods," note (c), and section (4) "Intangible assets", "Notes to the consolidated statement of financial position."

[4] Contingent considerations arising from earn-out agreements and option liabilities for the acquisition of non-controlling interests

Reasons for classification as a key audit matter

As a result of Contingent considerations arising from earn-out agreements and option liabilities for the acquisition of non-controlling interests agreed within the context of business combinations, the consolidated statement of financial position of Axel Springer SE as of December 31, 2017, showed contingent considerations and other options liabilities amounting to € 81 million. During the fiscal year, these liabilities decreased due to payments in the amount of € 187 million and of reclassifications into liabilities related to assets held for sale in the amount of € 12 million, and had a positive effect on the consolidated income statement in the amount of € 42 million. The valuation of contingent considerations mainly depends on the expected earnings of acquired companies in the years prior to possible exercise dates of the option rights. The earnings performance projected by executive directors of the company is associated with non-observable market inputs and thus is largely dependent on professional judgment of the executive directors of Axel Springer SE.

In light of the material importance, the complexity of the valuation models and the assumptions of the executive directors which are subject to professional judgment, we consider the determination of the fair values as a key audit matter.

Auditor's response

As part of our audit, we have, inter alia, verified the methodological approach used for the valuation of contingent considerations. The initial recognition and the valuation of the contingent considerations were carried out as part of the relevant acquisition. To ensure appropriate disclosure in the balance sheet, we have critically reviewed the contractual regulations and shareholder agreements for the respective option rights to acquire non-controlling interests.

We have reviewed the valuation model used for calculating contingent considerations in order to verify compliance with the relevant IFRSs including the implementation by the executive directors of Axel Springer SE.

We have analyzed the business plans by comparing actual past earnings with the current performance of business figures. As part of our analysis, we have also examined the market performance of comparable companies based on figures from the actual financial year and forecasted figures for future financial years. We have reviewed the key assumptions made in the business plans for development and growth of the business by discussing these in detail with the executive directors of Axel Springer SE. This is the basis on which we have assessed the appropriateness of these assumptions.

Based on our audit procedures, no reservations apply in relation to the valuation of contingent considerations.

Reference to related disclosures

Information relating to contingent considerations, can be found in the notes to the consolidated financial statements under section (3) "Explanation of significant accounting and valuation methods", note (g). Additional information, in particular information relating to maturities, can be found in section (16) "Other liabilities" and in section (17) "Maturity analysis of financial liabilities". Information with respect to valuation and sensitivity is contained in section (33) "Financial assets and liabilities" of the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board; the executive directors are responsible for the other remaining information. This other remaining information comprises the information stated in section "Corporate Governance Report" of the Group management report with the exception of the content of the Compensation Report; furthermore these contain other parts stipulated for the annual report of which we have received a version up until the issuing of this Auditor's Report:

- the section "Group Key Figures",
- the section "Foreword",
- the section "Executive Board",
- the section "The Axel Springer Share",
- the section "Report of the Supervisory Board",
- the section "Responsibility Report" and
- the section "Boards".

Our 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 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 Section 315e (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 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 Section 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 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 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 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 Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express 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 Company'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 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 Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on April 26, 2017. We were engaged by the Supervisory Board on April 26, 2017. We have been the group auditor of Axel Springer SE without interruption since fiscal year 2007.

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

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the Group management report: due diligence services, mandatory audits of financial statements, services relating to enforcement examinations, review of interim financial statements, the audit of the system implemented in order to ensure compliance with Section 32 (1) WpHG, the audit of financial statements according to IDW PS 480, which prescribes the audit of financial statements compiled for a special purpose as well as the audit of internal control systems in service companies according to IDW PS 951.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Nathalie Mielke.

Berlin, February 21, 2018

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Ludwig Wirtschaftsprüfer	Mielke Wirtschaftsprüferin

Boards

Supervisory Board

The Supervisory Board is composed of the following persons:

Name, occupation	Seats on other mandatory supervisory boards in Germany	Seats on comparable boards in Germany and abroad
Dr. Giuseppe Vita Chairman of the Supervisory Board of Axel Springer SE		UniCredit S.p.A., Italy (Chairman of the Board of Directors)
Dr. h. c. Friede Springer Vice Chairwoman of the Supervisory Board of Axel Springer SE		
William E. Ford CEO General Atlantic		Authentic Brands Group L.L.C., USA (Board of Directors, since October 2017) IHS Markit Ltd., United Kingdom (Board of Directors) Oak Hill Advisors, L.P., USA (Partnership Committee) TBG AG, Switzerland (Board of Directors) Tory Burch LLC, USA (Board of Directors)
Oliver Heine Attorney at law and partner in the law firm Heine & Partner		YooApplications AG, Switzerland (Board of Directors)
Rudolf Knepper Entrepreneur		
Lothar Lanz Member of various Supervisory Boards	Bauwert AG (Vice Chairman, Chairman, until March 2017) Dermapharm Holding SE (since January 2018) Home24 AG (Chairman) TAG Immobilien AG (Vice Chairman) Zalando SE (Chairman)	Doğan TV Holding A.S., Turkey (Supervisory Board, until March 2017) Kinnevik AB, Sweden (Board of Directors)
Dr. Nicola Leibinger-Kammüller President and Chairwoman of the Managing Board of TRUMPF GmbH + Co. KG	Siemens AG Voith GmbH & Co. KGaA, previously Voith GmbH	TRUMPF Schweiz AG, Switzerland (Board of Directors)
Prof. Dr.-Ing. Wolfgang Reitzle Entrepreneur	Continental AG (Chairman) Hawesko Holding AG (Vice Chairman, until June 2017) Linde AG (Chairman) Medical Park AG (Chairman)	Ivoclar Vivadent AG, Liechtenstein (Board of Directors)
Martin Varsavsky CEO Prelude Fertility Inc.		Fon Wireless Ltd., United Kingdom (Chairman of the Board of Directors)

Executive Board

The Executive Board is composed of the following persons:

Executive Board member	Seats on mandatory supervisory boards in Germany	Seats on comparable boards in Germany and abroad
Dr. Mathias Döpfner Chairman and Chief Executive Officer Journalist		Axel Springer Schweiz AG, Switzerland (Chairman of the Board of Directors) Business Insider Inc., USA (Chairman of the Board of Directors) eMarketer Inc., USA (Chairman of the Board of Directors) Ringier Axel Springer Schweiz AG, Switzerland (Board of Directors) Time Warner Inc., USA (Board of Directors) Vodafone Group Plc., United Kingdom (Board of Directors) Warner Music Group Corp., USA (Board of Directors)
Jan Bayer President News Media Media scholar		Business Insider Inc., USA (Board of Directors) eMarketer Inc., USA (Board of Directors) Media Impact GmbH & Co. KG, Germany (Chairman of the Advisory Board) ONET S.A., Poland (Supervisory Board, since July 2017) Ringier Axel Springer Media AG, Switzerland (Vice Chairman of the Board of Directors, since July 2017, previously Board of Directors) Ringier Axel Springer Schweiz AG, Switzerland (Chairman of the Board of Directors, since June 2017)
Dr. Julian Deutz Chief Financial Officer Master's Degree in Business Administration	AWIN AG (since June 2017)	Axel Springer Beteiligungen Schweiz AG, Switzerland (Board of Directors, since September 2017) Axel Springer Digital Classifieds France SAS, France (Supervisory Board) Axel Springer International AG, Switzerland (Chairman of the Board of Directors, since June 2017, previously Board of Directors) Axel Springer Schweiz AG, Switzerland (Board of Directors) CompuTel Telefonservice AG, Switzerland (Chairman of the Board of Directors, since September 2017) Doğan TV Holding A.S., Turkey (Supervisory Board, since March 2017) Jean Frey AG, Switzerland (Chairman of the Board of Directors, since September 2017) Ringier Axel Springer Media AG, Switzerland (Board of Directors, since July 2017) Ringier Axel Springer Schweiz AG, Switzerland (Board of Directors, until June 2017) SeLoger.com SAS, France (Supervisory Board) StepStone GmbH, Germany (Supervisory Board)
Dr. Andreas Wiele President Classifieds and Marketing Media (since March 1, 2018 President Classifieds Media) Lawyer	AWIN AG (Chairman), previously ZANOX AG Immowelt AG (Chairman) Immowelt Holding AG (Chairman)	@Leisure Holding B.V., Netherlands (Chairman of the Board of Directors) Aufeminin S.A., France (Board of Directors) Axel Springer Digital Classifieds France SAS, France (Chairman of the Supervisory Board) Business Insider Inc., USA (Board of Directors) Car & Boat Media SAS, France (Chairman of the Supervisory Board) Coral-Tell Ltd., Israel (Chairman of the Board of Directors) Elvaston Capital Management GmbH, Germany (Advisory Board, since January 2017) Immoweb SA, Belgium (Chairman of the Board of Directors) Magnolia AG, Switzerland (Board of Directors, since December 2017) Media Impact GmbH & Co. KG, Germany (Advisory Board, until September 2017) meinestadt.de GmbH, Germany (Chairman of the Supervisory Board) SeLoger.com SAS, France (Chairman of the Supervisory Board) StepStone GmbH, Germany (Chairman of the Supervisory Board)
Dr. Stephanie Caspar (since March 1, 2018) Chief Technology and Data Officer Master's Degree in Business Administration		Media Impact GmbH & Co. KG, Germany (Advisory Board, since October 2017) Visoon Video Impact Management GmbH, Germany (Advisory Board, since November 2017)

Financial Calendar

March 8, 2018
Annual Report 2017
Annual results press conference, telephone conference for investors and analysts, audio webcast

April 18, 2018
Annual General Meeting
Video webcast of the speech of the CEO

May 8, 2018
Quarterly Statement as of March 31, 2018
Telephone conference, audio webcast

July 27, 2018
Interim Financial Report as of June 30, 2018
Telephone conference, audio webcast

November 7, 2018
Quarterly Statement as of September 30, 2018
Telephone conference, audio webcast

December 12, 2018
Capital Markets Day
Video webcast

Imprint

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The Annual Report and up-to-date information about Axel Springer are available on the Internet at:
www.axelspringer.de

The English translation of the Annual Report is provided for convenience only. The German original is legally binding.