18

Annual Report

axel springer

Contents

Group Key Figures

in € millions	Change yoy	2018	2017
Group			
Revenues[1]	**4.1 %**	**3,180.7**	**3,055.5**
Digital revenue share[1) 2]		*70.6 %*	*66.7 %*
EBITDA, adjusted[3) 4]	**14.3 %**	**737.9**	**645.8**
EBITDA margin, adjusted[1) 3]		*23.2 %*	*21.1 %*
Digital EBITDA share[2]		*84.3 %*	*80.0 %*
EBIT, adjusted[3]	**4.7 %**	**527.9**	**504.0**
EBIT margin, adjusted[1) 3]		*16.6 %*	*16.5 %*
Net income[5]	−44.9 %	208.4	378.0
Net income, adjusted[3) 5]	2.5 %	335.7	327.5
Segments			
Revenues			
Classifieds Media	20.3 %	1,212.5	1,007.7
News Media	−0.9 %	1,496.2	1,509.8
Marketing Media[1]	−12.4 %	418.3	477.3
Services/Holding	−11.5 %	53.7	60.7
EBITDA, adjusted[3]			
Classifieds Media	17.9 %	487.2	413.2
News Media	4.3 %	228.2	218.8
Marketing Media	−6.3 %	89.6	95.6
Services/Holding	–	−67.0	−81.7
EBIT, adjusted[3]			
Classifieds Media	12.7 %	406.7	361.0
News Media	−13.6 %	158.2	182.9
Marketing Media	−14.7 %	66.0	77.4
Services/Holding	–	−103.0	−117.4
Liquidity and financial position			
Free cash flow (FCF)[3]	−30.3 %	346.9	497.4
FCF excl. effects from headquarter real estate transactions[3) 6]	23.0 %	419.6	341.1
Capex[7]	–	−225.3	−200.9
Capex excl. effects from headquarter real estate transactions[6) 7]	–	−149.3	−152.5
Net debt/liquidity[3) 8) 9]	–	−1,249.2	−1,020.2
Share-related key figures			
Earnings per share, adjusted (in €)[3) 5) 10]	**5.1 %**	**2.73**	**2.60**
Earnings per share (in €)[5) 10]	−47.4 %	1.68	3.19
Dividend (in €)[11]	5.0 %	2.10	2.00
Closing price (in €)[12]	−24.2 %	49.38	65.13
Market capitalization[12) 13]	−24.2 %	5,327.9	7,027.2
Average number of employees	**3.2 %**	**16,350**	**15,836**

1) Adjustments of prior-year figures due to the retrospective application of IFRS 15, see section 3(o) in the notes to the consolidated financial statements.
2) Based on the operating business (without the segment Services/Holding).
3) Explanations regarding relevant key performance indicators on page 37 et seq. Regarding the first-time application of IFRS 16, see section 3(o) in the notes to the consolidated financial statements.
4) Including the increase in adjusted EBITDA of € 45.1 million from the first-time application of IFRS 16, see section 3(o) in the notes to the consolidated financial statements.
5) For 2017 continuing operations, for the portion attributable to discontinued operations see section 2(d) in the notes to the consolidated financial statements.
6) Referring to the new building in Berlin as well as the sale of the new building and the Axel-Springer-Passage as well as the sale of the office building complex in Hamburg.
7) Capital expenditures for intangible assets and property, plant and equipment.
8) As of December 31, 2018, and December 31, 2017, respectively.
9) Incl. leasing liabilities in the amount of € 379.6 million (PY: € 0.3 million), see section 3(o) in the notes to the consolidated financial statements.
10) Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 107.9 million).
11) The dividend for the financial year 2018 is subject to the condition of approval by the annual shareholders´ meeting.
12) Quotations based on XETRA closing prices.
13) Based on shares outstanding as of December 31, 2018, excluding treasury shares (107.9 million; PY: 107.9 million).

Foreword

Dr. Mathias Döpfner
Chairman and CEO

Dear Shareholders!

2018 started with a very good message. After more than a year in Turkish custody, most of the time in solitary confinement, innocent and without indictment, the WORLD correspondent Deniz Yücel was finally released in February. However, only a few days later our great joy and relief about it were replaced with sadness and horror: Ján Kuciak, the investigative journalist working for actuality.sk, the news portal belonging to Ringier Axel Springer Slovakia, and his partner were cruelly murdered. Probably purely because of his critical investigations. These cases, of which only one ended well, show how necessary it is to defend the rule of law every day, to defend freedom. And they make it clear in a terrible way how important the work of our journalists is. As a company, we do everything to protect our journalists and strengthen their work.

Economically, Axel Springer is in a strong position. For the past year, we had planned to follow the course we had set and to continue on it. Concrete, related projects were:

- continuing two-digit growth in the Classifieds Business,
- a stable adjusted EBITDA in the News Media segment,
- in case of Business Insider in the second half of the year to break even and finally
- to boost further potential in the Technology and Data segment.

All of these goals have been achieved.

First of all, we were able to meet our forecast for the past financial year. Revenues increased by 4.1 % to € 3.2 billion, while adjusted EBITDA increased by 14.3 % to € 737.9 million and adjusted earnings per share increased by 5.1 % to € 2.73. Axel Springer is a digital company. By now, 70.6 % of revenue and 84.3 % of adjusted EBITDA come from digital activities. Revenues of digital activities increased organically by 9.6 %. We will continue this successful path.

The Classifieds Media segment continued its excellent development. The key drivers are the job portals of the StepStone Group, which have enjoyed pleasant growth, especially in continental Europe. At almost 17 %, organic revenue growth in the jobs segment reached the high level of the previous year. In the UK, StepStone's leading job boards Totaljobs and Jobsite have started a close cooperation. Customers can now benefit from the bundled reach of the two already strong job platforms. An excellent example of how our brands can profit from one another. Overall, StepStone continues with strong investments in brand, traffic, products and technology to further expand its strong market position.

Real Estate also performed excellently during the past financial year. In January 2018, the acquisition of Logic-Immo was approved. The successful French real estate portal will now be merged with SeLoger, the first integration steps have already been successfully completed in 2018. Together, the two portals hold a strong position in the French real estate market. There is also good news from the German market: Immowelt was able to reach the target of 40 % EBITDA margin a year ahead of schedule. In addition, we are now active in the area of transaction-based digital real estate platforms. In the first step, through the investment in innovation leader Purplebricks, and in the second step, by acquiring shares in Homeday, in turn in strategic partnership with Purplebricks. This shows: We will not rest on our achievements in the Real Estate segment, and instead will invest in further growth potential.

In the News Media segment, as announced, we succeeded in keeping adjusted EBITDA stable despite the structural challenges. In 2018, our traditional core brands BILD and WELT took a decisive step forward: In the meantime, both titles together have over half a million paying subscribers. BILDplus is thereby the largest journalistic paid-content offering in continental Europe and is now in the fifth place worldwide. This shows that the way we have chosen to rely on digital paid offers is the right one.

The following is also very satisfying: The success story of Business Insider continues. After an extremely strong prior year, Insider Inc., as the company is now called, achieved very good growth in the past fiscal year. The average annual growth since the acquisition of Business Insider in 2015 was around 33 % and is higher than expected at the time of the acquisition. In addition, we are increasingly managing to diversify our revenue streams. And last but not least, the company reached the break-even point as planned last year. In addition, we are also very pleased with the development of upday, the news aggregator developed especially for Samsung devices. upday is growing steadily, the reach is outstanding, and by 2019 we intend to reach the break-even point.

In the future, we will focus fully on our two pillars, the Classifieds Media segment on the one hand, and the News Media Segment on the other. In this sense, we have already completed the sale of aufeminin in 2018 in the Marketing Media segment. We thereby succeeded in achieving a very attractive purchase price. At the same time, we have begun to strengthen the cooperation between idealo and the News Media sector. The intersections are large. A stronger cooperation with the news offerings will enable us to strengthen and expand the business of idealo.

The Technology and Data segment is becoming increasingly important. For this reason, since last year, Dr. Stephanie Caspar as a member of the Executive Board is engaged in this topic and is driving it forward with all her strengths.

At the end of the upcoming Annual General Meeting, our long-serving Chairman of the Supervisory Board, Dr. Giuseppe Vita, will retire from the Board of which he has been a member since 2001 and its Chairman since 2002. An extraordinary Chairman in every respect. Although initially from outside the industry, he was an expert in the field from the start, who intuitively recognised the sensitivities of the media world and encorporated them into his thinking and actions. At the same time, he always remained apolitical, and acted exclusively on the matters at hand, with composure, confidence and a vast wealth of experience. He accompanied the company through decisive years of transformation. For his work, his commitment and his wise and far-sighted advice the Executive Board is very grateful to him.

Thank you kindly for the trust and confidence you have placed in our company.

Yours faithfully, Mathias Döpfner

Executive Board

Dr. Mathias Döpfner

Chairman and CEO

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 International

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. Stephanie Caspar

President News Media National & Technology

Born 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.

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.

The Axel Springer share

Stock market year 2018

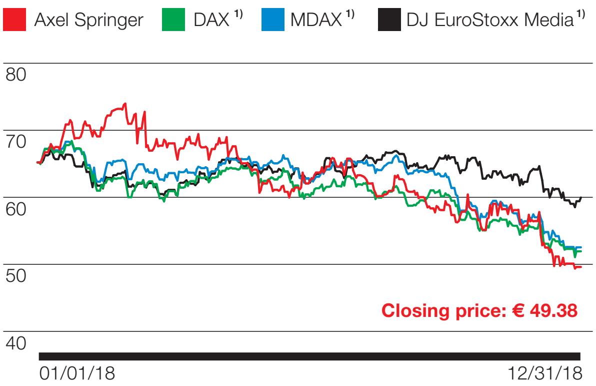
The stock exchanges look back on a difficult year. The leading German index, the DAX (price index), closed the reporting year with a decline of 20.6 %, while the MDAX (price index), which also includes the Axel Springer share, decreased by 19.6 %. At the end of the year, the European media sector index DJ EuroStoxx Media was 8.1 % below the prior-year closing rate. The value of the Axel Springer share declined by 24.2 % for the full year, thus showing a development below the comparable indices. Market capitalization at the end of 2018 was around € 5.3 billion.

Share Information[1]

€	2018	2017	Change
Earnings per share, adjusted[2) 3) 4)]	2.73	2.60	5.1 %
Earnings per share[3) 4)]	1.68	3.19	–47.4 %
Dividend[5)]	2.10	2.00	5.0 %
Total dividend payout (€ millions)[5)]	226.6	215.8	5.0 %
Year-end share price	49.38	65.13	–24.2 %
Highest price	74.00	68.10	8.7 %
Lowest price	49.14	46.34	6.0 %
Market capitalization (€ millions)[6)]	5,327.9	7,027.2	–24.2 %
Daily traded volume (Ø, € thousands)	9,997.3	9,371.7	6.7 %
Dividend yield[5) 6)]	4.3 %	3.1 %	-
Dividend yield per share per year[7)]	–21.1 %	45.3 %	-

1) Quotations based on XETRA closing prices.
2) Explanations with respect to the relevant key performance indicators on page 37 et seq.
3) For 2017 continuing operations, for the portion attributable to discontinued operations see section 2(d) in the notes to the consolidated financial statements.
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 2018 is subjedt to the condition of approval by the annual shareholders´ meeting.
6) Based on shares outstanding as of December 31, 2018, 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, 2017.

Analysts coverage

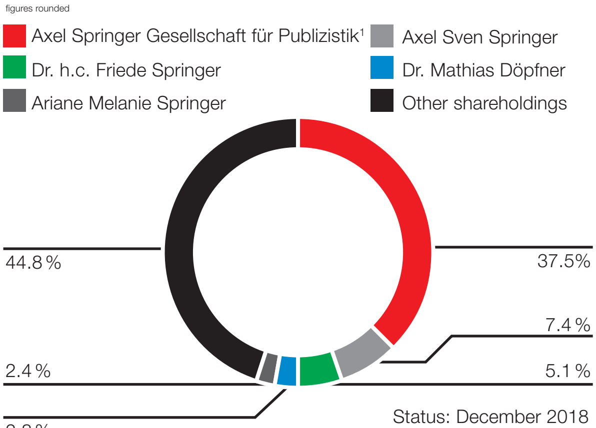
The number of analysts publishing ratings for our share decreased from 18 to 16 in the 2018 financial year. At the time of preparation of the annual financial statements, nine brokers recommend our share for purchase, six classify it as "hold/neutral" and one analyst firm recommends our share for sale. You can find the latest recommendations and share price targets in the Investor Relations section on our website at www.axelspringer.com.

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 21 days. In addition, we held regular dialogues with investors, analysts, and other capital market players 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 broadcast live on the Internet as audio webcasts and will continue to be available on our website.

The eleventh Capital Markets Day was held on December 12, 2018, to which we invited analysts, institutional investors and bank representatives to London. This event was broadcast live as a video webcast and together with the presentations shown at the event is available online under go.axelspringer.com/cmd2018.

Shareholder Structure



Status: December 2018

[1] Company solely owned by Dr. h.c. Friede Springer

Annual shareholders' meeting

The annual shareholders' meeting of Axel Springer SE took place in Berlin on April 18, 2018. Around 460 shareholders or 89.1 % of capital carrying voting rights participated. All resolutions proposed by the Management - including the proposal to increase the dividend by 5.3 % to € 2.00 (PY: € 1.90) per qualifying share - were approved by majorities of at least 83.1 %. Based on the 2017 year-end price, our share achieved a dividend yield of 3.1 %. A total of € 215.8 million (PY: € 205.0 million) was distributed to our shareholders.

Share participation program

In 2017, the new share participation program for employees initially started with a six-month pilot phase for Axel Springer SE, and all 100 % (subsidiary) companies in Germany, France, UK and Belgium. Since January 2018, the program takes place with the regular attendance period of twelve months. 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	550135, 575423
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 2018

Axel Springer looks back on a successful financial year 2018. The forecast published for the Group in March 2018 and partially adjusted during the year was fulfilled (see page 63).

In the reporting year, **revenues** of € 3,180.7 million were 4.1 % higher than the prior year (€ 3,055.5 million). Both the value in the reporting period and the corresponding figure in the prior year take into account the first-time application of the new IFRS 15 accounting standards (see section 3(o) in the notes to the consolidated financial statements). The significant part of this growth can be attributed to good operational development. In addition, consolidation effects also contributed, while currency effects had a negative impact overall. Organically, i. e. adjusted for consolidation and exchange rate effects, revenues were 3.8 % higher than in the prior year. Once again, growth was driven by our activities in the Classifieds Media segment. Overall, Axel Springer generated 70.6 % of the revenues in the digital segment in 2018.

The **adjusted EBITDA** was € 737.9 million and therefore up by 14.3 %, compared with the prior year (€ 645.8 million). The margin increased from 21.1 % to 23.2 %. The increase in revenue was primarily attributable to the operational improvement in the Classifieds Media segment. In addition, the application of the new IFRS 16 accounting standard, which has been in force for the first time since January 2018 (see section 3(o) in the notes to the consolidated financial statements), also had a positive effect. Organically, i.e. adjusted for consolidation and currency effects, as well as the effects of IFRS 16, the adjusted EBITDA increased by 8.5 %. Overall, we generated 84.3 % of EBITDA with digital activities in the past fiscal year.

Compared with the prior year, **adjusted EBIT** increased by 4.7 % to € 527.9 million (PY: € 504.0 million). The lower increase compared to EBITDA resulted, in particular, from the higher scheduled depreciation, amortization and impairments due to the introduction of the new IFRS 16 accounting standards. EBIT increased organically by 6.4 %. The margin at 16.6 % was at the same level as in the prior year (16.5 %).

The **adjusted earnings per share** from continuing operations of € 2.73 were 5.1 % above the prior-year figure of € 2.60. Organically, adjusted earnings per share increased even more sharply with 8.3 %.

At the annual shareholders' meeting to be held on April 17, 2019, the Executive Board and Supervisory Board will propose a **dividend** of € 2.10 (PY: € 2.00) per qualifying share.

Outlook 2019

For the financial year 2019, we expect Group **revenues** to increase in the low single-digit percentage range. Organically, we assume growth in the low to mid single-digit percentage range.

We expect the **adjusted EBITDA** to remain on the prior-year level. Organic growth of adjusted EBITDA should be in the low to mid single-digit percentage range.

For **adjusted EBIT**, we expect a decline in the low single-digit percentage range due to higher depreciation, amortization and impairments. Organically, we expect growth in the low single-digit percentage range.

We expect the development of the **adjusted earnings per share** between a stable development and a decline in the low single-digit percentage range. We expect an organic increase in the single-digit percentage range.

For detailed information on the forecast see page 65.

Introductory remarks

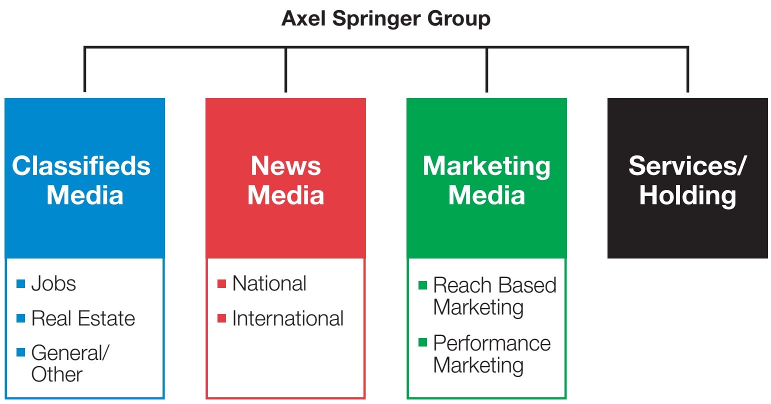
The combined management report for Axel Springer SE and the Group are summarized. The information contained in this combined management report relates to the economic situation and business performance of the Axel Springer Group. These statements are also largely applicable to Axel Springer SE. Additional information on the economic situation of the parent company Axel Springer SE is provided in a separate chapter on page 43.

For explanations of the key performance indicators used and the adjustments of our operating results, please refer to page 37 et seq. of the combined management report and section (31) in the notes to the consolidated financial statements.

In the 2018 financial year, changes resulted from the first-time application of IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases". Please refer to section 3(o) in the notes to the cnsolidated financial statements for information on the changes resulting from the new accounting standards.

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, 70.6 % of total revenues and 84.3 % 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 Insider Inc. 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 (41) 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.

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 built up one of the world's largest portfolios of leading online classified portals in the last ten 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/Logic-Immo ■ Immowelt ■ Immoweb	■ LaCentrale ■ Yad2 ■ @Leisure

Activities in the Jobs subsegment are organized centrally under the management of StepStone Germany and thus realize synergies within the Group. Examples of this are new products and offers that are made available to all companies in Jobs Classifieds, as well as the coordination of development projects. Currently, a joint group is being formed with the Aviv Group for the activities in Real Estate as well as General/Other (with the exception of @Leisure). Across the individual companies involved, a long-term strategy for the development from purely listing-based to more transaction-based marketplaces is being pursued. In the implementation, this includes the joint development of new products as well as the improvement of efficiencies by e.g. the interchange of the existing technical components or algorithms.

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, which specialize in expert and executive personnel, according to the market research institute TNS, StepStone delivers around two and a half times more applications per ad 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 with SeLoger and Logic-Immo in France and with Immoweb in Belgium. 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 and an expansion of its offering in recent years, reaching an average value of € 765 in 2018 (PY: € 724) per month. The SeLoger portfolio also includes some highly specialized niche portals such as: belles-demeures.com for luxury real estate. Since the first quarter of 2018 Logic-Imo.com has also been part of the portfolio (see page 26). In Belgium, Immoweb achieved average revenue per agent of € 541 per month (PY: € 514). The Real Estate subsegment also includes the German Immowelt Group, which was created from the merger of Immowelt and Immonet and is the clear number two of the German real estate portals. In 2018, the migration of customers to the DUO offering was completed, which allows agents to place their properties on both portals. In the course of the year, a further step was taken to increasingly focus marketing activities on customers with higher advertising volumes. This resulted in another overall significant increase in average revenue per agent. In 2018, this averaged € 332 per month (PY: € 294).

General/Other includes Car&Boat Media, based in Paris. With LaCentrale, the company operates the leading specialist classifieds portal for used cars in France as well as other portals related to cars and boats. Car&Boat Media's average revenue per dealer in 2018 was € 454 per month (PY: € 410). The Yad2 Group includes the leading generalist classifieds portal in Israel for real estate, cars and classified ads, 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 portal Belvilla as well as the company Traum-Ferienwohnungen and the DanCenter Group (formerly Land & Leisure Group), which, among others, operates the portal DanCenter.

Business model and key factors

The offerings in the Classifieds Media segment mainly generate revenue from the sale of classified ads. Companies pay a certain price per ad for placing job ads, estate agents for advertising real estate, or car dealerships for publishing car ads. In addition, revenues are generated through the supply of qualified contacts or prospects (lead generation), marketing of 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 extension of the product offer e.g. in the field of lead generation. 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.

In the **General/Other** section, revenues are oriented upon the customer focus of the respective 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 ■ Insider Inc. ■ eMarketer ■ upday ■ Politico

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

BILD.de is German news and entertainment portal with the highest reach, reaching an average of 4.9 million unique users per day and 22.9 million unique users per month in December 2018. BILD.de is represented on all digital devices with its offerings and is available via its apps for almost all smartphones, tablet PCs and smart TVs as well as for voice-based products on new mobile assistants. The digital offers of the BILD Group also include other theme-specific portals such as fitbook.de, stylebook.de, techbook.de or travelbook.de.

In the segment of German quality media, WELT's digital products, with about 20 million unique users per month, are among the most successful in stationary and mobile Internet. They are also available on tablet PCs, smartphones and e-readers as well as a digital subscription. WELT (previously N24) is the leader in the News channel segment and reaches with N24 Doku among the 14- to 49-year-old advertising-relevant audience group a market share of 1.3 %.

The willingness to pay for digital journalism is increasing. Thus, in October 2018 Axel Springer's digital paid content offerings were able to register more than 500,000 subscribers for the first time with BILDplus and WELTplus. BILDplus is thus also the largest journalistic paid-content offering in Continental Europe and is now in fifth place worldwide.

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

BILD is Europe's largest daily newspaper with the highest reach and by far the number one newsstand newspaper in Germany with a share of 79.6 % (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, 2018). BILD am SONNTAG is Germany's best-selling national Sunday newspaper in 2018 with a share of 57.0 %. B.Z. is one of the largest newspapers in Berlin. The automotive, computer and sports media of the BILD brand family make up a magazine portfolio around the core brands AUTO BILD, COMPUTER BILD and SPORT BILD.

In terms of circulation, WELT AM SONNTAG is the clear number one national quality newspaper. 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 75.9 % 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. As the leading online publisher, Ringier Axel Springer Media reached 77.3 % of Internet users in Slovakia. In Estonia, Latvia and Lithuania, Ringier Axel Springer Media operates leading job portals. 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 car segments. **Print offers** include the largest Polish newspaper FAKT, the leading tabloid BLIKK in Hungary, as well as other newspapers and magazines. In Slovakia, the sale of the print business that was agreed upon in 2017, was carried out in July 2018.

In the US, Axel Springer is represented by the leading digital business and financial news provider Business Insider. In order to accommodate the growing and diverse brand group, the family brand Insider Inc. was founded. Its portfolio includes Business Insider, Markets Insider, BI Intelligence and INSIDER, which together reach about 350 million readers and viewers worldwide. In cooperation with finanzen.net, Business Insider has also been running a German portal. Insider Inc. has also added a digital B2C subscription offering BI- Prime to its paid product for business customers 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 2018, the platform reached a total of 561.4 million visits (IVW) in 16 countries, one fifth of them in Germany. upday aggregates content from more than 4,000 different sources. In addition to “Top News” selected and summarized by journalists, news is displayed by algorithm that reflect the individual interests of users in the section of "My News".

The Europe joint venture with POLITICO in Brussels continued its growth course in 2018 and has strengthened its position as the most widely read and influential EU media brand. In 2018, 69 % of EU decision-makers read POLITICO at least once a week. The digital paid offer POLITICO PRO, which was supplemented by five cross-industry products (so called PRO Horizontals) and the data-based monitoring platform PRO Intelligence, contributed to the growth trend.

Business model and key factors

Revenues in the News Media segment mainly comprise advertising and circulation revenues. Advertising revenues are generated by marketing the reach of our online and print media. The circulation revenues come from the sale of classic print products and digital subscriptions. The value chain, however, is cross-media oriented. 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 journalistic 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, one of 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 9.4 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 printing plants in Ahrensburg (near Hamburg), Essen-Kettwig and Berlin-Spandau. We therefore carry out all crucial 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 just under 100 thousand retail shops where our newspapers and magazines are sold.

In the digital business, industry circulation revenues are still much lower than in the print business but are recording strong growth. Digital advertising revenues continue to be highly competitive due to the reach-based market power of Facebook, Google, and increasingly also Amazon. For example, Facebook and Google accounts alone create more than one half of the digital advertising market in the USA 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. Due to the often viral distribution of fake news, digital platforms were increasingly criticised for exposing brands of advertising customers to a reputation-damaging environment.

The production process of the digital offerings in the news media segment 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 webpages or download platforms such as the app stores of Apple and Google.

Cross-media, this segment is influenced by the political situation in the relevant markets, the economic environment and in particular the performance of the advertising markets, in particular. 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] Disposal completed in April 2018.

Reach Based Marketing includes idealo.de, Germany's leading portal for product search and price comparison. idealo accesses around 2.4 million products with more than 329 million offers from online retailers (status: average December 2018) 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 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 transaction was completed in April 2018 (see page 26).

kaufDA.de and MeinProspekt.de operate under the umbrella of the Bonial Holding 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 and Sweden (both Bonial), Spain, Mexico and Colombia (all Ofertia). In December 2017, Bonial announced the closure of US activities under the Retale brand, as profitability targets were not met.

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. As part of its internationalization strategy, the portal is, among others, also represented with an offer in Switzerland, the US, Austria, Russia and the Netherlands. In addition, finanzen.net operates two portals in cooperation with Insider Inc., 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 largest private radio portfolios in Germany. In the second quarter of 2018, Axel Springer sold its remaining stake of around 7 % in Doğan TV, one of the leading private television and broadcasting companies in Turkey, to Doğan Holding (see page 27).

The **Performance Marketing** activities are bundled within the Awin-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.

Business model and key factors

In **Reach Based Marketing**, advertising space is marketed to advertising customers and charged on the basis of 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.

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. The advertisers pay only a performace fee to the publishers if the advertising materials have actually been used and resulted in the desired transaction for the advertising customers. Our platforms provide the infrastructure for this efficient form of marketing, recording data traffic and transactions, and providing a variety of services to advertisers and publishers.

Services/Holding

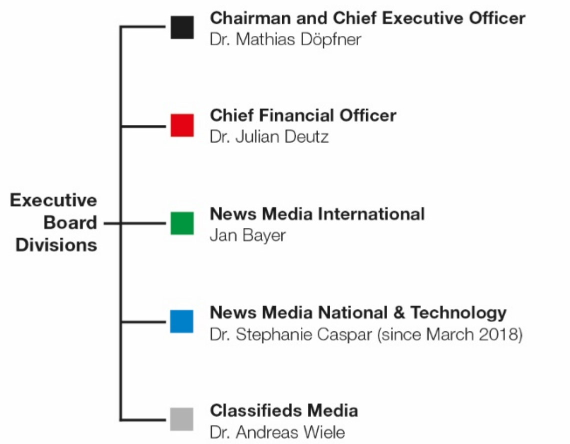
Group services, which also include the three domestic printing plants, as well as the holding functions are reported within the Services/Holding segment. Group services are purchased by in-house customers at standard market prices.

Management and control

Executive Board divisions

At the beginning of the reporting year, the Executive Board of Axel Springer SE consisted of four members; since March 1, 2018 it comprises five members. In its management of the company, the Executive Board is supported and supervised by a Supervisory Board c omposed 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 of 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 People & Culture, Law and Compliance, Group Procurement, Group Security and Corporate Audit & Risk Management.

Jan Bayer was responsible for the News Media segment in the 2018 financial year, and for the national activities thereof together with Dr. Stephanie Caspar. In addition to the journalistic product portfolio, this division also includes Media Impact (Marketing) Sales Impact (Sales), IT, and the printing plants also belong to this segment. Since March 1, 2018, Jan Bayer also took over the responsibility for reach-based offers of Marketing Media segment from Dr. Andreas Wiele. As of the beginning of 2019, Jan Bayer, as President of News Media International, is responsible for the Group's activities in the US (especially Insider Inc., eMarketer, Group Nine Media), Eastern Europe, Switzerland, as well as for the media brands in France, Spain, for the joint venture with POLITICO and for upday. finanzen.net and Bonial will continue to be his executive responsibilities.

Since March 1, 2018, Dr. Stephanie Caspar as Chief Technology and Data Officer has been responsible for the overall technology and data strategy and together with Jan Bayer for the national digital media business. Since January 1, 2019, being President News Media National & Technology, she has also been responsible for the media brands of Axel Springer in Germany, including marketing (Media Impact), sales (Sales Impact) and for the printing plants, as well as for idealo.

Dr. Andreas Wiele, as President of Classifieds Media (until March 1, 2018: Executive Board member Classifieds and Marketing Media) is responsible for the classifieds and performance-based marketing offers (until March 1, 2018: classifieds and marketing offers) including the associated investments.

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 73 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 and – for qualifying employees an additional – variable component. Axel Springer uses variable compensation on the basis of performance- and success-oriented target agreements, which are concluded annually and include individual divisional targets in addition to the Group targets. With regard to the Group targets for 2018, 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 83). We also provide information on the remuneration of our Supervisory Board (from page 86).

Goals and Strategies

Axel Springer pursues a strategy of profitable growth, with the overarching 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. Strategic priorities lie in the area of Classifieds Media and News Media.

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 and acquired selected minority interests (see page 26), 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 national brands in digital and print as well as the potential of international brands, such as e.g. Business Insider.

At the beginning of 2018, Axel Springer rebuilt the so far brand-based organization of the News Media National product portfolio and organized the publishing area across print and digital brands. 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 position of our titles. The digital sector, on the other hand, requires greater investment across the brand in technological innovations in the future. With the digital brand subscriptions BILDplus and WELTplus, the basis of paying readers on the Internet is established and expanded. 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 reach in younger target groups, above all through social media channels.

The WELT Group is the leading multimedia provider of quality journalism that can optimally serve both print, digital, TV and out of home. For this the respective strengths are used: the digital offerings of the WELT Group, in particular, uses the moving image inventory of the TV news channel WELT (formerly N24), while the quality news channel in conjunction with the other offers of the WELT Group can further assert its market position. 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 high-reach platform for advertising campaigns. As one of the leading cross-media marketing firms (based on gross market shares), Media Impact continues to expand its external marketing portfolio in the print and digital segments. The TV portfolio, together with Viacom's portfolio, is marketed by the video image marketer Visoon Video Impact.

While at the same time paying attention to the overarching strategic priorities of Axel Springer, the strategy in the **Marketing Media** segment aimed towards the sustainable growth in 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 reach and use of offers, increase advertising utilization and develop new advertising, pricing and business models. In Performance Based Marketing, the focus is on the closer integration of the activities bundled in the Awin Group, primarily through the standardization of the technical platform and the expansion of 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, including those that 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. In addition, Axel Springer also holds an interest in the LAKESTAR II investment fund. 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. In the Classifieds Media segment, a complementary focus was placed on real estate in 2018 with minority interests in Purplebricks and Homeday.

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 the Executive Board and executives (more about our compensation system can be found starting on page 83). These performance indicators and the adjusted EBITDA and EBIT margin are anchored in our internal planning and control system.

Financial Control Parameters

Selected financial control parameters on the Group level, € millions	**2018**	**2017**
Revenues[1]	3,180.7	3,055.5
EBITDA, adjusted[2] [3]	737.9	645.8
EBITDA margin, adjusted[1] [2]	*23.2 %*	*21.1 %*
EBIT, adjusted[2]	527.9	504.0
EBIT margin, adjusted[1] [2]	*16.6 %*	*16.5 %*

[1] Adjustments of prior-year figures due to the retrospective application of IFRS 15, see section 3(o) in the notes to the consolidated financial statements.
[2] Explanations with respect to the relevant key performance indicators on page 37 et seq.
[3] Including the increase in adjusted EBITDA of € 45.1 million from the first-time application of IFRS 16, see section 3(o) in the notes to the consolidated financial statements.

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

The International Monetary Fund (IMF) notes in its Outlook published at the beginning of 2019 a slowdown in the **global economy**. Accordingly, growth in 2018 should have been 3.7 % in real terms. The third quarter of 2018 was below expectations in significant national economies (Germany, Japan). The fourth quarter also showed weaker economic momentum.

According to calculations by the Federal Statistical Office, the **German economy** grew by 1.5 % in price-adjusted terms in 2018. However, growth has lost momentum. In the two preceding years, the real growth rate was 2.2 % per year. The German economy has thus grown for the ninth year in a row. Positive impulses for growth in 2018 came again mainly from the domestic market. Private consumption increased by 1.0 % in real terms and was thus weaker than in the prior year. Price-adjusted investments increased by 4.8 % compared to the prior year. German exports also developed positively. Price-adjusted exports of goods and services were 2.4 % higher than in the prior year. Imports increased by 3.4 % in real terms during the same period.

The Ifo Business Climate Index fell continuously in the last four months of 2018. The mood was clouding both in the area of trade and in the area service providers, as well as in the industry. According to surveys by GfK, consumers showed a mixed picture in the last quarter of the year in 2018. The positive income prospects of Germans continued to defy the falling economic expectations.

According to calculations by the Federal Statistical Office, consumer prices increased in 2018 compared to the previous year by 1.9 %. The Federal Employment Agency recorded 2.3 million unemployed on an annual average in 2018. This was 7.6 % less than the corresponding prior-year figure. The average annual unemployment rate in 2018 was 5.2 %.

According to calculations by the German Institute for Economic Research (DIW), the **British economy** grew by 1.3 % in real terms in 2018. In particular, the foreign trade, public investments and private consumption supported growth. Business investment, however, declined ahead of the Brexit.

For **France**, the DIW expects price-adjusted economic growth in 2018 of 1.6 %. At 2.0 %, the inflation rate is expected to be slightly higher than in the rest of the euro area (1.9 %).

According to the DIW, the countries of **Central and Eastern Europe** once again achieved a strong economic upturn in 2018, with a growth rate of 4.4 % in real terms – especially in the major national economies of Poland and Romania. Economic development in Central and Eastern Europe was based on private consumption. In some countries investment also increased – partly due to co-financing by EU funds. Demand from the Eurozone has also increased exports.

The **USA** achieved real economic growth of 2.9 % in 2018 according to the DIW analysis. In the third quarter, the economy was sustained by a significant increase in private consumer spending. The contribution of business investment, on the other hand, has decreased.

Industry-specific environment

Advertising market

According to the latest advertising market forecast of ZenithOptimedia ("Advertising Expenditure Forecast", December 2018), the advertising market in Germany in 2018 grew by nominal 2.0 % over the prior-year figure.

According to these surveys, net revenues of the **total advertising market** during the reporting period was € 20.5 billion (including classified ads and leaflets, less discounts and agency commissions and excluding production costs).

In the **online** sector in Germany (display, keyword marketing and affiliate), net advertising revenues increased by 8.8 % to € 7.4 billion in 2018. The digital advertising expenditure thus represents a share of the total advertising expenditure of 36.0 %. 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 € 4.2 billion in the reporting period, a 4.8 % decrease from the prior-year figure. **Magazines** (consumer magazines, directory magazines, directory media) also showed a decline compared to the previous year, with net advertising revenues falling by 7.0 % to € 2.1 billion.

Commercial **television** in Germany recorded an increase of 3.6 % to € 4.8 billion in 2018 and net advertising revenues on **radio** were € 784 million at the prior-year level. Net advertising revenues in **outdoor** advertising slightly increased in 2018 by 0.3 % to € 1.2 billion.

According to ZenithOptimedia, the following digital advertising revenue development is expected in 2018 for selected countries:

Advertising Activity 2018 (selection)

Change in net ad revenues compared to prior year (nominal)	Online
Germany	8.8 %
Central and Eastern Europe	15.6 %
USA	13.1 %
United Kingdom	10.8 %

Source: ZenithOptimedia, Advertising Expenditure Forecast, December 2018; preliminary estimates.

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 or Netflix but also our own paid content offers prove that media content can be monetized not only via reached based models, but also via subscriptions. While digital newspaper distribution, at € 386 million, is not nearly as high as print distribution (€ 4.6 billion), overall market growth in distribution will take place online over the next few years. The print market will continue to decline. On the other hand, the **online distribution market** is projected to grow on average by around 7 % each year until 2022. The Axel Springer products in this segment, BILDplus and WELTplus, pioneers with their respective founding years of 2013 and 2012, have been recording strong growth in subscriber numbers for years.

The German **press distribution market** declined somewhat further. The total paid circulation of newspapers and magazines was 4.3 % below the corresponding prior-year figure. Thanks to the price increases implemented in the past four quarters, however, circulation revenues declined by only 0.5 %.

The 329 IVW registered daily and Sunday newspapers achieved total sales of 15.7 million copies per publication date. Compared to the prior-year figure, this corresponds to a decrease of 4.7 %. Newsstand sales (–11.5 %) – as in the prior year – suffered a much greater decline than subscription sales (–3.6 %). Within the press distribution market, the demand for daily and Sunday newspapers – as weighted for their respective publication frequencies – declined by 3.6 %.

Total sales of general-interest magazines including membership and club magazines came to 86.1 million copies per publication date. Compared to the prior-year figure, this corresponds to a decline of 5.3 %. IVW tracked a total of 736 titles (– 2.6 % compared with the prior-year figure). The demand for general-interest magazines – weighted for their respective publication frequencies – declined by 6.7 %.

Business performance

At the beginning of January 2018, we transferred the **Axel Springer high-rise building in Berlin** to the Axel Springer Pensionstreuhandverein. Thereby the plan assets to cover our pension obligations increased by € 140.4 million. As part of a long-term lease, we will continue to use the property as headquarters.

Following the approval of the French antitrust authorities at the end of January 2018, the purchase of 100 % of shares of Concept Multimédia, which had already been contractually agreed in 2017, was completed at the beginning of February. The purchase price amounted to € 95.3 million. 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 luxury real estate and new builds.

The agreement between Axel Springer and Télévision Française (TF1) for the **sale** of Axel Springer's stake in the French **aufeminin Group** in January 2018, was completed by the end of April 2018. The purchase price amounted to € 291.5 million. The financial resources of the aufeminin Group at the time of the transaction amounted to € 72 million.

In April 2018, Axel Springer acquired 11.5 % of the British company **Purplebricks** as part of a capital increase and the purchase of existing shares from the shareholders. Purplebricks was established in April 2014 in the UK and operates purplebricks.co.uk, the leading British transaction-based digital real estate platform. The company is also active in Australia, the USA and Canada. Since December 2015, Purplebricks has been listed on the London Stock Exchange. The purchase price for the equity investment amounted to € 143.2 million, corresponding to a price per share of £ 3.60. In July 2018, Axel Springer acquired additional shares at a price per share of £ 3.07 and a total value of € 10.4 million and increased its stake to around 12.5 %. As of December 31, 2018, we wrote down the investment to its year-end market capitalization of € 62.3 million. In the course of the equity investment, Dr. Andreas Wiele, Executive Board member Classifieds Media of Axel Springer SE, took over a seat on the Board of Directors of the company. In December 2018, Axel Springer and Purplebricks concluded an agreement on a joint investment in **Homeday**. Homeday, based in Berlin, operates homeday.de, a transaction-based digital real estate platform for the German market. Axel Springer and Purplebricks each hold 50 % of a joint investment company that acquired 22 % of Homeday GmbH. In connection with this transaction, Axel Springer's existing shareholding of just under 5 % was transferred to the joint investment company.

At the beginning of May 2018, StepStone acquired the employer branding specialist **Universum**. The acquisition cost amounted to € 41.0 million and may in the future, due to contingent purchase price liabilities, increase in total by a maximum of SEK 75.0 million (approximately € 7.2 million). Based in Stockholm, Universum is one of the world's leading employer branding specialists, assisting companies to analyze, define, develop and communicate their own employer brand. The Swedish company was founded in 1988 and now serves around 2,000 customers in more than 35 countries.

In the second quarter, Axel Springer sold its remaining share of about 7 % in the Turkish **Doğan TV** to Doğan Holding. For this purpose, we had received put options for the staggered back-sale of our equity investment from the Doğan Holding, on the basis of which we expected proceeds of around € 171 million in the years 2020/2022. During the first quarter of 2018, Doğan Holding initiated the sale of all media activities to the Turkish media group Demirören. In the event of such a sale, Axel Springer has agreed with Doğan Holding in April on the early exercisability of the put options for a total purchase price of € 160 million. Axel Springer then exercised the put options in May 2018. The sale has not produced any material earnings effects.

At the end of July 2018, the **sale** of our **newspaper and magazine portfolio in Slovakia**, including the associated online offerings, was completed following approval by the relevant authorities. The purchase price amounted to € 60.5 million.

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 of media companies. This is reflected in the development of the segments of the Axel Springer Group. The overall positive business development in the financial year confirms our strategy of rigorously digitizing the company. The organic revenue growth was driven primarily by the good performance of the Classifieds Media segment. The increase in earnings was also primarily attributable to the good development of the Classifieds Media segment. Furthermore, business performance was influenced by acquisitions in digital business models and by active portfolio management.

Financial performance, liquidity and financial position

Financial performance of the Group

In the reporting year, **revenues** of € 3,180.7 million were 4.1 % higher than the prior-year value of € 3,055.5 million. In organic terms as well, i.e. adjusted for consolidation and currency effects, revenues increased by 3.8 %. While consolidation effects had a positive effect, in particular as a result of the inclusion of Logic-Immo, Universum and affilinet and in opposite terms due to the deconsolidation of aufeminin, currency effects had an overall negative effect. The prior-year figures were adjusted retrospectively due to the first-time application of IFRS 15 (see section 3(o) in the notes to the consolidated financial statements).

Revenues from digital activities increased from € 1,996.5 million by 10.5 % to € 2,206.5 million. The digital portion of revenues related to the operating business was 70.6 % (PY: 66.7 %).

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	2018	2017
Digital Media	**9.6 %**	**12.5 %**
Classifieds Media	11.4 %	12.7 %
News Media	11.8 %	12.0 %
Marketing Media	2.1 %	12.4 %

While the growth rates in the Classifieds Media and News Media segments again increased in the low double-digit percentage range in the year under review, growth slowed in the Marketing Media segment (see page 33).

International revenues increased by 5.8 % from € 1,329.8 million to € 1,406.5 million. The share of total revenues increased from 43.5 % to 44.2 %.

Advertising revenues increased by 7.2 % to € 2,159.4 million (PY: € 2,014.1 million). Here, too, consolidation effects had an impact due to the integration of in particular Logic-Immo and affilinet, as well as the deconsolidation of aufeminin from the end of April 2018. The organic increase was 6.3 %. The share of advertising revenues in total revenues increased slightly to 67.9 % (PY: 65.9 %). Of the total advertising revenues, 86.4 % (PY: 83.8 %) were generated by **digital activities**.

The decline in **circulation revenues** by 6.5 % from € 633.0 million to € 591.7 million was mainly due to market-conditions. In addition, the consolidation effects at Ringier Axel Springer Media in Slovakia and Serbia also had an impact. The organic decline in circulation revenues was 4.8 %. Overall, the increase in digital circulation revenues could not compensate for the decline in circulation revenues from printed publications. The share of circulation revenues in total revenues slightly declined to 18.6 % (PY: 20.7 %).

Other revenues amounted to € 429.6 million and were 5.2 % above the prior-year value of € 408.3 million. In addition to operating improvements in the News Media and Marketing Media segments, consolidation effects from the inclusion of Universum and Logic-Immo contributed to this. The deconsolidation of aufeminin had a counteracting effect. The organic increase was 4.7 %. Overall, other revenues represented an almost unchanged share of 13.5 % (PY: 13.4 %) of total revenues.

Other operating income amounted to € 169.5 million (PY: € 317.3 million) and included, in addition to the profit from the sale of the aufeminin Group (€ 49.4 million before sale-related costs), income from the transfer of the Axel Springer high-rise building in Berlin to the Axel Springer Pensionstreuhandverein (€ 34.9 million). The prior-year figure was mainly affected by the sale of the Axel-Springer-Passage in Berlin (€ 200.5 million) and effects from the revaluation of contingent purchase price liabilities (€ 56.6 million).

Changes in inventories and other internal costs capitalized increased to € 93.5 million (PY: € 87.7 million) in the reporting year and mainly relate to IT development projects for the development and expansion of our digital business models.

Compared to the prior-year figure, **total expenses** increased by 3.8 % to € 3,003.9 million (PY: € 2,894.8 million; for the adjustment of the prior-year figure see section 3(o) in the notes to the consolidated financial statements.)

Purchased goods and services increased slightly by 1.0 % to € 549.7 million due to consolidation effects (PY: € 544.2 million; for the change in the reporting of cost of materials as well as for the corresponding adjustment of the prior-year figure see section 3(o) in the notes to the consolidated financial statements). The ratio of purchased goods and services to total revenues decreased to 17.3 % (PY: 17.8 %).

Personnel expenses were € 1,224.4 million (PY: € 1,202.1 million) and 1.9 % above the prior-year level. The increase is mainly attributable to an increase in personnel in the digital business models as well as to the overall effects resulting from the acquisition and sale of subsidiaries. Partly compensating for this were lower expenses for restructuring measures and long-term compensation programs. The average number of employees increased in 2018 by 3.2 % to 16,350.

The increase in **depreciation, amortization and impairments** to € 347.9 million (PY: 236.1 million) resulted in particular from the first-time application of the new standard for lease accounting (IFRS 16) from January 1, 2018 and the associated recognition of depreciation, amortization and impairments on rights of use of lease agreements (see section 3(o) in the notes to the consolidated financial statements). The depreciation, amortization and impairment of the contractual rights of use resulting from the lease of the Axel-Springer-Passage and the Axel Springer high-rise building in Berlin, which has taken place since January 1, 2018, also had an increasing effect. In addition, we recognized impairment losses on goodwill in the Marketing Media segment (€ 42.3 million) in the year under review.

Other operating expenses were € 882.0 million and, in particular due to the change in the disclosure of lease expenses (see first-time application of the new standard for lease accounting IFRS 16 in section 3(o) in the notes to the consolidated financial statements), below the prior-year level (PY: € 912.4 million). Partially compensating was the inclusion of acquired subsidiaries as well as additional advertising measures for our digital business models.

Income from investments came to € –62.2 million (PY: € –39.0 million) and was impacted in the prior year by impairment losses of financial assets; in the reporting year, we wrote off our investment in Purplebricks by € 82.9 million to the market capitalization as of December 31, 2018 (PY: impairment of our share in Ringier Axel Springer Schweiz AG). The operating income from investments included in adjusted EBITDA amounted to € 15.5 million (PY: € 16.0 million).

The **financial result** amounted to € –21.1 million (PY: € –18.4 million). In the reporting period, due to the introduction of the new standard for lease accounting, the interest expense from the compounding of lease liabilities also increased (see section 3(o) in the notes to the consolidated financial statements).

Income taxes in the reporting year amounted to € –147.9 million (PY: € –130.2 million.). The tax rate was 41.5 % (PY: 25.6 %) and was characterized in the year under review by tax-neutral write-downs on financial assets (in the previous year characterized by the reversal of deferred taxes due to tax rate changes, especially in the US).

Compared with the prior year, **adjusted EBITDA** increased by 14.3 % to € 737.9 million (PY: € 645.8 million). The margin increased to 23.2 % (PY: 21.1 %). Organically, adjusted EBITDA was 8.5 % above the prior year.

Adjusted EBITDA of digital activities increased by 16.6 % from € 582.0 million to € 678.5 million. In terms of operating business, the share of digital business in adjusted EBITDA was 84.3 % (PY: 80.0 %).

Due to increased scheduled depreciation, **adjusted EBIT** increased by 4.7 % to € 527.9 million (PY: € 504.0 million) compared to the prior-year. Again, consolidation and currency effects had an impact. The organic increase was 6.4 %. The margin of 16.6 % was on the prior-year level (16.5 %).

The **adjusted net income** increased by 2.5 % to € 335.7 million (PY: € 327.5 million). As a result of a decline in minority interests, **adjusted earnings per share** increased by 5.1 %; organically, **adjusted earnings per share** were 8.3 % higher than in the prior year.

Net income[1)]

€ millions	**2018**	**2017**	**Change**
Net income	**208.4**	**378.0**	**–44.9 %**
Non-recurring effects	12.5	–117.0	–
Depreciation, amortization, and impairments of purchase price allocations	137.8	94.2	46.3 %
Taxes attributable to these effects	–23.1	–27.8	–
Net income, adjusted[2)]	**335.7**	**327.5**	**2.5 %**
Attributable to non-controlling interest	41.0	47.1	–12.8 %
Adjusted net income[2)] attributable to shareholders of Axel Springer SE	**294.7**	**280.4**	**5.1 %**
Earnings per share, adjusted (in €)[2) 3)]	**2.73**	**2.60**	**5.1 %**
Earnings per share (in €)[3)]	1.68	3.19	– 47.4 %

[1)] For 2017 continuing operations, for the portion attributable to discontinued operations see section 2(d) in the notes to the consolidated financial statements.
[2)] Explanations regarding relevant key performance indicators on page 37 et seq.
[3)] Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 107.9 million).

The non-recurring effects in the reporting period mainly related to income from the sale of business activities and real estate in the amount of € 74.4 million (PY: € 172.4 million) and were almost exclusively related to the gains (before disposal-related costs) from the sale of our interest in the aufeminin Group (€ 49.4 million), as well as to the transfer of the Axel Springer high-rise building in Berlin to the Axel Springer Pensionstreuhandverein (€ 34.9 million); in the prior year, these effects were particularly related to the sale of the Axel-Springer-Passage in Berlin. In addition, equity investment valuation effects of € –76.9 million particularly from the write-down of our investment in Purplebricks (PY: € –55.5 million mainly related to our interest in Ringier Axel Springer Schweiz AG), effects from the subsequent valuation of contingent purchase price liabilities from options on non-controlling interests of € –7.4 million (PY: income of € 34.9 million) as well as other effects from first-time consolidations of € –9.8 million (PY: € –14.6 million), which mainly resulted from acquisition-related expenses and further effects from purchase price allocations. Income from the valuation of the long-term incentive program (LTIP) was adjusted by € 7.2 million (PY: expense € –20.2 million).

Financial performance of the operating segments

Classifieds Media

In the Classifieds Media segment 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. Since 2018, we disclose meinestadt.de in the subsegment Jobs (previously General/Other). The prior-year figures have been adjusted accordingly.

Key Figures Classifieds Media

€ millions	2018	2017	Change
Revenues	**1,212.5**	**1,007.7**	**20.3 %**
Advertising revenues	1,167.4	990.4	17.9 %
Other revenues	45.1	17.3	>100 %
Jobs	602.6	495.9	21.5 %
Real Estate	375.3	290.1	29.4 %
General/Other	234.6	221.7	5.8 %
EBITDA, adjusted[1]	**487.2**	**413.2**	**17.9 %**
Jobs	245.5	203.1	20.9 %
Real Estate	172.6	146.2	18.1 %
General/Other	79.9	72.3	10.5 %
EBITDA margin, adjusted	***40.2 %***	***41.0 %***	
Jobs	*40.7 %*	*41.0 %*	
Real Estate	*46.0 %*	*50.4 %*	
General/Other	*34.1 %*	*32.6 %*	
EBIT, adjusted[1]	**406.7**	**361.0**	**12.7 %**
Jobs	197.5	167.6	17.9 %
Real Estate	151.3	135.5	11.6 %
General/Other	68.7	66.4	3.6 %
EBIT margin, adjusted	***33.5 %***	***35.8 %***	
Jobs	*32.8 %*	*33.8 %*	
Real Estate	*40.3 %*	*46.7 %*	
General/Other	*29.3 %*	*29.9 %*	

[1] Segment EBITDA/EBIT, adjusted include non-allocated costs of € 10.9 million (PY: € 8.5 million).

Revenues in the Classifieds Media segment increased significantly compared to the prior-year period by 20.3 % to € 1,212.5 million (PY: € 1,007.7 million). In addition to an improvement in the operational performance of the job portals in particular, consolidation effects also contributed to this, mainly due to the inclusion of Logic-Immo in Real Estate and Universum in Jobs. The organic increase in revenues, i.e. adjusted for consolidation and currency effects, was 11.4 %. The job portals achieved a revenue increase of 21.5 %, organically they increased by 16.9 %. Again, business in continental Europe primarily contributed to this growth. The real estate portals showed an increase of 29.4 %. The strong growth resulted particularly from the consolidation of Logic-Immo. Organically, growth was 6.1 %. In the subsegment General/Other, the reported revenue increase was 5.8 %, almost entirely due to the organic growth of 5.9 %.

The adjusted EBITDA of the segment increased considerably by 17.9 % to € 487.2 million (PY: € 413.2 million). A significant part of this increase can be attributed to operational improvements in earnings. In addition, the first-time application of the new accounting standard IFRS 16 and consolidation effects, especially the inclusion of Logic-Immo and Universum, contributed to the increase. Organically, i.e. adjusted for the above as well as for currency effects, the increase was at 11.4 %. The margin of 40.2 % came in slightly under the prior-year value (41.0 %). The main reasons for this were capital expenditures in marketing, product and technology, as well as the inclusion of companies whose margins were below the segment average, especially in the first half of the year. The adjusted EBITDA for the job portals increased by 20.9 % compared to the prior year. As in the case of revenues, the increase is primarily attributable to business in continental Europe. In addition, consolidation effects from the acquisition of Universum contributed to the increase in earnings. But the organic growth of 14.0 % was considerable as well. The real estate portals recorded an increase in adjusted EBITDA of 18.1 %, particularly driven by improved operating results of the Immowelt Group. In addition, consolidation effects from the first-time inclusion of Logic-Immo contributed to the increase in earnings, while the investment in Purplebricks resulted in negative earnings contributions. Organically, the adjusted EBITDA of the subsegment increased by 11.7 %. The 10.5 % increase in adjusted EBITDA in the General/Other subsegment was a result of the improvement in operating earnings as well as effects from the first-time application of the new IFRS 16 accounting standard. Organically, the increase was 5.2 %.

The adjusted EBIT in the Classifieds Media segment increased by 12.7 % from € 361.0 million to € 406.7 million, organically it increased by 10.6 %. Depreciation, amortization and impairments / write-ups increased by 54.2 % to € 80.5 million (PY: € 52.2 million), in particular due to the first-time application of the new accounting standard IFRS 16.

News Media

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

Key Figures News Media

€ millions	2018	**2017**	**Change**
Revenues	**1,496.2**	**1,509.8**	**–0.9 %**
Advertising revenues	678.5	666.1	1.9 %
Circulation revenues	592.0	633.1	–6.5 %
Other revenues	225.7	210.6	7.2 %
National	1,070.4	1,109.2	–3.5 %
Advertising revenues	432.4	448.3	–3.5 %
Circulation revenues	474.6	504.7	–6.0 %
Other revenues	163.4	156.2	4.6 %
International	425.7	400.7	6.3 %
Advertising revenues	246.1	217.8	13.0 %
Circulation revenues	117.4	128.4	–8.6 %
Other revenues	62.3	54.4	14.6 %
EBITDA, adjusted	**228.2**	**218.8**	**4.3 %**
National	161.2	164.5	–2.0 %
International	67.0	54.3	23.5 %
EBITDA margin, adjusted	***15.3 %***	***14.5 %***	
National	*15.1 %*	*14.8 %*	
International	*15.7 %*	*13.5 %*	
EBIT, adjusted	**158.2**	**182.9**	**–13.6 %**
National	126.6	150.7	–16.0 %
International	31.5	32.2	–2.1 %
EBIT margin, adjusted	***10.6 %***	***12.1 %***	
National	*11.8 %*	*13.6 %*	
International	*7.4 %*	*8.0 %*	

Revenues in the News Media segment amounted to € 1,496.2 million and were thus slightly below (–0.9 %) the prior-year figure (€ 1,509.8 million). The print activities were unable to escape the market trend and generated revenues below the previous year's level. The digital share of revenues was 38.5 % (PY: 33.9 %). Organically, i.e. adjusted for consolidation and currency effects, revenues reached almost the same level as in the prior year (–0.3 %). At € 1,070.4 million, revenues of News Media National were 3.5 % below the prior year (organically – 4,2 %). Here, the digital share of revenues was 27.8 % (PY: 24.1 %). Revenues at News Media International increased by 6.3 % to € 425.7 million. The organic growth was 10.9 %. The development of digital offerings continued to be good, with Insider Inc. leading the way and recording strong growth. The digital share of revenues from News Media International was 65.3 % (PY: 60.9 %).

The adjusted EBITDA of € 228.2 million was 4.3 % above the value of the prior year (€ 218.8 million). Organically, i.e. adjusted for consolidation and currency effects and effects from the application of IFRS 16, the adjusted EBITDA was 3.5 % below the corresponding prior-year figure, which was characterized by positive non-recurring effects and an exceptionally successful BILD special edition in the second quarter and strong advertising revenues in the third quarter. The margin of the segment of 15.3 % came in slightly above the value for the prior-year period (14.5 %). The adjusted EBITDA in the sub-segment News Media National amounted to € 161.2 million and was 2.0 % below the prior-year level (€ 164.5 million), organic EBITDA was 8.9 % below the prior-year figure. In addition to the above-mentioned effects, higher marketing expenses also had an effect here. In the international segment, the adjusted EBITDA increased significantly (23.5 %) to € 67.0 million (PY: € 54.3 million). The organic increase was also significant at 14.2 %. This was mainly attributable to the improvement of earnings at upday and Insider Inc.

Contrary to the adjusted EBITDA, the adjusted EBIT in the News Media segment declined by 13.6 % from € 182.9 million to € 158.2 million; also organically it declined by 12.5 %. Depreciation, amortization and impairments / write-ups increased by 95.5 % to € 70.0 million (PY: € 35.8 million), which was in particular due to the first-time application of the new IFRS 16 accounting standard.

Marketing Media

In the Marketing Media segment, it is mainly idealo, the Bonial Group and finanzen.net as well as aufemin, until its disposal at the end of April 2018 that are included in the reach-based marketing subsegment. The performance-based marketing consists of the Awin Group.

Key Figures Marketing Media

€ millions	2018	2017	Change
Revenues[1]	**418.3**	**477.3**	**–12.4 %**
Advertising revenues[1]	313.4	357.5	–12.3 %
Other revenues	104.8	119.8	–12.5 %
Reach Based Marketing[1]	235.2	317.7	–26.0 %
Performance Marketing[1]	183.1	159.6	14.7 %
EBITDA, adjusted[2]	**89.6**	**95.6**	**–6.3 %**
Reach Based Marketing	66.7	71.2	–6.3 %
Performance Marketing	31.2	32.4	–3.8 %
EBITDA margin, adjusted[1]	***21.4 %***	***20.0 %***	
Reach Based Marketing[1]	*28.4 %*	*22.4 %*	
Performance Marketing[1]	*17.0 %*	*20.3 %*	
EBIT, adjusted[2]	**66.0**	**77.4**	**–14.7 %**
Reach Based Marketing	55.6	61.4	–9.4 %
Performance Marketing	18.7	24.1	–22.3 %
EBIT margin, adjusted[1]	***15.8 %***	***16.2 %***	
Reach Based Marketing[1]	*23.7 %*	*19.3 %*	
Performance Marketing[1]	*10.2 %*	*15.1 %*	

[1] Adjustments of prior-year figures due to the retrospective application of IFRS 15 (in the amount of € 507.2 million), see section 3(o) in the notes to the consolidated financial statements).
[2] Segment EBITDA/EBIT, adjusted include non-allocated costs of € 8.3 million (PY: € 8.1 million).

The revenues in the Marketing Media segment decreased by 12.4 % to € 418.3 million, mainly due to consolidation effects (PY: € 477.3 million). Organically, i.e. adjusted for consolidation and currency effects, the segment recorded an increase in revenues of 2.1 %. Revenues in Reach Based Marketing declined by 26.0 % to € 235.2 million. Adjusted for consolidation and currency effects, which resulted in particular from the sale of aufeminin, the revenue reached the prior-year level (–0.1 %). The discontinuation of Bonial's US activities at the end of 2017 in particular had a negative impact here. In addition, finanzen.net could not quite match the extraordinarily strong prior year. Revenues in Performance Marketing increased by 14.7 % to € 183.1 million. The increase was influenced particularly by the the positive effect of the first-time consolidation of affilinet. Organic growth was 5.3 %.

With a value of € 89.6 million, the adjusted EBITDA in the segment was below the prior-year figure by 6.3 % (PY: € 95.6 million). Organically, i.e. adjusted for consolidation and currency effects, as well as the effects from the first-time application of the new IFRS 16 accounting standard, the decline was 2.5 %. Due to the higher revenue declines, the margin in the segment increased slightly by 21.4 % (PY: 20.0 %). The adjusted EBITDA in Reach Based Marketing amounted to € 66.7 million and was 6.3 % below the prior-year level of € 71.2 million. In organic terms, the subsegment posted a rise in earnings of 14.7 %, due in particular to the discontinuation of Bonial's US operations at the end of 2017. On the other hand, adjusted EBITDA in the Performance Marketing subsegment declined by 3.8 %, or 29.5 % organically. Among other things, higher integration costs of the merger of Awin and affilinet affected adjusted EBITDA.

The adjusted EBIT in the Marketing Media segment decreased by 14.7 % from € 77.4 million to € 66.0 million, while organically adjusted EBIT was on the prior-year level (+0.5 %). Depreciation, amortization and impairments / write-ups increased by 29.8 % to € 23.6 million (PY: € 18.2 million), in particular due to the first-time application of the new accounting standard IFRS 16.

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 standard market prices.

Key Figures Services/Holding

€ millions	2018	2017	Change
Revenues	53.7	60.7	–11.5 %
EBITDA, adjusted	–67.0	–81.7	
EBIT, adjusted	–103.0	–117.4	

Revenues in the Services/Holding segment decreased by 11.5 % compared to the comparable prior-year period and were € 53.7 million (PY: € 60.7 million). In addition to a market-related decline in the business of printed products, the decline in revenues is partly due to changes in the recognition of rental incomes in connection with the first-time application of IFRS 16.

Adjusted EBITDA improved from € –81.7 million to € –67.0 million, among other things, due to positive effects from stock option programs, lower project expenses and lower restructuring expenses.

The adjusted EBIT in the Services/Holding segment was at € –103.0 million (PY: –117.4 million). Depreciation, amortization and impairments / write-ups of € 36.0 million remained at the prior-year level (€ 35.7 million).

Liquidity

Financial management

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 essential goal of financial management is to provide cost-effective liquidity in the form of maturity-matched financing.

Net Liquidity/Debt

€ millions	2018	2017
Cash and cash equivalents	281.5	216.8
Financial liabilities	1,530.8	1,237.0
Net Liquidity/Debt[1) 2)]	**−1,249.2**	**−1,020.2**

[1)] Explanations regarding relevant key performance indicators on page 37 et seq.
[2)] Incl. lease liabilities in the amount of € 379.6 million (PY: € 0.3 million), see section 3(o) in the notes to the consolidated financial statements).

In May 2018, we adjusted the financing conditions for our credit lines and, in this context, reduced the average interest rate, extended the term and increased the financing volume. Thus, were able to avail ourselves of long-term credit lines in the amount of € 1,500.0 million (previously € 1,200.0 million), of which its utilizations will be due for repayment in July 2023 (previously July 2020). As of December 31, 2018, € 453.0 million (December 31, 2017: € 365.0 million) had been utilized. For interest-optimizing satisfaction of short-term capital requirements, we are able - starting in the reporting year - to issue certain forms of short-term bearer bonds (commercial paper) with a maximum volume of € 750.0 million and a term of up to one year. As of the reporting date, no commercial paper had been issued. In addition, there existed Schuldscheindarlehen (promissory note) totaling € 704.5 million as of the reporting date (December 31, 2017: € 879.0 million), whose financing conditions were optimized in the prior year by partial termination, conversion and re-issuance. The promissory note run until October 2020 (€ 69.0 million), May 2021 (€ 11.5 million), May 2022 (€ 158.0 million), May 2023 (€ 72.0 million), and May 2024 (€ 394.0 million). The credit lines, the short-term commercial paper program and the promissory notes may be used either for general business purposes or for financing acquisitions.

Cashflows

Consolidated Cash Flow Statement (Condensed)

€ millions	2018	2017
Cash flow from continuing operations	565.7	490.7
Cash flow from investing activities	−120.7	−194.5
Cash flow from financing activities	−395.0	−281.7
Change in cash and cash equivalents	50.0	14.5
Cash and cash equivalents as of December 31	281.5	216.8

Cash flow from operating activities in the reporting period was € 565.7 million and therefore 15.3 % above the value of the prior-year period (€ 490.7 million). Among other factors, this development was due to the first-time application of the new lease accounting standard and the associated disclosure of the repayment portion of lease payments in cash flow from financing activities (see section 3(o) in the notes to the consolidated financial statements), an increase in prepayments received for services to be rendered, as well as due cut-off date-related payment effects. This was offset by higher net tax payments.

Cash flow from investing activities amounted to € −120.7 million (PY: € −194.5 million). The capital expenditures in intangible assets and property, plant and equipment, increased in particular due to the new building in Berlin (total investment volume of about € 310 million, of which € 166 million has been called up). The sale of the new building (sales price of € 425 million (before tax payments of around € 30 million)) remains conditional on the completion of the construction and is anticipated to take place at the end of 2019 or beginning of 2020. In addition, cash flow from investing activities includes payments (less cash acquired) for the acquisition of 100 % of the shares in Concept Multimédia (Logic-Immo) and Universum (€ 92.8 million and € 39.5 million respectively) during the reporting year as well as € 153.7 million for the acquisition of a non-controlling interest in Purplebricks. On the other hand, this was offset by proceeds from the sale of our shares in the aufeminin Group (€ 291.5 million less cash and cash equivalents of € 72.0 million), the sale of the print business in Slovakia (€ 60.5 million) and the early exercise of option rights to sell all remaining shares in Doğan TV (€ 160.0 million). Besides the capital expenditures in intangible assets, property, plant and equipment the prior-year value contained in particular payments (less cash acquired) for the acquisition of shares in ShareASale, as well as for the exercise of option rights to acquire non-controlling interests in Immoweb, Onet and MyLittleParis. In addition, the prior year was characterized by the sale of the Axel-Springer-Passage in Berlin (purchase price of € 330.0 million less attributable tax payments of € 79.9 million).

The cash flow from financing activities of €–395.0 million (PY: € –281.7 million) was characterized in particular by the payment of the dividend to the shareholders of Axel Springer SE, the repayment of financial liabilities and the first-time recognition of the repayment portion of lease payments in cash flow from financing activities (see section 3(o) in the notes to the consolidated financial statements). In addition, the prior-year figure included payments for the exercise of option rights for the acquisition of remaining non-controlling interests in Awin.

Financial position

Consolidated Balance Sheet (Condensed)

€ millions	**12/31/2018**	**12/31/2017[1)]**
Non-current assets	5,267.7	4,994.1
Current assets	1,211.2	1,442.3
Assets	**6,479.0**	**6,436.4**
Equity	2,884.2	2,802.4
Non-current liabilities	2,190.3	2,036.1
Current liabilities	1,404.4	1,598.0
Equity and liabilities	**6,479.0**	**6,436.4**

[1)] Adjustments of prior-year figures due to the retrospective application of IFRS 15 (each by € 0.9 million), see section 3(o) in the notes to the consolidated financial statements.

The development of non-current assets was characterized in particular by the increase in property, plant and equipment, which resulted primarily from the first-time application of the new lease accounting standard (see section 3(o) in the notes to the consolidated financial statements). In this context, as of January 1, 2018, right-of-use assets were initially recognized in the balance sheet, the carrying amount as of December 31, 2018, was € 261.5 million (including the right-of-use assets with respect to the lease of the Axel-Springer-Passage and the Axel Springer high-rise building in Berlin). This was counteracted by the derecognition of the remaining carrying amount of the Axel Springer high-rise building in Berlin due to the transfer to the Axel Springer Pensionstreuhandverein. In addition, intangible assets increased primarily as a result of the first-time consolidation acquired businesses of Logic-Immo and Universum, which were partially offset by the impairment of goodwill in the Marketing Media segment. The development of financial assets included the acquisition of a total of 12.5 % of the shares in Purplebricks for € 153.7 million (the investment was written off to its market capitalization of € 62.3 million as of December 31, 2018) as well as the premature exercise of our options to sell all remaining shares in Doğan TV for a total purchase price of € 160.0 million.

Current assets decreased mainly due to the reduction in assets and liabilities held for sale as a result of the sale of the aufeminin Group and our print activities in Slovakia at the end of April and at the end of July 2018, respectively.

The increase in equity mainly stems from the consolidated net income generated and the result-neutral increase in equity from the derecognition of liabilities from existing put options for 35 % of Immowelt Group's non-controlling interests (€ 159.8 million), which lapsed in the reporting year due to non-exercise. As part of the merger of the Immowelt and Immonet groups in June 2015, minority shareholders were granted put options - exercisable at any time until the second quarter of 2018 - regarding the 35 % of non-controlling interests; the resulting obligation was recognized directly in equity with no effect to income. In addition to dividend distributions to shareholders of Axel Springer SE and to other members, the derecognition of existing minority interests in other companies in connection with the sale of the aufeminin Group had a reducing effect on equity. The equity ratio increased to 44.5 % (PY: 43.5 %).

The increase in non-current liabilities is mainly related to the increase in lease liabilities reported under financial liabilities due to the first-time application of the new lease accounting standard (see section 3(o) in the notes to the consolidated financial statements); in this context, lease liabilities were recognized for the first time as of January 1, 2018, the carrying amount as of December 31, 2018 was € 379.6 million (of which € 317.6 was non-current, including lease liabilities from the leasing of the Axel-Springer-Passage and the Axel Springer high-rise building in Berlin). On the other hand, the reduction in provisions for pensions was related to the increase in plan assets as a result of the transfer of the Axel Springer high-rise building in Berlin to Axel Springer Pensionstreuhandverein; consequently, plan assets increased by € 140.4 million. Furthermore, other liabilities decreased particularly as a result of the reclassification of liabilities for contingent considerations due in the second quarter of 2019 to current other liabilities.

The development of current liabilities was characterized in particular by the partial repayment of our promissory notes and the derecognition of liabilities held-for-sale in connection with the finalized disposal of the aufeminin Group and the print activities in Slovakia during the reporting year. Furthermore, current other liabilities decreased as a result of the lapse of put options over 35 % of the non-controlling interests in the Immowelt Group. The first-time recognition of the current portion of the lease obligations (see section 3(o) in the notes to the consolidated financial statements), as well as the reclassification of liabilities for contingent considerations in business combinations due in 2019 from non-current other liabilities had an increasing effect.

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 share-based long-term incentive plan (LTIP). 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 (capital expenditures), plus payments received for the disposal of intangible assets, property, plant and equipment. 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 had an average of 16,350 (PY: 15,836) employees (excluding vocational trainees and journalism students/interns). The 3.2 % increase resulted mainly from the increase in the number of employees in the Classified Media segment, due to acquisitions and organic growth in these segments. Abroad, Axel Springer had an average of 7,835 employees (PY: 7,425); this corresponds to a share of 47.9 % (PY: 46.9 %). The group employed an average of 7,255 women and 9,095 men. The proportion of women with 44.4 % is almost equal to the prior-year level (44.1 %). Mainly due to the sale of the aufeminin Group and the print activities in Slovakia, the number of editors decreased by 3.3 % to 2,773 during the reporting period. In contrast, the number of employees increased by 5.6 % to 13,093, mainly due to the expansion of digital business activities and new investments.

Employees by segments

Average number per year	2018	2017	Change
Classifieds Media	5,203	4,431	17.4 %
News Media	7,006	6,959	0.7 %
Marketing Media	2,641	2,822	−6.4 %
Services/Holding	1,500	1,623	−7.6 %
Group	**16,350**	**15,836**	**3.2 %**

The increase in employees in the Classifieds Media segment was mainly due to acquisitions but also to organic growth, especially with StepStone and by acquisition of Logic-Immo. The slight increase in the News Media segment is mainly due to the organic growth at Insider Inc. On the other hand, the decrease in workforce at Ringer Axel Springer Media is a result of the sale of the printing business in Slovakia. For the

Marketing Media segment, the decline in the number of employees mainly resulted from the sale of the aufeminin Group; on the other hand, the Awin Group and the idealo Group have increased their number of employees. The decline in the Services/Holding segment can be explained by the reduction in staff at offset print shops and by structural effects.

Length of service and age structure

As of the reporting date in 2018, the average length of service with Axel Springer was 10.0 (PY: 10.1) years; 37.2 % (PY: 37.2 %) 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 to 32 %. As of March 1, 2018, the Supervisory Board appointed Dr. Stephanie Caspar to be a member of the Executive Board so that since then the proportion of women in the company's Executive Board has been 20.0 %. In order to further improve the share of women in leading positions, the following topics should be in focus: Creating the best possible conditions for reconciling work and family life, promoting the potential of young women, as well as promoting women in management positions 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, (cross-company) 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 LGBTI network queer: seite!. This is also supported, for example, by the annual participation of the Executive Board in Berlin's Christopher Street Day.

Human resource development

Axel Springer has consistently aligned its qualification activities in recent years with the requirements of digitization and the workplace of tomorrow.

In addition to established seminars and funding programs, the range of shorter, unconventional and flexible, usable learning formats has been greatly expanded, which in addition to the mere transfer of knowledge, leads also to greater interlinking among each other. In this context, the collaboration platform moveoffice (Office 365) was introduced to Axel Springer. Networking of employees, simultaneous and location-independent work in a team, open and transparent communication and the sharing of knowledge are thus supported and promoted. Axel Springer thus creates the prerequisites for developing into a permanent "learning and learning-from-each-other organization" that will cope well with change of processes.

Increasing synergies, sharing knowledge between various Axel Springer Group companies, teaching new knowledge content, and guiding teams to adopt new work techniques such as agile process work, as well as preparing the employees for the workplace of tomorrow, are equally important.

With the Talent Management division, Axel Springer is investing in the development and retention of high potentials. Through network events and so-called talent dialogs at division and board levels, the Group creates transparency in terms of talent, development opportunities and vacancies within the Axel Springer Group.

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, in the reporting year we have capitalized internal costs of € 93.2 million (PY: € 87.0 million) in connection with IT development projects in order to improve and expand our digital business model, as well as reported € 64.5 million (PY: € 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 sector. 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. With the acquisition of Universum (see page 26), StepStone has also taken the first step in a new business segment "Data & Insights". Universum's offerings enable employers to get market-relevant information which are increasingly important in the recruiting process on, for example, salary levels in particular job profiles or employee-perceived attractiveness of high-value businesses. It is intended to further expand the offer. StepStone has also developed additional functionalities in the continuing education sector. Users who are interested in additional qualification, in order to improve their chances at the job market, can find the desired trainings and courses, optimized to their existing knowledge.

SeLoger has further developed the offers available to those looking for real estate by integrating the artificial intelligence-based algorithms. In this way, the searcher will be offered even more personalized real estate offers, which have significantly increased the conversion rates in practice. Likewise, the offer of geo-based search criteria was expanded. Strategically, the introduction of offers for real estate agents is in focus, which will lead them to the real estate owners willing to sell. This gives agents, especially in competitive real estate markets, the opportunity to increase their inventory, which is crucial for them to earn their commissions.

For example, Immowelt has also further increased the comfort for the real estate seeker through the introduction of video-based sightseeing opportunities. Agents can use an app-based live video stream to show rooms and answer live questions. This eliminates, among other things, the necessity of those searching for an apartment to travel for inspection.

Further development of News Media

Our journalistic products, both digital and printed, were consistently expanded in the reporting year.

In the digital division, we have made progress on the product and technology side. Numerous video documentations expand the contents of BILD.de; with its new offers such as Snapchat Shows, BILD opens up a new, young target group. We have established a technology partnership with Taboola, to further develop the recommended technology in order to improve the optimization of the application of paid content offer BILDplus and to enable the utilization of live data for the editors. The use of an internally developed editor for the content management system allows editors a simpler and more efficient way to work.

At the same time, Verimi, of which Axel Springer is one of the founding shareholders, has launched a cross-industry initiative for identity services and payments in Europe, launching a single sign-on service in April 2018. The aim is to make the use of Internet services much easier and safer.

Some important innovations for the Group also took place in the field of News Media International. Business Insider recorded comprehensive successes through new formats like Insider TV and BI Today - one of the most viewed Facebook news shows. Furthermore, investments into subscription models helped to show a growth path beyond 2018. The platform business was further strengthened through important cooperations. As was the case for the national titles, a technology partnership was entered into with Taboola. upday was able to expand its existing offering to additional end user devices like tablets and smart TVs. In order to aggregate audio content an agreement was concluded with a renowed German car manufacturer. In Eastern Europe, Ringier Axel Springer Media rolled out an inter-country platform for editing and publishing of journalistic content (content management system) in 2018. In Poland, Onet together with partners successfully launched a content-commerce platform, through which journalistic content will be monetarised in future.

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 reach and use of offers and their monetization have a high priority for our investments. For example, idealo further expands its direct-purchase functionality and intensifies its cooperation with the digital services offered by the BILD and WELT Group, which should, among other things, increase traffic and make offerings that are more tailor-made. The Bonial Group is working to supplement the classic display of brochures with reach offerings for the advertisers and thus to increase their added value.

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. This is how 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 and Chief Executive Officer. 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 every two years, which follows the full list of indicators in the Global Reporting Initiative (GRI), the internationally relevant format for sustainability reporting. The current Sustainability Report 2017 was 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.

Axel Springer has set itself the goal of significantly reducing plastic waste in the company. Therefore, the use of disposable plastics is currently being reviewed. Likewise, controlling processes are developed that make the use of electrical energy transparent at all company locations worldwide. With the help of key figures, the energy and CO2 efficiency of the company will gradually improve.

Axel Springer's sustainability reports are audited by independent auditors. The current sustainability report was published in November 2018 and is available at www.sustainability.axelspringer.com. The next sustainability report will be published in 2020.

Combined separate non-financial report

Pursuant to the Section 289b and Section 315b of the German commercial Code (HGB), both Axel Springer SE and the Axel Springer Group are obliged to extend the combined management report by a non-financial statement and a non-financial Group statement for the 2018 financial year. We make use of our option to publish a combined separate non-financial report outside the combined management report, rather than expanding the combined management report to include the non-financial statement and non-financial Group statement. The separate report will be available for download on our website at go.axelspringer.com/NonfinancialReport.

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

In the 2018 financial year, the strategy of digital transformation through organic growth and acquisitions continued to be at the forefront. The strength of the operating business was reflected in the repeatedly strong organic revenue growth of the digital activities of 9.6 %. Important steps towards non-organic growth were the acquisition of the employer branding specialist Universum by StepStone and the French real estate portal Logic-Immo by SeLoger. In addition, active portfolio management influenced the business development, including the sale of aufeminin and the remaining stake in Doğan TV. The revenues, the adjusted EBITDA, the adjusted EBIT and the adjusted earnings per share from continuing operations were higher than in the previous year. Net debt increased due to the first-time application of IFRS 16 and the corresponding recognition of lease liabilities. With a very strong cash flow, an as before solid balance sheet structure, and the favorable financing options available to us, we continue to be in a good position to make the necessary investment 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

Selected Group Key Figures (in € millions)	**2018**	**2017**
Revenues[1]	3,180.7	3,055.5
EBITDA, adjusted[2] [3]	737.9	645.8
EBITDA margin adjusted[1] [2]	*23.2 %*	*21.1 %*
EBIT, adjusted[2]	527.9	504.0
Tax rate	*41.5 %*	*25.6 %*
Net income[4]	208.4	378.0
Net income, adjusted[2] [4]	335.7	327.5
Earnings per share, adjusted (in €)[2] [4] [5]	2.73	2.60
Dividend per share (in €)[6]	2.10	2.00
Total dividends[6]	226.6	215.8
Net debt/liquidity[2] [7]	–1,249.2	–1,020.2
Free cash flow[2]	346.9	497.4

[1] Adjustments of prior-year figures due to the retrospective application of IFRS 15, see section 3(o) in the notes to the consolidated financial statements.
[2] Explanations regarding relevant key performance indicators on page 37 et seq.
[3] Including the increase in adjusted EBITDA of € 45.1 million from the first-time application of IFRS 16, see section 3(o) in the notes to the consolidated financial statements.
[4] For 2017 continuing operations, for the portion attributable to discontinued operations see section 2(d) in the notes to the consolidated financial statements.
[5] Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 107.9 million).
[6] The dividend for the financial year 2018 is subject to the condition of approval by the annual shareholders´ meeting.
[7] As of December 31, 2018, and December 31, 2017, respectively.

Economic position of Axel Springer SE

€ millions	2018	2017	2016	2015	2014
Revenues	851.1	823.2	833.1	925.9	1,174.6
Net income	124.3	271.9	296.4	213.5	590.8
Withdrawal from / transfer to retained earnings	102.3	56.1	91.4	19.3	412.7
Total dividends[1]	226.6	215.8	205.0	194.2	178.1
Dividend per share (in €)[1]	2.10	2.00	1.90	1.80	1.80

[1] The dividend for the financial year 2018 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 47 et seqq.). Also, the anticipations regarding the development of Axel Springer SE correspond to the essential expectations described in the forecast report (see page 65).

The following explanations are based on the annual financial statements of Axel Springer SE, which was 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 operationally active in the News Media National segment and publishes in particular national daily and weekly newspapers. As a result of the reorganization of the national publishing divisions completed in the reporting year, the operating business activity since the beginning of 2018 also includes offers from the digital portfolio of newspapers as well as car, computer and sports magazines. 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 general economic conditions of Axel Springer SE correspond essentially to those of the Group and are described in the economic report (see page 24 et seqq.).

Financial performance

Income statement (Condensed)

€ millions	2018	2017
Revenues	851.1	823.2
Other operating income	190.3	312.4
Purchased goods and services	–221.6	–199.9
Personnel expenses	–210.0	–240.4
Amortization, depreciation and impairments of intangible assets and property, plant and equipment	–10.0	–19.0
Other operating expenses	–467.3	–422.5
Net income from non-current financial assets	68.2	216.8
Net interest income	–22.3	–33.2
Income taxes	–54.1	–165.7
Net income	**124.3**	**271.9**

Revenues increased by € 27.9 million, i.e. 3.4 % in the reporting year, mainly due to the expansion of business activity. The increase in advertising revenues and other revenues by € 34.3 million or € 17.1 million was offset by a decline in circulation revenues by € 23.5 million.

Other operating income fell by € 122.1 million compared to € 190.3 million compared to the prior-year. This was particularly due to lower income from property transactions. At the beginning of 2018, the Axel Springer high-rise (main building) in Berlin was transferred to the

Axel Springer Pensionstreuhand e.V. to further secure the pension obligations by building plan assets. This resulted in a profit of € 148.3 million. In the prior year, the sale of the Axel-Springer-Passage in Berlin, which was completed at the end of 2017, resulted in a profit of € 281.8 million.

The cost of purchased goods and services increased by € 21.7 million to € 221.6 million, primarily as a result of increased services provided by subsidiaries for the production of the additional digital offerings.

The personnel expenses decreased to € 210.0 million (PY: € 240.4 million). Lower expenses resulted in particular from the valuation of share-based compensation programs and restructuring measures. At the same time, the average number of employees fell by 6.0 % from 1,427 in the prior year to 1,341 in the reporting year. This was offset by higher pension expenses resulting from the measurement of pension obligations due to a lower discount interest rate.

The depreciation, amortization and impairments declined in the reporting year particularly based on real estate transactions at the end of 2017, i.e. beginning of 2018 to € 9.0 million from € 10.0 million.

The increase in other operating expenses to € 467.3 million (PY: € 422.5 million) resulted in particular from lease expenses for the lease back of the Axel-Springer-Passage and the Axel Springer high-rise (main building) as well as marketing and publishing expenses in connection with the additional offering of digital products.

The net income from non-current financial assets (€ 68.2 million; PY: € 216.8 million) included in particular the profit transfers from subsidiaries, which amounted to € 211.3 million, which is € 19.7 million lower than in the prior year. Furthermore, the valuation of investments and loans resulted in impairments of € 177.8 million (PY: € 37.2 million), and write-ups of the carrying amount of investments to the amount of € 13.3 million (PY: € 1.1 million).

The net interest income for the reporting year was € –22.3 million (PY: € –33.2 million) and mainly comprised interest expenses from the utilized revolving credit facility and the promissory note loan as well as the valuation of the pension obligations. The decline compared to the prior year is mainly due to lower interest expenses from pension accounting due to higher income from plan assets. In addition, the net interest income of the prior year included prepayment fees in connection with the restructuring of existing promissory note loans.

Income taxes amounted to € 54.1 million (PY: € 165.7 million). The decline compared to the previous year is particularly related to the real estate transactions of the reporting and prior year.

The 2018 financial year ended with a net income of € 124.3 million (PY: € 271.9 million).

Liquidity

The net debt (liabilities due to banks and promissory note less cash and cash equivalents) amounted to € 1,097.4 million as of December 31, 2018 (December 31, 2017: € 1,198.8 million).

Long-term revolving credit facilities were increased by € 300.0 million in the reporting year to € 1,500.0 million and € 453.0 million had been utilized at the reporting date (December 31, 2017: € 365.0 million). Furthermore, there were liabilities from promissory notes of € 704.5 million (December 31, 2017: € 879.0 million), whose financing conditions were optimized in the prior year through partial termination, conversion and redrafting.

For interest-optimized coverage of short-term capital requirements, Axel Springer was able to issue certain forms of short-term bearer bonds (commercial paper) with a maximum volume of € 750.0 million and a term of up to one year starting from the reporting year. As of the reporting date, no commercial paper had been issued.

Financial position

Balance Sheet (Condensed)

€ millions	12/31/2018	12/31/2017
Intangible assets and property, plant and equipment	218.7	153.8
Non-current financial assets	5,781.2	5,643.5
Receivables from affiliated companies	124.5	171.2
Cash and cash equivalents	61.2	45.2
Other assets	49.7	63.9
Total assets	**6,235.3**	**6,077.6**
Equity	2,541.2	2,632.7
Provisions	168.6	333.2
Liabilities due to banks and promissory note	1,158.6	1,244.0
Liabilities to affiliated companies	2,286.1	1,796.6
Other liabilities	80.8	71.1
Total equity and liabilities	**6,235.3**	**6,077.6**

The balance sheet total increased by € 157.7 million to € 6,235.3 million in the reporting year. Non-current assets amounted to € 5,999.9 million (December 31, 2017: € 5,797.3 million) and represented 96.2 % (December 31, 2017: 95.4 %) of total assets. 42.4 % of total assets (December 31, 2017: 45.4 %) were covered by equity.

The increase in intangible assets and property, plant and equipment of € 64.9 million to € 218.7 million as at December 31, 2018 is particularly attributable to the construction of the new Axel Springer building in Berlin.

Non-current financial assets increased by € 137.7 million to € 5,781.2 million in the reporting year. This increase was mainly due to loans granted and additional payments in capital reserves of subsidiaries to finance company acquisitions. This was offset by impairment losses on investments and loans due to lower fair values as of the balance sheet date.

Receivables from affiliated companies (€ 124.5 million; December 31, 2017: € 171.2 million) and liabilities to affiliated companies (€ 2,286.1 million; December 31, 2017: € 1,796.6 million) resulted mainly from group-wide liquidity management. This increase in liabilities in the reporting year was mainly due to cash inflows from the sale of investments.

Equity as of December 31, 2018 decreased by € 91.5 million compared to the prior year's reporting date and amounted to € 2,541.2 million (December 31, 2017: € 2,632.7 million). The net income for the reporting year (€ 124.3 million) only partially compensated for the reduction in equity due to the dividend payment for the past financial year (€ 215.8 million). The equity ratio fell to 40.8 % as of the reporting date (December 31, 2017: 43.3 %).

Compared with the prior-year balance sheet date other provisions fell by € 164.6 million to € 168.6 million (December 31, 2017: € 333.2 million). The main reasons for the decline were lower pension provisions due to increased plan assets and lower obligations from share-based compensation programs.

Profit utilization proposal

The Supervisory Board and Executive Board propose that the company applies the full amount of the distributable profit of € 226.6 million (PY: € 215.8 million) to pay a dividend of € 2.10 (PY: € 2.00) per qualifying share for the 2018 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 € 2.10 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

As an international group, Axel Springer is exposed to a large number of internal and external influences that can have a significant effect on the achievement of our goals. We define risks as the possibility of a negative deviation of the company's development from our goals, while opportunities represent the possibility of a deviation in a positive sense. Based on this, upcoming chances to increase our return and our enterprise value shall be used whereas risks shall only be taken in case they seem acceptable and appropriate for the company.Thus, risks should be limited to a level deemed acceptable 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.

Risk management system

The risk management process is aligned to identify and assess all material risks and risks that are potentially existence-threatening as early as possible in order to be able to take appropriate countermeasures. 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 Treadway Commission (COSO).

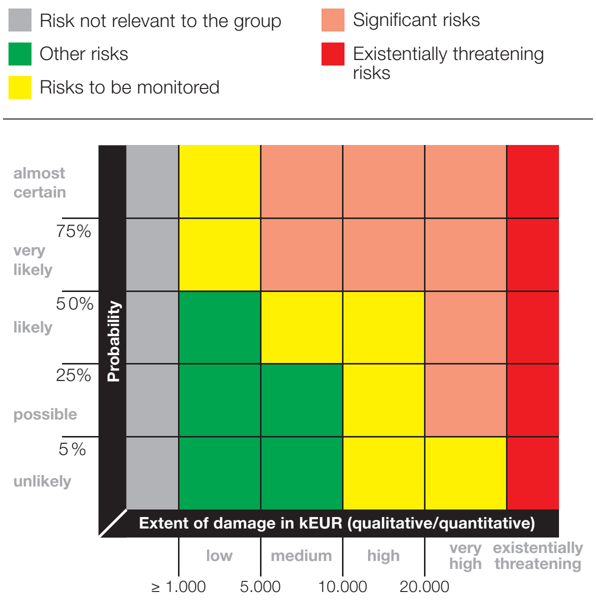
Overall responsibility for an effective risk management lies with the Executive Board of Axel Springer SE, the operational management of the individual risks falls primarily within the area of responsibility of the respective company divisions or holdings of Axel Springer. This includes the early detection, identification and assessment of sector- or company-specific risks, the definition of suitable measures, their management and control as well as adequate documentation and reporting.

In addition, the respective divisional and senior managements of our companies are required to participate in the regular, systematic and standardized risk surveys. Significant ad-hoc changes in the risk situation must be reported to central Corporate Risk Management immediately.

Central Corporate Risk Management provides overarching standards, methods and tools, manages both semi-annual and annual risk surveys and ensures reporting to the Audit Committee of the Supervisory Board and the Executive Board. It coordinates the risk management activities at the Group level and plausibility testing of the reported risks against completeness. In addition, central Corporate Risk Management continuously develops the risk management system of Axel Springer.

Insofar as it is appropriate and quantifiable risks are assessed with reference to the parameters “loss amount” (impact) and “probability of occurrence”, quantitatively or on the basis of qualitative criteria. A qualitative assessment of the potential damage is based on criteria such as operational effects, impact on our reputation or legal consequences. Since the risk survey 2018, measures for counteracting or reducing risk have been taken into account directly in the risk assessment (net assessment). The net risk determined in this way is assessed in terms of its probability of occurrence. The subsequent classification of the risks takes place in a graded risk matrix introduced in this reporting year.

Risk Matrix of Axel Springer SE



To assess the priority of the overall risk portfolio, the risks are categorized as threatening the continued existence, relevant, to monitor, other, or not relevant to the Group.

The Group auditor examines the risk early warning system in accordance with Section 91 Para. (2) of the German Stock Corporation Act (AktG) for its suitability for early detection of developments that could jeopardize the continued existence of Axel Springer SE and reports the results to the Audit Committee of the Supervisory Board of Axel Springer SE.

Opportunity management system

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 exploited. As part of the management, strategy and planning processes, potential internal and external opportunities are identified and analysed for the business units and shareholdings of Axel Springer. External opportunities are offered, for example, by changing market structures or customer requirements; internal opportunities arise from product innovations or quality improvements. Basis for the opportunity identification are e.g. market and competition monitoring, analysis and 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. The management of opportunities throughout the Group is the responsibility of the Executive Board and is decentralized by the operational divisions and their management or divisional heads.

Internal audit system

Corporate Audit is organizationally assigned to the Corporate Audit & Risk Management division, which is functionally subordinate to the Executive Board and under the Executive Board member in charge of Personnel and Finance in disciplinary terms. It is subdivided into the teams Operational Audit and IT Audit, which are separated by organization and personnel from the team Corporate Risk Management.

Corporate Audit provides risk-oriented consulting and audits in all Group companies and divisions, aligning its activities with the relevant national and international professional standards. In particular, the department has the task of systematically reviewing the adequacy and functionality of the internal control and monitoring system in a risk-oriented manner and, if necessary, to undertake measures for remedying the weaknesses. In order to maintain independence, the audit mandate of Corporate Audit with regard to risk management extends only to the decentralized components. Central risk management is regularly subject to an effectiveness review by qualified, external audit service providers.

Corporate Audit monitors the correct and timely implementation of the agreed measures to eliminate the identified vulnerabilities based on a systematic process (follow-up).

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 includes amongst other things external quality assessments in accordance with professional guidelines.

Report on the financial reporting related risk management system and internal control system

An integral part of the internal monitoring system of Axel Springer SE is the financial reporting-related risk management system and the connected internal control system, which is also based on the COSO framework (see page 47). The effective interaction of these systems should ensure the regularity, completeness and reliability of accounting and financial reporting. The financial reporting is therefore 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, and standards. The financial reporting-related risk management and the internal control system include all organizational regulations and measures aimed at the detection and management of risks related to accounting and financial reporting. However, even an effective and therefore adequate and functional risk management system and internal control system does not provide absolute certainty to prevent or detect any irregularities or inaccuracies.

Key elements of the financial reporting-related risk management and internal control system are:

- Processes for identifying, assessing, and documenting all significant financial reporting-related processes and risk areas, as well as the corresponding key controls.
- Process-integrated controls (computer-aided controls, validation of report data, dual control principle, separation of functions, analytical controls).
- Standardized financial accounting processes, through the use of an internal, intra-group shared services center in which a large part of the consolidated German Group companies are integrated.
- Group-wide requirements for accounting guidelines, charts of accounts and reporting processes.
- Quarterly communication of information to all consolidated Group companies on developments related to accounting, and the process of preparing the financial statements.
- Assuring the requisite expertise of employees involved in the financial accounting and financial reporting process by means of appropriate selection procedures and training. Use of external experts, e.g. for pension accounting and selected valuation tasks.
- Centralized preparation of the consolidated financial statements (including management report) using manual and system-specific controls with regard to accounting-specific relationships.
- Protection of financial reporting-related IT systems from unauthorized access by authorization restrictions.
- Monthly internal Group reports including analysis and reporting of significant developments and budget/actual variances. Regular, group-wide reporting to the persons responsible for reporting, the Executive Board and the Supervisory Board.

The effectiveness of the financial reporting-related risk management system and the internal control system is monitored by means of process integrated controls. As a process-independent authority, Group Auditing will inspect at regular intervals randomly selected elements of the financial reporting-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). In addition, the Audit Committee of the Supervisory Board monitors the financial reporting processes and the effectiveness of the financial reporting-related internal control system and risk management system.

Risks and opportunities

If not stated elsewhere, all risks and opportunities which have a considerable effect on reaching our company-wide targets will be mentioned in the following. Within the areas described below, risks and opportunities are typically presented in the order of their priority for the Group. In order to avoid repetition and in interest of readability it was deviated from it, if necessary.

The risks and opportunities indicated at the balance sheet date and illustrated below are primarily based on the 2019 forecast period, unless they relate to long-term objectives.

Market and competition risks

Market and competition 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.

Details of the economic development and growth assumptions in 2019, especially for our relevant sales markets, are described in detail in the "Forecast report" section of the management report. According to details stipulated there, the following risks may occur.

The trade dispute between USA and China in 2019 could also have negative effect on global growth and investment, resulting in losses in wealth in the countries involved.

Great uncertainties may also occur from the progress of Brexit. An unregulated Brexit would have far-reaching consequences and would fundamentally transform the European value chains.

The development of the general macroeconomic conditions will continue to be critically observed in 2019 due to the identified economic-political risks.

Classifieds Media and Marketing Media

The Classifieds Media and Marketing Media segments as well as News Media (see page 13 et seqq.) continue to be subject to strong market and competitive dynamics, which could lead to market share losses for our business models and thus to lower revenues and earnings. Especially the competition by the global Internet corporations Google, Apple, Facebook and Amazon, called GAFA for short, is steadily increasing. These companies not only pool specialized knowledge in their corporations, but also point the way in the course of digitized globalization, penetrating new market segments and possibly even competing with our activities.

Start ups with innovative or disruptive business models, missing (market) trends and new technologies, as well as generally the lack of further development of our products, could also potentially jeopardize our existing market position and lead to lower sales and earnings.

In order to limit the market and competition risks, a systematic and continuous monitoring of the relevant market and competitive environment and emerging trends is carried out. Control measures for operational management are derived on the basis of this information. We enhance the attractiveness of our business models by investing in innovative products development and customization and new high-quality services, the use of new technologies, target-oriented marketing and increase in brand awareness. With these measures, we want to meet the changing needs of our customers while at the same time maintaining or expanding our competitive edge. The hiring and further development of highly qualified specialists and the expansion of long-term customer relationships also reduces risk.

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

Many of our Classifieds Media and Marketing Media, as well as News Media (see page 13) offerings continue to be constantly faced with the risk of a sudden loss of visibility resulting from the dominance of large internet search engines. The ever-changing and sometimes non-transparent criteria of the search algorithms lead to unexpected loss of visibility and can therefore 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 professional search engine marketing, the improvement of the online page structure and the expansion of alternative traffic sources. 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.

In the field of real estate, our national offerings face the risk of introducing the “Bestellerprinzip” for purchase real estate. The "Bestsellerprinzip" had already been introduced in the year 2015 in the area of rental apartment agencies and states that those who commissioned the agent should pay the agent's costs – so in the field of real estate purchase it is usually the seller. This could result in sellers forgoing an agent, so that the individual agent earns less profit. As a result, micro-agents could give up their business and would be replaced by larger agencies. Our real estate portal Immowelt would be confronted with changes on the customer side. In addition, customers would have lower revenues, which could potentially affect our sales performance. However, the experience from other countries, where similar regulations apply and the mandating seller pays the agent fees, shows that the impact on the leading providers remains manageable, as the corresponding marketing of real estate objects is still a prerequisite for a successful sale. In addition, Immowelt currently provides also the offers for private customers, who might be able to market their object more intensively themselves. In order to minimize risk, it is necessary to increase investments in the development of digital distribution channels in the following years. Increasing the user experience, i.e. the experience of a user in interacting with a product, service or an establishment, as well as investing in products and brands, is also in the foreground.

A slowdown or reduction in personnel recruitment due to economic difficulties may pose a risk to our job portals in corresponding macroeconomic conditions. Uncertainties about the economic development could be transferred to our customers and therefore lead to a decline in revenues. These risks can only be approached through a strict cost discipline, such as a reduction in marketing measures or a hiring freeze, on the basis of regular monitoring of market indicators.

News Media

Digitization has significantly changed consumer and reader behavior. The increased importance and use of digital offerings are steadily leading to revenue reductions in the field of printed publications, which cannot yet be compensated by the revenues of the digital services. Unpredictable market developments could further increase the already factored in decrease due to the structural change. Enterprises from other industries are entering the market faster than ever with innovative and disruptive technologies or business models, posing potential threats to our existing products and services.

To counteract these risks, we realigned our publishing structures for German media brands last year. With the re-organizing into two separate publishing areas for print and digital, we can adapt even more individually to the different market requirements.

In addition, our advertising revenues in the print and online sectors are exposed to the risk that annual contracts with major media agencies 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, radio or other online media also pose a serious risk.

The priority for all market and competitive risks is to identify the changing needs of our customers at an early stage through continuous market analysis and intensive customer support, and to align our product offerings with market trends and customer requirements.

Our Digital offerings in the News Media segment, as well as our offerings in the Classifieds Media and Marketing Media section, are at risk of sudden loss of visibility on Google as well as increasing competition from GAFA (see also section Classifieds Media and Marketing Media).

In order to counter these risks, we continuously analyze the market and competition environment and invest in product development and the development of alternative sources of traffic.

The marketing of audiovisual content also confronts risks. Further fragmentation of the market through new TV channels and online offerings pose the immediate danger of redistribution of sales potential. As a result, agency fees could increase to compensate for these revenue losses. Should the broadcasting performance deteriorate, this means a loss of attractiveness of the program for the viewers. As a result, fewer viewers lead to lower prices that can be achieved in the market, even losing their relevance as an advertising medium.

Market and competition opportunities

If the global economy develops better than predicted, this could have a positive impact on our sales 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, Axel Springer is in a good position to capitalize on the opportunities its early investment in regional and digital growth markets places 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.

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.

In the US, the media market is in transition. This gives our journalistic offerings the chance to expand their market position. Our US subsidiary Insider Inc. already offers Business Insider, the largest website for business news and analysis in the US. It now has its own portals in 22 countries and, as the world's largest business portal by reach, offers tailor-made real-time information for the digital generation. Insider Inc. may emerge as one of the winners from the tendency towards radical changes in the US.

All divisions and companies of Axel Springer are working on the continuous improvement of technologies and processes. This includes an intensive cross-company exchange on successful business models, as well as innovative start-ups. This could help to strengthen and expand Axel Springer's competitive position.

In the field of real estate marketing, transaction-based digital real estate platforms are gaining market share. These combine the expertise of classic agents such as the personal support of customers on site with efficiency-enhancing software solutions such as state-of-the-art marketing and communication technology. Due to the efficiency advantages being created professional real estate marketing can be offered at much more favourable conditons. Through our acquisition together with Purplebricks of a minority stake in Homeday (see page 26), a transaction-based digital real estate platform that brings customers together with traditional agents and supports the purchase and sale of real estate, in December 2018, Axel Springer is offered the opportunity to participate in a rapidly growing business model.

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. This risk affects activities in all three operating segments.

Overall, however, the business fields and models of our investments are diverse, so that so-called cluster risks are limited by means of diversification. 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 dependency on strategically significant cooperation partners is also subject to risks. 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.

Strategic opportunities

In a constantly changing environment, we continue to develop our company to meet the global and industry-specific challenges in the future with innovative and tailored solutions.

Axel Springer's strategy of international digitization continues to offer good opportunities due to the very positive development of digital markets. Axel Springer exploits these developments by strategic investments in new or future-oriented technologies, entering into new forms of cooperation, the ongoing digital transformation and monetization of journalistic products.

On the one hand, acquiring interests in companies with promising digital business models in early stage and growth phases in their lifecycle provides us with the option of establishing contacts within the industry and to other founders and investors, and also grants access to new ideas and business models. On the other hand, this opens up the possibility of minority investments, which may also be available to us for a later majority acquisition. In the event of substantial development of the associate companies, we can also profit from a significant appreciation in value. We see further growth opportunities in our international digitization and the associated entry into new or expanding existing markets.

Information security risks

Due to the high degree of integration of information technologies into business processes and business models, Axel Springer relies on a high availability of IT components, to avoid interruption of business with far-reaching consequences for revenue and reputation. External factors in the form of cyber crime represent an increasing risk for the company. Examples include malicious software that prevents access to company data through encryption (ransomware) or targeted denial of service (DDoS attacks). Possible causes for an impairment of availability may also be of an internal nature, such as for example the increasing complexity of the systems and the infrastructure that has grown over a longer period of time.

Additional IT risks are classified as important if the confidentiality of information or data integrity can be compromised as a consequence. In consideration of the growing importance of paid digital content offerings, programmatic online-advertising as well as the General Data Protection Regulation (GDPR)-compliant processing of personal data, the protection against theft or loss of data is of great importance. For this reason, targeted measures have been and are being taken to limit to the greatest possible extent the effects of criminal acts and the failure of IT components. The risk reduction measures include e.g. DDoS protection, backup data centers, vulnerability analysis, use of encryption, network access control, consolidation and standardization, and improving of systems. The stated measures are continuously analyzed and expanded or improved if necessary.

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 2019 risks continue to exist from two European legislation. On the one hand, this is the European General Data Protection Regulation (GDPR), which applies from May 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) brought the GDPR two fundamental changes, which significantly increase 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 annual turnover are possible, based on antitrust law. With regard to the entry into force of the GDPR, we have taken numerous measures across the Group. These include among others the definition of responsibilities concerning data protection, training courses and the introduction of a new directive. For the measures taken by Axel Springer in the area of IT security, please refer to the section "Information security risks".

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 2019). Axel Springer deals with possible consequences and possible measures at an early stage. These include internal projects, such as the programming of a so-called "opt-in layer" (OIL) and participation in the Transparency & Consent Framework of IAB Europe, but in the broader sense also the participation as a founding partner in Verimi. (see page 41)

In addition, 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. Regarding chances in European law 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.

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 the risk of reputational damage, particularly to well-known brands of Axel Springer such as BILD and WELT, alongside direct legal and commercial consequences.

Following the failure of the EU-wide introduction of a digital tax, which provided for taxation of revenues from certain digital services, individual countries are now planning to introduce this tax in 2019. At present, however, there are no legal justifications that would unequivocally suggest that our revenues from digital business models, such as those in France, could actually be met in 2019 with a digital tax of 3 % of digital revenue to be charged. As far as the solutions proposed at national level are based on the draft EU Directive of March 21, 2018, it cannot be ruled out that, in particular, the proceeds from the sale of online advertising space, the brokerage of transactions via digital platforms and the sale of user-generated data will be affected.

Further potential risks or uncertainties for the Axel Springer Group arise from the business activities in Eastern Europe. These activities are combined in Ringier Axel Springer Media and form part of the News Media segment. The political situation in individual countries, especially the Polish and Hungarian media scene, is decisively influenced by the political influence of the national-conservative governments; currently already on public media, but also by possible future attempts of influencing private media. For example, 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 counter this risk with targeted cost-saving measures and income security programs.

Political and legal opportunities

In the political and legal environment, the ancillary copyright could be an opportunity for press publishers. This should further strengthen the protection of intellectual property. It stipulates that royalties may be charged for the internet use of publisher content by aggregators and search engine providers, unless they are "single words" or "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 (copyright collecting agency), which represents more than 200 digital publishers, including those of Axel Springer, has filed an information and payment claim against Google at the District Court Berlin, which is currently pending before the European Court of Justice after a referral order of the District Court Berlin; depending on the outcome of the legal dispute or the agreement reached, this can have a positive effect on Axel Springer and its digital journalistic offerings. Regardless of the above, the European Union is currently negotiating a reform of European copyright law, which will for the first time also provide for a new ancillary copyright for press publishers at Union level. The European Parliament gave the mandate on September 12, 2018 to launch the legislative proposal in the so-called trilogue procedure with the European Commission and the European Council, after the Member States had already given such a mandate to the Council in May. On February 13, 2019 three institutions under the Romanian Council Presidency agreed on a common text, which also anticipates an ancillary copyright law across Europe. This has paved the way for a confirmation of the agreement by the Council of Ministers of the Member States and the plenary of the European Parliament before the European elections in May 2019. The adoption of the planned directive could strengthen Axel Springer's legal position for its publishing products in the EU.

Reputation risks

In addition to the reputation risks mentioned above, additional secondary risks or secondary effects may arise in connection with a primary risk. For example, a violation of law and order can cause high attention and damage our reputation due to Axel Springer's prominent position and its contribution to social opinion making. Further 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.

Axel Springer has instituted an advanced sustainability management program that meets international standards. In addition to the use of energy-efficient IT equipment (e.g. computers, printers) and the regularly successful participation in energy audits, our printers in particular have optimized energy management, e.g. energy-efficient ventilation systems for cooling or heating in the printing premises. For further details, please refer to our Sustainability Report.

However, if we were to recognize potential environmental and social conflicts in the procurement of resources too late, this could damage our image. In order to effectively minimize this risk, we work closely with experts and environmental organizations. In addition, we use monitoring measures along the value chain. Our internal and external communication 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 legal violation from a legal perspective.

The indicated reputation risks are counteracted, among other things, by employee sensitivities through, for example, eLearning, guidelines and corporate principles as well as our Code of Conduct, which defines group-wide standards of conduct.

Furthermore, our International Social Policy, a catalog of social standards, counteracts potential reputational 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. For further information, please refer to the section "Principal corporate governance practices" from page 73 et seqq.

Personnel risks

The individual skills, professional competences and the commitment of our employees contribute significantly 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 counteract this 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. 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

Due to the degree of internationalization of Axel Springer, the Group is exposed to a number of market price risks. These include in particular interest rate risks and currency risks. These risks are largely managed by the Group Finance department on the basis of a guideline laid down by the Axel Springer Executive Board. Derivative financial instruments are used exclusively for hedging purposes. Currency risks are 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 (transaction risks) are rather 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 discussed in a Treasury Committee. Currency effects arising from the translation of financial statements denominated in foreign currencies (translation risk) are recognized directly in the equity item of comprehensive income. Therefore, Axel Springer generally does not hedge against such currency risks. The existing interest rate risk results primarily from financial assets or liabilities with variable interest rates. However, this risk is limited due to well-defined financing principles and regular monitoring of the variable interest component, or, if necessary, minimized through the use of interest rate derivatives.

The liquidity risk is regularly monitored on the basis of medium-term planning. The completed credit line and the promissory note loans form a sufficient risk buffer for unplanned payments.

The investment of cash and cash equivalents generates only minor default risks in the Group. In order to counteract these risks, investment is made according to predefined criteria that are specified in a Group guideline.

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

Overall, the financial risks are considered to be low.

Other risks

In order to support the cultural change to the leading digital publishing house, work is under way with high pressure 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.

Potential risks arising from global climate change have also been investigated. However, there are currently no signs that climate change would have a direct impact on Axel Springer's business models.

Terrorist attacks continue to pose a serious risk to Axel Springer. 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 due to possible property damage and business interruption is covered by appropriate insurance.

Our joint venture with Ringier is facing a highly concentrated press distribution business in Poland. This holds the risk of dependence on a small number of distribution partners and poses the risk that, in the event of payment defaults by individual companies, higher shares of outstanding receivables may remain outstanding and result in substantial losses. To limit this increasingly growing risk, a portion of the potential loss of receivables is covered by insurance. In addition, there is an active receivables management.

Operational and other opportunities

The ongoing cultural change at Axel Springer brings additional opportunities in various areas. Firstly, the reduction of strict hierarchies and restructuring will ensure faster reaction and decision-making capacity to changing market and competition conditions. On the other hand, it offers the opportunity to increase Axel Springer's attractiveness as an employer through a contemporary, modern and increasingly digital work environment and, in particular, to make our house attractive as an employer brand for young professionals from the start-up environment and other relevant target groups.

Overall view on the risk and opportunity situation

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

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 earnings position of the Group. In addition, risk concentrations are reduced through continuous diversification, internationalization, optimization of the brand and product portfolio and digitization.

Compared to the disclosures in the 2017 Annual Report, there are slight changes in risk positions. However, these changes did not materially change the overall risk and opportunity situation of the company.

Forecast report

Anticipated economic environment

General economic environment

The International Monetary Fund (IMF) expects global weakness in growth to continue in the coming quarters and forecasts global economic growth of 3.5 % in 2019. This reflects, above all, a sustained slowdown in growth momentum in the industrialized countries.

The German Institute for Economic Research (DIW) sees an end to the above-average growth of the German economy. However, according to the economic researchers, there is no danger of an immediate recession. Accordingly, economic growth in 2019 should be at 1.6 %, adjusted for price. Rising wages are expected to boost private consumption by 1.5 %. In view of the continuing high level of utilization in the industry, the DIW expects a significant increase in price-adjusted equipment investment of 3.0 % in 2019. After a weaker growth in foreign demand in 2018, stronger export growth is expected again in 2019. However, the export growth of 2.8 % in real terms expected by the DIW in 2019 is likely to be offset by an even higher rise in imports of 3.9 % in real terms.

The DIW expects consumer prices to increase by 2.0 % in 2019. Companies should make better use of their pricing scope with well-utilized capacity. The number of persons in employment is expected to increase by around 350,000 to an annual average of 45.2 million. At the same time, the unemployment rate is expected to fall to 4.8 % due to the continued high growth in employment.

Anticipated Economic Development (selection)

Change in gross domestic product compared to prior year (real)	2019
Germany	1.6 %
United Kingdom	1.3 %
France	1.7 %
Central and Eastern Europe	3.7 %
USA	2.4 %

Source: DIW, December 2018.

According to a forecast by the DIW, the **British economy** will expand by 1.3 % in 2019. In particular, uncertainty in view of Brexit is likely to continue to burden the investment activities of the companies. Overall, domestic demand is expected to contribute only moderately to growth. Despite a continued good situation in the labor market, income growth in 2019 is likely to be increasingly spent on saving and thus not benefiting private consumption.

For **France,** the DIW forecasts a real growth rate of 1.7 % in 2019. The unemployment rate should fall to 8.6 %. The DIW expects only a modest price increas of 1.6 %.

According to the DIW forecast, consumers in **Central and Eastern Europe** are somewhat less confident than in the summer of 2018. Overall, private households are likely to be more restrained with their spending. The situation at the labor market continues to improve, but the unemployment rate is falling less rapidly. Nominal income should continue to rise; however, prices increase gradually. The growth rate in Central and Eastern European is expected to decrease in 2019 to 3.7 % in real figures.

According to the DIW forecast, the development of the **US economy** remains upward. The growth of the US economy is initially based also on an expansionary fiscal policy. However, the effects of tax cuts and government overspending will slowly come to an end. In this context, the labor market situation will improve somewhat more slowly than in recent years. According to the DIW, the growth rate of gross domestic product will decrease to 2.4 % in real terms.

Industry environment

According to the current advertising market forecast of ZenithOptimedia, a worldwide increase of 3.8 % (nominal) is expected for the year 2019. 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 43.1 % in 2019.

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 commissions) in Germany for 2019 to increase by 1.7 % (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 3.8 % (+ 1.6 % in real terms) according to the DIW.

Growth in the advertising market is driven by digital (+7.0 %), TV (+2.0 %), outdoor (+2.6 %) and radio (+0.9 %). ZenithOptimedia is predicting a drop in net advertising revenues for newspapers (-4.2 %) and magazines (– 5.5 %).

The forecast data continue to reflect the structural redistribution of advertising expenditure in favour of digital offers. In 2019, the share of online and mobile in Germany should rise to 37.8 %. This puts Germany below the global average (43.1 %). ZenithOptimedia says publishers are unlikely to benefit from the additional online ad revenue. The reason for this is the dominance of the big tech companies from the US.

The digital advertising market is about to recover from the impact of the new EU General Data Protection Regulation (GDPR). It remains to be seen to what extent data protection discussions will have an impact on digital advertising investment in view of the announced ePrivacy regulation.

Global trends also set the tone for Germany. The growth of the advertising market is technology-driven, especially in the growth fields of mobile, online moving images (video), social media, digital audio advertising and programmatic. Thanks to the continued proliferation of mobile devices, technical advances in advertising formats, increased variety of ad formats, and technical innovations in driving multi-device campaigns, a significant increase in digital advertising investment is expected (see page 55).

The progressive automation of the 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 target consumers more accurately – and thus more effectively.

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 are the key to personalized customer approach.

The **digital foreign markets** in which Axel Springer engages with its own corporate activities will develop differently according to the prognosis of ZenithOptimedia: In the online market in Western Europe, net advertising volume will increase by 8.6 % to USD 49.1 billion in 2019 – based on the assumption of constant exchange rates. While in the UK (+7.0 %) digital advertising spending will grow with the same strength as in Germany, France (+12.5 %) and the US (+11.5 %) are expected to achieve higher growth.

Anticipated Advertising Activity 2018 (selection)

Change in net ad revenues compared to prior year (nominal)	Online
Germany	7.0 %
Central and Eastern Europe	11.6 %
USA	11.5 %
United Kingdom	7.0 %

Source: ZenithOptimedia, Advertising Expenditure Forecast, December 2018.

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. Where possible and appropriate, we reinvest income from existing business in growth areas in order to leverage medium- and long-term potential.

Comparison of forecast with actual business performance

Group forecast / adjustments during the year

	reported	2018	organic	2018
Revenues	Low to mid single-digit percentage increase	4.1 %	Low to mid single-digit percentage increase	3.8 %
EBITDA, adjusted	Low double-digit percentage increase	14.3 %	Mid to high single-digit percentage increase	8.5 %
EBIT, adjusted	Low single-digit percentage increase	4.7 %	Low to mid single-digit percentage increase	6.4 %
Earnings per share, adjusted	Low to mid single-digit percentage increase / mid single-digit percentage increase	5.1 %	Mid to high single-digit percentage increase / high single-digit percentage increase	8.3 %

The forecast published in March 2018 for Group key figures and raised in November 2018 for adjusted earnings per share was met and partly exceeded.

The forecast for revenue and adjusted EBITDA and the forecast for adjusted earnings per share raised during the year were met. The forecast for the development of adjusted EBIT was exceeded, for the organic development of adjusted EBIT the upper end of the forecast range was reached.

Segment forecast / adjustments during the year

	reported	2018	organic	2018
Revenues				
Classifieds Media	Double-digit percentage increase	20.3 %	High single-digit to low double-digit percentage increase / low double-digit percentage increase	11.4 %
News Media	Low to mid single-digit percentage decrease	−0.9 %	Low single-digit percentage decrease	−0.3 %
Marketing Media	High single-digit percentage decrease / low double-digit percentage decrease	−12.4 %	High single-digit percentage increase / roughly on prior year level	2.1 %
Services/Holding	Mid single-digit percentage decrease	−11.5 %	Mid single-digit percentage decrease	−11.3 %
EBITDA, adjusted				
Classifieds Media	Double-digit percentage increase	17.9 %	High single-digit to low double-digigt percentage increase	11.4 %
News Media	Mid single-digit percentage increase	4.3 %	Low to mid single-digit percentage decrease	−3.5 %
Marketing Media	High single-digit percentage increase / mid to high single-digit percentage decrease	−6.3 %	Low double-digit percentage increase / low to mid single-digit percentage decrease	−2.5 %
Services/Holding	Low to mid single-digit percentage increase (improvement)	17.9 %	Low to mid single-digit percentage increase (improvement)	19.3 %
EBIT, adjusted				
Classifieds Media	below the development of adjusted EBITDA	12.7 %		
News Media	below the development of adjusted EBITDA	−13.6 %		
Marketing Media	below the development of adjusted EBITDA	−14.7 %		
Services/Holding	below the development of adjusted EBITDA	12.2 %		

Business development in the segments largely met and in some cases exceeded expectations for revenues, adjusted EBITDA and adjusted EBIT.

In the **Classifieds Media** segment, the guidance for revenues, adjusted EBITDA and adjusted EBIT published in March 2018 as well as the increased organic revenue guidance published in August 2018 were met.

In the **News Media** segment, the forecast for the revenue development was slightly exceeded. The forecast for adjusted EBITDA and adjusted EBIT were met.

In the **Marketing Media** segment, the revenue development confirmed the forecast adjusted in November 2018. Organic development was slightly better than expected. The development of adjusted EBITDA and adjusted EBIT met the forecast.

In the **Services/Holding** segment, revenues were below the forecast, while adjusted EBITDA exceeded the forecast. The development of adjusted EBIT confirmed the forecast.

Anticipated business developments and financial performance of the Group

The forecast for the 2019 financial year takes into account the consolidation effects from the transactions in the 2018 financial year, mainly the sales of aufeminin at the end of April 2018 and the print portfolio in Slovakia at the end of July 2018, as well as the first-time consolidation of Logic-Immo from February 2018 and Universum from May 2018. The earnings effects from the acquisition of shares in Purplebricks in April 2018 and Homeday in December 2018 are also taken into account. In order to better assess operating performance, we also provide an expectation for the organic development of our key performance indicators, which results from the adjustment for consolidation and currency effects.

For the financial year 2019, we expect Group **revenues** to increase in the low single-digit percentage range. Organically, we assume growth in the low to mid single-digit percentage range.

We expect the **adjusted EBITDA** to remain on the prior-year level. Organic growth of adjusted EBITDA should be in the low to mid single-digit percentage range.

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

We expect the development of the **adjusted earnings per share** between a stable development and a decline in the low single-digit percentage range. We expect an organic increase in the single-digit percentage range.

Anticipated business developments and financial performance of the segments

The revenues of the **Classifieds Media** segment are expected to grow in the high single-digit to low double-digit percentage range. Consolidation effects include the first-time consolidation of Logic-Immo as of February 2018 and Universum as of May 2018 and deconsolidation effects of casamundo within the @Leisure Group as of October 2018. Organic growth is also expected to be in the high single-digit to low double-digit percentage range. Adjusted EBITDA is expected to increase in the low to mid single-digit percentage range due to increased investments in future growth. The organic increase should be in the mid single-digit percentage range. In the case of adjusted EBIT, we expect earnings to be on the prior-year level due to higher depreciation, amortization and impairments, and organic growth to be in the low to mid single-digit percentage range.

In the **News Media** segment, we expect revenues to decline in the low to mid single-digit percentage range in the 2019 financial year. This reflects deconsolidation effects from the sale of the print portfolio in Slovakia as of the end of July 2018. Organically, we expect revenues to decline in the low single-digit percentage range. We expect adjusted EBITDA to be on the prior-year level. We also expect a stable organic development. For adjusted EBIT, we anticipate a decline in the low single-digit percentage range; organically, we expect the adjusted EBIT to be on the prior-year level.

In the **Marketing Media** segment, we expect a decline in revenues in the low single-digit percentage range. This includes deconsolidation effects from the sale of aufeminin at the end of April 2018. Organic growth is expected to be in the high single-digit percentage range. For adjusted EBITDA, we expect an increase in the low to mid single-digit percentage range, and organic growth in the high single-digit to low double-digit percentage range. For adjusted EBIT, we expect a decline in the low single-digit percentage range due to rising depreciation, amortization and impairments, and organic growth in the high single-digit percentage range.

For the **Services/Holding** segment, we anticipate a market-related decline in revenues in the low double-digit percentage range. We also expect organic development to decline at a low double-digit percentage rate. We expect adjusted EBITDA to decline (deterioration) in the double-digit percentage range, organically also a decline in the double-digit percentage range. In the case of adjusted EBIT, we expect a decline (deterioration) in the high single-digit to low double-digit percentage range due to lower depreciation, amortization and impairments. Organically, we expect the same development.

Anticipated liquidity and financial position

With regard to liquidity and financial position, investments in property, plant and equipment and intangible assets will continue to 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. The sale is expected to be completed at the end of 2019 or beginning of 2020. 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 payout, while also allowing for the financing of growth.

Anticipated development of the workforce

The annual average number of employees in the Group for 2019 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 revenues, adjusted EBITDA, adjusted EBIT and adjusted earnings per share include the expected effects of known acquisitions and divestments (see above) as well as planned restructuring expenses at the time of the publication of the Annual Report. The additional information on organic development is adjusted for consolidation and currency effects.

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

As a listed company whose shares are listed on an organized market pursuant to Section 2 (7) of the German Securities Trading Act, Axel Springer SE is required to include in the management report and group management report the information pursuant to Sections 289a para. 1, 315a para. 1 of the German Commercial Code (HGB). In addition to the information required by law, the following section also contains the explanatory report of the Executive Board in accordance with section 176 (1) sentence 1 of the German Stock Corporation Act in connection with Art. 9 para. 1 lit. c) ii) SE-VO.

Composition of subscribed capital

The subscribed capital of the company as of December 31, 2018, 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 70), 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 47,432,202 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. The previous level of pool-linked shares in the amount of 52,826,967 was reduced to the abovementioned number of shares through the transfer of shares of Axel Springer SE in November 2018 on the part of Axel Springer Gesellschaft für Publizistik GmbH & Co to the retired ex-shareholders of that company Axel Sven Springer and Ariane Melanie Springer.

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

In addition, there are debt transfer restrictions in connection with the share participation programs for employees of Axel Springer carried out in the financial years 2015, 2017, 2018 and 2019; the minimum holding period for shares acquired in previous years' share participation programs has already expired. The shares acquired under the 2015 Share Participation Program are generally subject to a minimum holding period of four years (i.e. until May 31, 2019), the shares acquired under the 2017, 2018 and 2019 Share Participation Programs, have a minimum holding period of two years from the end of the participation period (i.e. until December 31, 2019, 2020 and 2021, respectively). During the minimum holding period, the shares for the employees are held in a blocked custody account with Deutsche Bank AG or a collective custody account of BNP Paribas in the name of Computershare Investor Services PLC.

Under the virtual Executive Board stock option plan 2018, the eligible member of the Executive Board is 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 the virtual Executive Board stock option plan 2018 see page 85).

- 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 further guidelines for trading in shares of Axel Springer SE, which should be followed by board members and executives.

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. Securities Trading Act (Wertpapierhandelsgesetz, "WpHG").

Shareholdings that represent more than 10 % of voting rights

At the end of the 2018 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, 2018 in accordance with Sections 33, 34 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 2018 of Axel Springer SE, see go.axelspringer.com/financialpublications, as well as in the section "Voting Rights Announcements" on the Company's website at go.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 the year 2009 and the share participation programs for the years 2011 to 2015, as well as 2017, 2018 and 2019, Deutsche Bank AG was initially entered in the share register as the third-party holder of the shares transferred to employees, and since the 2019 financial year Computershare Inverstor Services PLC is entered for the employees from abroad. However, each employee is free to register himself as a shareholder in the share register, if applicable after expiry of the minimum holding period.

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 is authorized, pursuant to Section 5 (4) of the Articles of Association and based on the resolution of the annual shareholders' meeting of April 18, 2018, (Agenda Item 14) to increase the capital stock by April 17, 2023, subject to the approval of the Supervisory Board, by issuing new registered no-par value shares against contributions in cash and/or in kind (including mixed contributions in kind) on one or more occasions by a total of up to € 10,500,000.00 (authorized capital). In principle, the shareholders must be granted a subscription right. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders in certain cases. The authorization granted by the Annual General Meeting on April 14, 2015, to increase the share capital and to exclude subscription rights in Section 5 (4) of the Articles of Association of the company was cancelled with the new authorized capital taking effect.

By resolution of the Annual General Meeting on April 18, 2018 (Agenda Item 7), the Executive Board was authorized, with the approval of the Supervisory Board, until April 17, 2023 to acquire treasury shares of up to 10% of the share capital existing at the time of the resolution, by revoking the corresponding previous authorization given by the annual shareholders' meeting on April 16, 2014. Acquisition must only take place on the stock exchange or via a public offer directed to all shareholders or a public invitation to submit an offer to buy. Along with the shares held by the company or attributable to the company in accordance with Section 5 SE-VO in connection with Section 71a ff. of German stock Corporation Act, the shares acquired on the basis of the above authorization may at no time exceed 10% of the share capital of the company. Details concerning this authorization are provided in the invitation to the annual shareholders' meeting of April 18, 2018, which is available on the website of Axel Springer SE (see Agenda Item 7 and the Executive Board's report on this subject).

The company held no treasury shares at the end of the 2018 financial year.

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 85 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. Currently, the promissory notes have a total volume of € 704,500,000.00. 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.

A change of control within the meaning of the promissory note loans occurs - subject to individual, more precisely defined exceptions that are linked to the currently controlling shareholders of Axel Springer SE - if one person alone or several persons acting jointly holds more than 50% of the share capital of Axel Springer SE or the voting rights.

With regard to the syndicated loans renegotiated in May 2018 and totaling € 1,500,000,000.00, 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 of 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 their base salary for the most recently agreed remaining contractual term or a severance payment in the amount of the total remuneration for the duration of the most recently agreed contractual term or the original remaining term (some of the entitled Executive Board members are entitled to payment of at least one year's base salary); 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

In this chapter, the Executive Board and the Supervisory Board report on corporate governance at Axel Springer, in conformity with the recommendation set out in Section 3.10 of the German Corporate Governance Code ("GCGC", "Code"). 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 6, 2018, 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 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 "opting-out" resolutions of the company's Annual General Meetings of April 16, 2014 and April 18, 2018. Accordingly, 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 and 2018 to (and including) 2022. As long as a corresponding valid opting-out resolution of the Annual General Meeting is at hand, 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 in 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 in 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 disclosed in the Notes or the Management Report (item 5.4.6 sentences 5 and 6 DCGK).

This information is not individually disclosed because 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 Meetings decided on 16 April 2014 and on 18 April 2018 that no details of the individual compensation of the Executive Board will be given in the company's stand-alone and consolidated annual financial statements to be prepared for financial years 2014 to (and including) 2018 and 2018 to (and including) 2022 so that, for the sake of consistency, the individual compensation of the Supervisory Board members is neither disclosed individually.

II. Retrospective section

Since issuance of the latest annual Declaration of Conformity on 07 November 2017, the company has followed the recommendations of the German Corporate Governance Code (DCGK) as amended on 07 February 2017 and published by the German Federal Ministry of Justice in the official announcements section of the Federal Gazette of 24 April 2017, with the exception of the deviations justified and stated above under I. 1 through I. 5.

Berlin, 6. November 2018

Axel Springer SE
The Supervisory Board The Executive Board"

The Declaration of Conformity from November 6, 2018 can, just like previous versions, also be seen via the link go.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.

Axel Springer maintains a Compliance division as well as Corporate Auditing & Risk Management department. These support the corporate departments and subsidiaries in complying with the rules that apply to them and in dealing responsibly with risks, among other things by means of approaches and guidelines for a risk management, internal control, and compliance management system.

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 components are the Compliance Committee and the Chief Compliance Officer. Compliance officers in individual subsidiaries are appointed on a decentralized basis. Compliance, Corporate Audit & Risk Management and the Legal Department work closely together to fulfil their tasks in a cross-functional approach.

As part of the compliance organization, Axel Springer has a binding Code of Conduct that can be downloaded from go.axelspringer.com/coc_en. 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.

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 established appropriate guidelines to ensure journalistic independence. These guidelines specify and expand the professional ethics of the press, as laid down by the German Press Council in cooperation with the press associations in the journalistic principles (Press Code) and to which Axel Springer is committed. The chief editors are responsible for compliance with the guidelines and their implementation in day-to-day business.

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. In addition, the company has established an environmental guideline comprising four points, which is a practical orientation for the various measures at Axel Springer that are relevant to environmental protection and is also part of the Code of Conduct.

In addition to the Code of Conduct as a superordinate code, internal guidelines regulate individual business and procedural practices, such as how to fight corruption or data protection. 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 subsidiary. The respective managers are responsible for this.

Issues such as Code of Conduct or Privacy are taught through comprehensive communication and training in both face-to-face and online training. Other key elements of compliance management include the analysis of compliance-risks and the advisory services for the operational areas. In order to further strengthen good corporate governance and effective compliance management, there are various reporting channels for compliance-information, including an electronic whistleblower system. This allows both employees and external persons to provide confidential and, if desired, anonymous information about violations and malfunctions. The electronic whistleblower system can be accessed via go.axelspringer.com/whistleblower.

With regard to the entry into force of the European General Data Protection Regulation (GDPR), effective as of May 2018, we have taken numerous measures group-wide. These include the definition of responsibilities concerning data protection, carrying out training courses and the introduction of a new directive.

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

Regarding material non-financial aspects with regard to the 2017 financial year, in order to fulfill the requirements of the CSR Directive Implementation Act in accordance with Sections 315b, 315c with regard to 289c to 289e of the German Commercial Code (HGB), a summarized separate non-financial statement and group report ("NFB") (see page 42) was published.

Following a pilot phase in 2017, Axel Springer SE launched a "Global Employee Share Plan" for Axel Springer SE and certain majority stakes in Germany, France, the United Kingdom and Belgium during the reporting year. The regular participation period is twelve months; eligible employees determine an amount of their base salary, with which the corresponding number of shares is 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.

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 78.

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 initially consisted of four members in the reporting year and from March 1, 2018, of five members:

- Dr. Mathias Döpfner, Chairman and Chief Executive Officer
- Jan Bayer, President News Media, from January 1, 2019 President News Media International
- Dr. Stephanie Caspar (from March 1, 2018), President Technology and Data, since January 1, 2019, President News Media National & Technology
- Dr. Julian Deutz, Chief Financial Officer
- Dr. Andreas Wiele, President Classifieds Media (until March 1, 2018 President Classifieds and Marketing 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 AGM. 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 (see page 88 et seqq.) for additional information on the specific activities of the Supervisory Board in financial year 2018.

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 current members of the Supervisory Board are:

- Dr. Giuseppe Vita, Chairman
- Dr. h. c. Friede Springer, Vice Chairwoman
- Oliver Heine
- Dr. Alexander Karp
- Iris Knobloch
- Lothar Lanz
- Dr. Nicola Leibinger-Kammüller
- Prof. Dr. Wolfgang Reitzle
- Martin Varsavsky

William E. Ford and Rudolf Knepper resigned from their positions at the Annual General Meeting on April 18, 2018. Iris Knobloch and Dr. Alexander Karp have been elected by the Annual General Meeting as their successors.

As scheduled, the mandate of the current acting members of the Supervisory Board of Axel Springer SE ends at the end of the next ordinary shareholders' meeting scheduled for April 17, 2019. The current Chairman of the Supervisory Board Giuseppe Vita and Lothar Lanz will be replaced in the interest of further rejuvenation of the Supervisory Board and they are scheduled to leave the Supervisory Board by April 17, 2019. Based on the recommendation of the Nominating Committee of the Supervisory Board of Axel Springer SE, Ralph Büchi, COO and Deputy CEO of the Swiss Ringier Group, is to take over as new Chairman of the Supervisory Board from Dr. Giuseppe Vita, and Ulrich Plett, longtime partner at Arthur Andersen and Ernst & Young, since 2015 self-employed auditor and consultant at UPW7 GmbH Wirtschaftsprüfungsgesellschaft, is to newly replace Lothar Lanz. The remaining currently acting members are to retake their positions on the Supervisory Board on the basis of the recommendation of the Nomination

Committee and have already signaled their willingness to do so.

The requirements for expertise in the areas of preparation and audit of the financial statements (financial expert) pursuant to Art. 9 (1) lit. c) ii) SE Regulation in connection with Section 100 para. 5 1st Var. German Stock Corporation Act (financial expert), among others, are meet by the Chairman of the Supervisory Board Dr. Giuseppe Vita and Lothar Lanz, who chairs the Audit Committee; Ulrich Plett who is to be proposed to the annual shareholders' meeting as successor to Lothar Lanz, also fulfills these requirements. In addition, the members of the Supervisory Board are, in accordance with Section 100 para. 5.2 var. of the Var. AktG know in its entirety the sector in which the company operates; this would apply unchanged to the intended new appointment of the Supervisory Board.

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 88 et seq.) 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) 1st var. AktG (financial expert), and the requirements of the recommendations in Section 5.3.2 Sentences 4 and 5 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 39 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 under Section 96 para 2 of the German Stock Corporation Act for the replacement of vacating Supervisory Board mandates, pursuant to Section 111 para. 5 of the German Stock Corporation Act the Supervisory Board itself must set a target size.

Target number of members in the Executive Board and Supervisory Board

By resolution of the Supervisory Board as of April 2017, the target values of 22.2 % (Supervisory Board) and 0.0 % (Executive Board) already set in 2015 and thus the status quo were confirmed at the time of the resolution, with a target achievement period until the end of the day of the Annual General Meeting in the financial year 2019, but no later than April 30, 2019.

In accordance with the objectives for the composition of the Supervisory Board, according to which a female proportion of 22.2 % is considered appropriate in any case, 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 %. Similarly, no changes in the composition of the Executive Board were planned at the time the target size was set within the set deadline, so that the status quo, and therefore 0.0 %, was also set here.

Of course, these targets do not preclude a further increase in the proportion of women in the Executive Board and Supervisory Board of Axel Springer SE, even within the implementation deadlines; thus, the Supervisory Board has on March 1, 2018 appointed Dr. Stephanie Caspar as member of the Executive Board, so that since then the proportion of women in the Executive Board of the company at the reporting date amounts 20.0 % and thus is already above the objective. In addition, Iris Knobloch was elected a member of the company's Supervisory Board by the Annual General Meeting held on April 18, 2018, meaning that the proportion of women in the Supervisory Board was exceeded at the reporting date at 33.3 %.

Previously, in September 2015, the Supervisory Board of Axel Springer SE had already set targets for the proportion of women in the Supervisory Board and in the Executive Board of Axel Springer SE in accordance with its legal obligations, each with a deadline of June 30, 2017. With the specified target figures of 22.2 % (Supervisory Board) and 0.0 % (Executive Board), the status was recorded at the time of the resolution. The proportion of women in both committees was until the first deadline on June 30, 2017 maintained, thereby achieving the set targets.

Target sizes in the first two management levels

Effective July 1, 2017, Axel Springer SE decided to increase the target figures for the first two management levels beneath the Executive Board for the women's share to 30.0 % each with a transposition period of 3 years, i.e. until June 30, 2020.

Previously, in May 2015, the Executive Board of the company had a target of 25.0 % for each of the first and second management levels of Axel Springer SE beneath the Management Board, and a deadline for implementation of no later than June 30, 2017; 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 25.0 % and in the second management level 23.9 %. The set target was thus achieved on the first management level of Axel Springer SE; in the second management level of Axel SpringerSE, a substantial increase of 4.4 percentage points was recorded within the short term, despite various measures aimed at increasing the proportion of women in the long term and sustainably, the goal was missed by just 1.1 percentage points. The main reason for this is that in spite of all the measures taken and the objectives set, the specific occupation of open posts will ultimately focus on the suitability and qualifications of the candidates and will always select the most suitable candidate for the specific position during the relevant period. On the other hand, the fluctuation on the first two management levels is very low and the increase is slow in this respect, but sustainable.

Description of the Diversity Concept for the Executive Board and Supervisory Board.

For several years now, Axel Springer SE has been pursuing diversity concepts with a view to filling positions in 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, this has set the goals listed below. The objectives are to observe the diversity of the members of the Supervisory Board, especially with regard to their knowledge training, their professional background and previous activities, the origin, gender and age of the Supervisory Board members. There 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.

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 to 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. The Supervisory Board assumes a proportion of at least two womean out of the total of nine seats (22.2 %) as appropriate. Accordingly, the legally required target for the proportion of women on the Supervisory Board of Axel Springer SE was set at 22.2 % (see page 78).
- 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 6, 2018, see page 72).

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 the aforementioned goals. In particular, the number of independent members exceeds the above-mentioned objective. From the point of view of the Supervisory Board (or with regard to the departed members), it must be considered as independent: Dr. Giuseppe Vita, William E. Ford, Dr. Alexander Karp, Iris Knobloch, Rudolf Knepper, Lothar Lanz, Dr. Nicola Leibinger-Kammüller, Prof. Dr. Wolfgang Reitzle and Martin Varsavsky. With regard to its proposals on the election of new Supervisory Board members, the Supervisory Board shall make 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 of diversity and should strive in particular to give appropriate consideration to women. In this context, the Supervisory Board also complied with its statutory obligation to set a target for the proportion of women in the Executive Board and resolved to set a target of 0 % with a deadline of implementation before the Annual General Meeting in the 2019 financial year, but no later than April 30, 2019; see page 79.

- 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 39 of the Annual Report, and to the stipulated targets in the two top management levels of the company beneath the Executive Board on page 78 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 go.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.

For any conflicts of interest of interest which arose during the financial year, please see the Report of the Supervisory Board on page 88 et seqq.

Memberships on other supervisory bodies

A summary of the seats held by the Executive Board and Supervisory Boards members of Axel Springer SE in other statutory supervisory boards in Germany and/or comparable domestic and foreign supervisory bodies is presented on page 187.

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, in addition, a combined separate non-financial report and group report has been published annually since the reporting year 2017 (see page 42). 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 communications. In addition, it informs the interested public about press releases, the company's websites or 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 German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), and on the purchase and sale of shares by persons who exercise management duties at Axel Springer (directors' dealings), in accordance with Article 19 of the Market Abuse Regulation.

Preparation and audit of the financial statements

On April 18, 2018, the Annual Shareholders' Meeting re-elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditors of the consolidated financial statements and the individual financial statements of Axel Springer SE for the financial year 2018, upon proposal of the Supervisory Board. The auditor responsible for the audit has been Nathalie Mielke since the 2015 financial year.

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. 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 information about the tasks of an individual Executive Board member, the 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. Group objectives in the 2018 financial year were the adjusted Group EBITDA and adjusted Group EBIT. The Group objective in the prior year was the adjusted Group 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 established by the Supervisory Board members and chairman with the relevant Executive Board member and then reviewed and finalized 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.

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 3.63 % of the increase in market capitalization. The compensation entitlement will increase only up to a growth in market capitalization by maximally 60 %. In the reporting year, the LTIP was adjusted to the extent that the payment entitlement was initially reduced from 4.0 % to 3.63 %. In the amount of the difference of 0.37 %, selected executives were granted an LTIP substantially under the same terms (see information in attachment to the notes to the consolidated financial statements, Section (11)).

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. On the basis of the adjustment made retroactively to the grant date in the reporting year, the value amounts to € 29.1 million.

Until the LTIP was introduced in May 2016, 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. The Executive Board Programs 2014 I and 2014 II were fully exercised during the year under review and thus completed. The non-LTIP Executive Board member was granted a virtual stock option plan in the reporting year. The main parameters of the plan still in operation in the reporting year are shown below:

Executive Board Program

	2014 I	2014 II	2018
Grant date	01/01/2014	09/01/2014	10/01/2018
Term in years	6	6	6
Vesting period in years	4	4	4
Stock options granted	205,313	675,000	225,000
Underlying (€)	44.06	44.56	62.06
Maximum payment (€)	88.12	89.12	124.12
Value at grant date (€)	6.69	6.26	4.35
Total value at grant date (€ millions)	1.4	4.2	1.0

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 (11).

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 **reporting year 2018**, the total compensation of the Executive Board was € 21.4 million plus the long-term share-based compensation component for the 2018 stock option plan in the amount of € 1.0 million (PY: € 19.7 million excl. recognition premium). The fixed components totaled € 10.1 million (PY: € 9.5 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 € 11.3 million (PY: € 10.2 million). According to this, the fixed compensation including fringe benefits in the financial year amounts to a proportion of 45 % (PY: 48 %) of total compensation including long-term stock-based compensation components (in the prior year excl. recognition premium).

In the prior 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 provison to grant a special payment to the Executive Board as well as to selected executives essential to the success of the investment. In 2012, General Atlantic entered into a strategic partnership 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, and in connection with the subsequent sale of this stake, acquired a direct interest in Axel Springer SE The Supervisory Board of Axel Springer SE has granted the Executive Board members a recognition bonus totaling € 12.0 million (gross) from the special payment in the previous year, 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 special purpose special payment made by General Atlantic. The Executive Board thus received € 31.7 million in the prior year, including the recognition premium.

Guaranteed pension payments to members of the Executive Board resulted in a personnel expense of € 1.4 million in financial year 2018 (PY: € 1.6 million). The cash value of the guaranteed pension payments in pension provisions totaled € 20.0 million (December 31, 2017: € 17.5 million). Loans or advances were not granted to members of the Executive Board in the 2018 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 Para. 3 and 286 Para. 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 General Meeting of Axel Springer SE passed a resolution on April 16, 2014, and again on April 18, 2018 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 account for this purpose. The compensation is payable after the close of the given financial year.

For the **reporting year 2018**, 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 German Corporate Governance Code, the compensation paid to members of the Supervisory Board, as well as the compensation paid by the company to them for services rendered personally, because the Articles of Association of Axel Springer SE 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 Annual General Meeting. Also on April 16, 2014, as well as on April 18, 2018 the company's Annual General Meeting resolved that the disclosure of the individualized compensation of the members of 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), i.e. 2018 to 2022 (inclusive) should be avoided, so that the compensation of the Supervisory Board members is not published in individualized form.

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

Dr. Alexander Karp
CEO Palantir Technologies Inc.

Iris Knobloch
Président Warner Bros. France S.A.

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
Entreprenuer

Dear Shareholders,

In the financial year, 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, 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 for the Supervisory Board to inspect company books and documents in the financial year.

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 desinvestment 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 all 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 77 of the Annual Report regarding the individual members of the Supervisory Board). William E. Ford, CEO of General Atlantic, and Rudolf Knepper have stepped down from their offices as members of the Supervisory Board at the end of the annual shareholders' meeting on April 18, 2018. Iris Knobloch and Dr. Alexander Karp were elected to the Supervisory Board of Axel Springer SE at the annual shareholders' meeting for the remaining term of office of William E. Ford and Rudolf Knepper, respectively.

The term of all current members of the Supervisory Board will end with the expiry of the ordinary annual shareholders' meeting in the 2019 financial year that is decisive for the ratification of actions by the company's Boards for the 2018 financial year, which will be held on April 17, 2019. Dr. Giuseppe Vita and Lothar Lanz will resign from the Supervisory Board at the end of the upcoming 2019 annual shareholders' meeting in the interest of further rejuvenation of the Supervisory Board. The remaining current members of the Supervisory Board have declared their willingness to run again. The Nominating Committee of the Supervisory Board of Axel Springer SE has prepared a proposal for the re-election of the Supervisory Board. Following this recommendation, Ralph Büchi, COO and Deputy CEO of the Swiss Ringier Group, should join the Supervisory Board for the office of Dr. Giuseppe Vita and Ulrich Plett, longtime partner at Arthur Andersen and Ernst & Young, since 2015 self-employed auditor and consultant at UPW7 GmbH Wirtschaftsprüfungsgesellschaft, for Lothar Lanz. Ralph Büchi is to be proposed as candidate for the chairmanship of the Supervisory Board in the event of his election to the Supervisory Board. The other members currently in office are to join the Supervisory Board again following the recommendation. The Supervisory Board submitted the corresponding appointments to the annual shareholders' meeting on March 6, 2019 in accordance with the recommendations of the Nominating Committee.

The Supervisory Board thanks Lothar Lanz for his work on the Executive Board and Supervisory Board of Axel Springer SE.

With his vast experience in the management of business enterprises, his diverse contacts and his outstanding financial expertise, he comprehensively and sustainably supported and promoted our company.

In total, seven plenary sessions were held during the reporting period, five in the first and two in the second half of the calendar year, with extraordinary meetings held on March 7 and March 26, 2018 respectively. In addition, two resolutions were passed in circulation proceedings.

William E. Ford did not participate in four of the five plenary sessions held during the reporting year until his resignation from the Supervisory Board. In addition, only one Supervisory Board member did not attend two meetings and two Supervisory Board members did not attend one plenary meeting. The non-present, and excused Supervisory Board members quite predominantly participated in resolutions by written vote.

Important matters addressed by the Supervisory Board

At the meeting on **February 13, 2018**, the Supervisory Board dealt with the financial plan 2018 presented by the Executive Board and approved it. The Executive Board informed the Supervisory Board about prelimnary figures on business development in the expired financial year 2017. The Supervisory Board was informed about the auditing activities regarding the new Axel Springer building and also focused on the development of WELT TV. In addition, the Supervisory Board appointed with effect from March 1, 2018 Dr. Stephanie Caspar as a member of the Management Board of the company and passed a resolution on the conclusion of the Executive Board service contract. The Supervisory Board also adopted a resolution deciding to extend the term of office of a member of the Executive Board and the related extension of the Executive Board service contract.

In its meeting on **March 7, 2018**, 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 of December 31, 2017 (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 dependency report. It followed the Executive Board's profit utilization proposal for 2017 financial year and agreed to the Corporate Governance Report issued jointly with the Executive Board. In addition, the Supervisory Board adopted a resolution regarding its report for the 2017 financial year which was submitted at the annual shareholders' meeting. It also approved the achievement of objectives in 2017 (in addition to multi-year targets 2015-2017) for the calculation of the cash component of the variable compensation of the Executive Board and set targets for 2018 (along with multi-year targets for 2018-2020). Furthermore, the Supervisory Board was informed about the current status of investment projects of the company.

In addition, during this and a subsequent extraordinary meeting of the same day, the Supervisory Board dealt with the agenda for the 2018 annual shareholders' meeting, including the issue of the creation of authorized capital; among other things, the agenda included the proposed resolutions for the annual shareholders' meeting, the proposals for the election of the auditors for the 2018 financial year and the election of Iris Knobloch and Dr. Alexander Karp as members of the company's Supervisory Board, the proposal for the renewal of the authorization to acquire and use treasury shares and renewing the exemption from the obligation to disclose the remuneration of the Executive Board individually.

In the extraordinary session held on **March 26, 2018**, the Supervisory Board dealt in particular with the supplementary request filed in the meantime by Axel Springer Gesellschaft für Publizistik GmbH & Co on the agenda for the annual shareholders' meeting on April 18, 2018 concerning the creation of authorized capital; the Supervisory Board decided to support this supplementary request.

At the meeting held on **April 18, 2018**, the Supervisory Board focused on preparing for the upcoming annual shareholders' meeting. In addition, the Supervisory Board addressed the combined separate non-financial report for the 2017 financial year and approved it on the basis of its final audit. The Supervisory Board was also informed about the preliminary business developments in the first quarter of 2018, as well as the status of the negotiations for the sale of the interest in Doğan TV.

At the meeting held on **September 5, 2018**, the Executive Board reported on the planned refinancing of the credit line. The Supervisory Board also passed a resolution on the share participation program planned for the 2019 financial year for employees of the company and of certain affiliated companies. In addition, the Supervisory Board was informed about the current status of the real estate projects and the progress of the new Axel Springer building in Berlin, as well as the preliminary business development up to and including July 2018. Furthermore, the Supervisory Board approved the assumption of internal management positions by the Executive Board members. The CEO of SeLoger and the Executive Board informed about the company and the business activities of SeLoger. The Supervisory Board also rendered a resolution on granting a long-term share-based compensation component in the form of virtual stock options for Dr. Stephanie Caspar (see page 68). Finally, the Supervisory Board decided on the adjustment of the Long-Term Incentive Plan (LTIP) of the Executive Board members in the office in 2016 with regard to the LTIP for company executives.

At its meeting on **November 6, 2018**, the Supervisory Board dealt with the corporate strategy of Axel Springer with a focus on the development of the StepStone Group. The Supervisory Board also passed resolution on the regular Declaration of Conformity published on the same day. It also carried out a self-assessment of its efficiency and, on the basis of an in-depth discussion, assessed its activity as still efficient. The Supervisory Board was also informed about the preliminary business developments in the third quarter of 2018. In addition, the Supervisory Board decided to adjust the business allocation plan for the Executive Board.

Conflicts of interest

In the reporting year, the following potential conflicts of interest occurred on the Supervisory Board. These were related to the granting of consent under the Section 114 of the German Stock Corporations Act (AktG) on the conclusion of cooperation agreements, in each case with a company affiliated to the relevant Supervisory Board member. The affected Supervisory Board members abstained from voting in the resolution procedure. Furthermore, one member of the Supervisory Board did not participate in the deliberations nor votes on the issue of the creation of an authorized capital on March 7, 2018. Finally, one member of the Supervisory Board did not participate in the decision of the Presidium to grant approval for the transfer of shares by Axel Springer Gesellschaft für Publizistik GmbH & Co to Axel Sven Springer and Ariane Melanie Springer.

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 2018. 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 72 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 72).

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 nine meetings during the reporting period, four of which were extraordinary. In addition, two resolutions were passed in circulation proceedings.

The Executive Committee agreed upon the following transactions: In March 2018, the acquisition of Universum Communications Sweden AB by StepStone GmbH and the acquisition of a non-controlling interest in Purplebricks Inc., in April 2018 of the change and exercise of put options in connection with the interest in Doğan TV and in August 2018 the increase of the interest in Homeday GmbH together with Purplebricks.

Among other things, the company deliberated and decided on the renegotiation of the company's credit line and the launch of a commercial paper program. 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, in particular in connection with the transfer of shares by Axel Springer Gesellschaft für Publizistik GmbH & Co to Axel Sven Springer and Ariane Melanie Springer.

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 seven times during the reporting period. Among other things, it prepared the decision of the plenary on the appointment of the new member of the Executive Board Dr. Stephanie Caspar and the determination of her remuneration – including the long-term share-based compensation component. It also prepared the resolutions to be adopted by the full board regarding extension of the term of a member of the Executive Board alongside the associated extension of the respective employment contract as a member of the Executive Board. It also dealt with the individual goals and corporate goals for the cash component of the variable compensation of the Executive Board. It also prepared the plenary decision on the adjustment of the Long-Term Incentive Plan (LTIP) of the Executive Board members in the office in 2016 with regard to the LTIP for company executives. Finally, it dealt with changes to the business allocation plan for the Executive Board.

The **Audit Committee**, notwithstanding the responsibility of the full Supervisory Board, is, among other things, 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 management report for the company and the management report for the Group, the review of the profit utilization proposal, the discussion of the audit report with the independent 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 internal control system, the risk management system, the internal auditing system and compliance. In addition, the Audit Committee monitors the non-audit services provided by the auditor and approves them if necessary. 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, among other things, 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 and Dr. h. c. Friede Springer as additional members. Until he left the Supervisory Board in April 2018, Rudolf Knepper was also a member of the Audit Committee.

The Audit Committee held four meetings during the course of the reporting year. It has been informed of the scope, course, and result of the 2017 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. Alongside this, in February 2018, 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 2018 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 2018 financial year and issued the auditor with the audit assignment for the 2018 financial year. In addition, the Audit Committee dealt with monitoring the effectiveness of the internal control system, the risk management system, the internal auditing system, the compliance management system and other compliance related issues. Among other things, the Audit Committee dealt with the auditors' assignment of 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, among others, of the competency profiles, 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 met twice in the reporting year and dealt with the upcoming appointments to Supervisory Board positions.

The **Advisory Committee on Corporate Structure** didn't hold a meeting in the reporting year. The committee consists of Martin Varsavsky as chairman and Lothar Lanz as a member. Until he left the Supervisory Board in April 2018, William E. Ford was also a member of the Corporate Structure Committee.

Annual and consolidated financial statements, as well as management report and group management report, non-financial report

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 2018 financial year 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 auditor responsible for the audit has been Nathalie Mielke since the 2015 financial year.

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 5, 2019. 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 6, 2019 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 6, 2019, 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.

For the first time for the 2017 financial year, the company also had to reimburse a separate non-financial report. This one was combined for the Axel Springer SE and the Axel Springer Group. On April 18, 2018, the report was discussed by the plenum of the Supervisory Board and in discussion with representatives of the company, and it was reviewed by the Supervisory Board itself without an external audit. Following the final result of its own review, the Supervisory Board raised no objections and took note of the combined separate non-financial report with approval. The publication of the combined separate non-financial report took place on April 30, 2018 on the company's website and is available there under go.axelspringer.com/NonfinancialReport.

A summarized separate non-financial report was also prepared for the financial year 2018; in turn, the Supervisory Board decided to forgo an external audit of this report. At the balance sheet meeting of March 6, 2019, the Supervisory Board, after having inspected the documents on non-financial reporting, discussed with representatives of the company, advised and examined the combined separate non-financial report. The Supervisory Board did not raise any objections after concluding its audit and has approved the report. The report for the 2018 financial year will also be available for download on the company's website.

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

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

As you have heard, in the interest of further rejuvenation of the Supervisory Board, I will leave the Supervisory Board at the end of this year's annual shareholders' meeting. I would therefore like to say goodbye to all shareholders and to thank you all for the many years of trusting cooperation. I have found it an honorable task to be able to accompany Axel Springer in this position as Chairman of the Supervisory Board in these exciting and challenging times over the last 17 years.

Berlin, on March 6, 2019

The Supervisory Board

Dr. Giuseppe Vita
Chairman

Consolidated Financial Statements

Consolidated Statement of Financial Position

€ millions

ASSETS	Note	12/31/2018	12/31/2017	01/01/2017
Non-current assets		**5,267.7**	**4,994.1**	**5,393.0**
Intangible assets	(4)	3,938.6	3,904.4	4,162.3
Property, plant and equipment	(5)	748.3	451.7	519.2
Investment property		0.0	0.0	29.8
Non-current financial assets	(6)	478.0	526.8	563.3
Investments accounted for using the equity method		237.4	167.5	221.0
Other non-current financial assets		240.6	359.3	342.3
Receivables due from related parties	(36)	6.4	12.1	23.4
Receivables from income taxes		0.0	0.6	0.4
Other assets	(8)	39.7	44.0	39.5
Deferred tax assets	(26)	56.7	54.6	55.0
Current assets[1)]		**1,211.2**	**1,442.3**	**1,064.1**
Inventories		27.5	19.8	21.6
Trade receivables	(7)	782.9	693.9	614.6
Receivables due from related parties	(36)	16.5	17.2	16.6
Receivables from income taxes		23.6	21.7	65.0
Other assets[1)]	(8)	79.2	105.6	122.2
Cash and cash equivalents	(29)	281.5	216.8	224.1
Assets held for sale	(2c), (9)	0.0	367.3	0.0
Total assets[1)]		**6,479.0**	**6,436.4**	**6,457.1**

[1)] Adjustment of prior-year figures as of January 1, 2017 and December 31, 2017 due to the retrospective application of IFRS 15 (by € 0.9 million); see note (3o).

€ millions

EQUITY AND LIABILITIES	Note	12/31/2018	12/31/2017	01/01/2017
Equity[1)]	**(10)**	**2,884.2**	**2,802.4**	**2,639.5**
Shareholders of Axel Springer SE[1)]		2,423.6	2,291.0	2,218.3
Non-controlling interests		460.6	511.4	421.2
Non-current provisions and liabilities		**2,190.3**	**2,036.1**	**2,427.2**
Provisions for pensions	(12)	209.1	343.2	350.4
Other provisions	(13)	86.0	79.8	69.8
Financial liabilities	(14)	1,467.0	1,062.0	1,258.3
Trade payables		1.4	0.1	0.2
Liabilities due to related parties	(36)	14.6	23.7	6.5
Other liabilities	(15)	48.3	158.1	211.6
Deferred tax liabilities	(26)	363.9	369.3	530.5
Current provisions and liabilities		**1,404.4**	**1,598.0**	**1,390.4**
Provisions for pensions	(12)	20.6	20.4	21.2
Other provisions	(13)	170.8	186.0	183.2
Financial liabilities	(14)	63.8	175.1	1.0
Trade payables		510.4	462.0	379.6
Liabilities due to related parties	(36)	20.9	40.8	23.1
Liabilities from income taxes		61.4	60.9	37.3
Other liabilities	(15)	556.4	581.6	745.1
Liabilities related to assets held for sale	(2c), (9)	0.0	71.2	0.0
Total equity and liabilities[1)]		**6,479.0**	**6,436.4**	**6,457.1**

1) Adjustment of prior-year figures as of January 1, 2017 and December 31, 2017 due to the retrospective application of IFRS 15 (by € 0.9 million); see note (3o).

Consolidated Income Statement

€ millions	Note	2018	2017
Revenues[1]	(17)	3,180.7	3,055.5
Other operating income	(18)	169.5	317.3
Change in inventories and internal costs capitalized	(19)	93.5	87.7
Purchased goods and services[1]	(20)	−549.7	−544.2
Personnel expenses	(21)	−1,224.4	−1,202.1
Depreciation, amortization, and impairments	(22)	−347.9	−236.1
Other operating expenses	(23)	−882.0	−912.4
Income from investments	(24)	−62.2	−39.0
Result from investments accounted for using the equity method		−86.9	−43.9
Other investment income		24.7	4.9
Financial result	(25)	−21.1	−18.4
Financial income		10.5	15.1
Financial expense		−31.6	−33.5
Income taxes	(26)	−147.9	−130.2
Income from continued operations		**208.4**	**378.0**
Income from discontinued operations (after taxes)	**(2d)**	**0.0**	**1.3**
Net income		**208.4**	**379.3**
Net income attributable to shareholders of Axel Springer SE		181.0	345.5
Net income attributable to non-controlling interests		27.4	33.9
Basic/diluted earnings per share (in €) from continued operations	**(27)**	**1.68**	**3.19**
Basic/diluted earnings per share (in €) from discontinued operations	**(27)**	**0.00**	**0.01**

[1] Adjustment of prior-year figures due to the retrospective application of IFRS 15 (by € 507.2 million); see note (3o).

Consolidated Statement of Comprehensive Income

€ millions	Note	2018	2017
Net income		**208.4**	**379.3**
Actuarial gains/losses from defined benefit pension obligations		−6.5	−3.4
Items that may not be reclassified into the income statement in future periods (after taxes)		**−6.5**	**−3.4**
Currency translation differences		9.0	−80.8
Changes in fair value of available-for-sale financial assets		-	−17.8
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		−2.6	2.8
Items that may be reclassified into the income statement in future periods if certain criteria are met (after taxes)		**6.5**	**−95.7**
Other income/loss	**(28)**	**−0.1**	**−99.1**
Comprehensive income		**208.4**	**280.2**
Comprehensive income attributable to shareholders of Axel Springer SE		184.6	240.6
Comprehensive income attributable to non-controlling interests		23.8	39.6

Consolidated Statement of Cash Flows

€ millions	Note	2018	2017
Net income		**208.4**	**379.3**
Reconciliation of net income to the cash flow from operating activities			
Depreciation, amortization, impairments and write-ups		347.9	236.1
Result from investments accounted for using the equity method	(24)	86.9	43.9
Dividends received from investments accounted for using the equity method		9.1	4.8
Income from disposal of subsidiaries and business units, intangible assets and property, plant and equipment, financial assets and investment properties		−81.7	−207.2
Changes in non-current provisions		15.6	3.1
Changes in deferred taxes		−23.5	−104.2
Other non-cash income and expenses		−16.4	0.5
Changes in trade receivables		−71.7	−86.5
Changes in trade payables		44.1	69.7
Changes in other assets and liabilities		47.0	151.2
Cash flow from operating activities[1]	**(29)**	**565.7**	**490.7**
Proceeds from disposals of intangible assets, property, plant and equipment, and investment property		6.4	207.7
Proceeds from disposals of consolidated subsidiaries and business units, less cash and cash equivalents given up		285.7	8.7
Proceeds from disposals of non-current financial assets	(29)	169.1	19.5
Proceeds from/disbursements of investments in short-term financial funds		0.0	3.3
Puchases of intangible assets and property, plant and equipment		−225.3	−200.9
Purchases of shares in consolidated subsidiaries and business units less cash and cash equivalents acquired	(2c)	−153.1	−185.1
Purchases of investments in non-current financial assets		−203.7	−47.6
Cash flow from investing activities[1]	**(29)**	**−120.7**	**−194.5**
Dividends paid to shareholders of Axel Springer SE		−215.8	−205.0
Dividends paid to other shareholders		−23.1	−10.5
Purchase of non-controlling interests		−3.0	−63.7
Repayments of lease liabilities		−60.5	−0.4
Proceeds from financial liabilities		363.5	639.0
Repayments of financial liabilities		−450.8	−660.7
Other financial transactions		−5.3	19.6
Cash flow from financing activities[1]	**(29)**	**−395.0**	**−281.7**
Cash flow-related changes in cash and cash equivalents		**50.0**	**14.5**
Changes in cash and cash equivalents due to exchange rates		−0.3	−7.0
Changes in cash and cash equivalents due to changes in companies included in consolidation		0.1	0.2
Cash and cash equivalents at beginning of period		216.8	224.1
Reclassification relating to assets held for sale	(9)	14.9	−14.9
Cash and cash equivalents at end of period	**(29)**	**281.5**	**216.8**

[1] For the portion attributable to discontinued operations in the previous year, see note (2d).

€ millions

Cash flows contained in the cash flow from operating activities		2018	2017
Income taxes paid	(29)	−184.9	−161.8
Income taxes received		16.2	63.0
Interest paid		−23.1	−20.1
Interest received		1.1	4.6
Dividends received		17.3	13.9

Consolidated Statement of Changes in Equity

				Accumulated other comprehensive income						
					Changes in fair value					
€ millions	**Subscribed capital**	**Additional paid-in capital**	**Accumulated retained earnings**	**Currency translation**	**Available-for-sale financial assets**	**Derivatives in cash flow hedges**	**Other equity**	**Shareholders of Axel Springer SE**	**Non-controlling interests**	**Equity**
Balance as of 01/01/2017	**107.9**	**500.1**	**1,707.6**	**−5.0**	**26.0**	**−0.2**	**−119.2**	**2,217.4**	**421.2**	**2,638.8**
Adjustment IFRS 15			0.9					0.9		0.9
Balance as of 01/01/2017[1]	**107.9**	**500.1**	**1,708.5**	**−5.0**	**26.0**	**−0.2**	**−119.2**	**2,218.2**	**421.2**	**2,639.7**
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			40.7	1.1				41.7	58.1	99.8
Purchase of non-controlling interests			−5.0					−5.0	2.1	−2.9
Other changes		1.0	−0.6					0.4	0.2	0.6
Balance as of 12/31/2017[1]	**107.9**	**501.0**	**1,884.1**	**−90.1**	**8.0**	**−0.1**	**−119.9**	**2,291.0**	**511.4**	**2,802.4**
Adjustment IFRS 9			10.5		−8.0			2.5		2.5
Balance as of 01/01/2018[1]	**107.9**	**501.0**	**1,894.6**	**−90.1**	**–**	**−0.1**	**−119.9**	**2,293.5**	**511.4**	**2,804.8**
Net income			181.0					181.0	27.4	208.4
Other income/loss				12.6		0.1	−9.1	3.6	−3.6	−0.1
Comprehensive income			**181.0**	**12.6**	**–**	**0.1**	**−9.1**	**184.6**	**23.8**	**208.4**
Dividends paid			−215.8					−215.8	−22.7	−238.5
Change in consolidated companies		−5.5	5.4					−0.1	−51.1	−51.2
Purchase and disposal of non-controlling interests			1.0					1.0	−0.7	0.3
Non-excercise of Immowelt option rights			159.8					159.8		159.8
Other changes		0.6	0.1					0.7	0.0	0.7
Balance as of 12/31/2018	**107.9**	**496.0**	**2,026.2**	**−77.6**	**–**	**0.0**	**−129.0**	**2,423.6**	**460.6**	**2,884.2**

[1] Regarding effects due to new accounting standards see note (3o).

Consolidated Segment Report

Operating segments (30)

€ millions	Classifieds Media 2018	Classifieds Media 2017	News Media 2018	News Media 2017	Marketing Media 2018	Marketing Media 2017	Services/Holding 2018	Services/Holding 2017	Consolidated totals 2018	Consolidated totals 2017
Revenues[1]	**1,212.5**	**1,007.7**	**1,496.2**	**1,509.8**	**418.3**	**477.3**	**53.7**	**60.7**	**3,180.7**	**3,055.5**
Internal revenues	1.0	0.9	7.6	6.7	15.9	4.8	134.9	161.4		
Segment revenues[1]	1,213.6	1,008.6	1,503.7	1,516.5	434.2	482.1	188.6	222.0		
EBITDA, adjusted[2]	**487.2**	**413.2**	**228.2**	**218.8**	**89.6**	**95.6**	**−67.0**	**−81.7**	**737.9**	**645.8**
EBITDA margin, adjusted[1),2)]	**40.2 %**	**41.0 %**	**15.3 %**	**14.5 %**	**21.4 %**	**20.0 %**			**23.2 %**	**21.1 %**
Thereof income from investments	−3.1	1.0	12.7	10.0	6.3	5.7	−0.4	−0.7	15.5	16.0
Thereof accounted for using the equity method	−3.3	1.0	9.3	6.3	1.5	0.2	−0.5	−0.4	7.0	7.2
Depreciation, amortization, impairments, and write-ups (except from non-recurring effects and purchase price allocations)	−80.5	−52.2	−70.0	−35.8	−23.6	−18.2	−36.0	−35.7	−210.1	−141.9
EBIT, adjusted[3]	**406.7**	**361.0**	**158.2**	**182.9**	**66.0**	**77.4**	**−103.0**	**−117.4**	**527.9**	**504.0**
Amortization and impairments from purchase price allocations	−54.5	−55.6	−12.5	−21.9	−70.9	−16.7	0.0	0.0	−137.8	−94.2
Non-recurring effects	−95.4	−17.2	−12.6	−66.2	57.3	36.8	38.2	163.5	−12.5	117.0
Segment earnings before interest and taxes	256.9	288.2	133.0	94.8	52.5	97.6	− 64.8	46.1	377.5	526.7
Financial result									−21.1	−18.4
Income taxes									−147.9	−130.2
Income from continued operations									208.4	378.0
Income from discontinued operations									0.0	1.3
Net income									**208.4**	**379.3**

Geographical information (30)

€ millions		Germany 2018	Germany 2017	Other countries 2018	Other countries 2017	Consolidated totals 2018	Consolidated totals 2017
Revenues[1]	(31)	1,774.1	1,725.7	1,406.5	1,329.8	3,180.7	3,055.5
Non-current segment assets	(31)	1,487.9	1,411.1	3,199.0	2,945.0	4,686.9	4,356.1

1) Adjustment of prior-year figures due to the retrospective application of IFRS 15 in the Marketing Media segment (by € 507.2 million); see note (3o).
2) Adjusted for non-recurring effects, see Annual Report 2018, p. 37f. and note (31).
3) Adjusted for non-recurring effects and amortization and impairments from purchase price allocations, see Annual Report 2018, p. 37f. and note (31).

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 21, 2019, the Executive Board of Axel Springer SE authorized the consolidated financial statements for fiscal year 2018 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 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 consolidated financial 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. To this extent, 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 IFRS 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 (for exception of this principle see note (6a)). Goodwill as well as 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:

	12/31/2018	12/31/2017
Fully consolidated companies		
Germany	86	88
Other countries	123	136
Investments accounted for using the equity method		
Germany	7	7
Other countries	7	6

Consolidated companies are listed in note (41). Essentially, the following major changes occurred in 2018:

At the beginning of February, we acquired 100 % of the shares in Concept Multimédia SAS, Aix-en-Provence/Paris, France. The company has been included in our consolidated financial statements by means of full consolidation since then.

At the end of April, we acquired 11.5 %, and in July an additional 1.0 % of the shares in Purplebricks Group plc, Solihull, United Kingdom. As a consequence, the company has been included in the consolidated financial statements using the equity method since its acquisition.

At the end of April, the disposal of 78.31 % of AUFMENININ SA, Paris, France, was completed. Thus, AUFEMININ SA and its 18 fully consolidated subsidiaries were deconsolidated.

At the beginning of May, we accomplished the acquisition of 100% of the shares in Universum Communications Sweden AB, Stockholm, Sweden. Universum Communications Sweden AB and its nine foreign subsidiaries have been included in our consolidated financial statements by means of full consolidation since then.

At the end of July, the disposal of our newspaper and magazine portfolio in Slovakia, including its associated online offers, has been completed. As a result, two foreign subsidiaries have been deconsolidated.

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

(c) Acquisitions and divestures

At the beginning of February, we acquired 100 % of the shares in **Concept Multimédia SAS**, Aix-en-Provence/Paris, France, via Axel Springer Digital Classifieds France SAS, and have since then fully consolidated the company. Concept Multimédia operates particularly a real estate portal in France under the core brand of Logic-Immo.com as well as further online portals for luxury real estate and new builds.

Acquisition costs, taking into account purchase price adjustments based on net debt and net working capital, amounted to € 95.3 million and were fully paid in the reporting year. The acquisition-related expenses, included in other operating expenses, amounted to € 1.2 million in the reporting year and were adjusted as a non-recurring effect (see note (31)).

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	55.6
Property, plant and equipment	5.5
Trade receivables	8.9
Inventories	0.1
Other assets	1.9
Cash and cash equivalents	2.5
Trade payables	–7.9
Financial liailities	–4.8
Provisions and other liabilities	–12.0
Deferred tax liabilities	–14.0
Net assets	**35.9**
Acquisition cost	95.3
Goodwill	**59.5**

Of the intangible assets acquired, intangible assets with carrying amounts of € 37.9 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 Classifieds Media segment.

The gross amount of the acquired trade receivables was € 10.3 million. Corresponding valuation allowances in the amount of € 1.3 million were recognized.

Since first inclusion at the beginning of February 2018, Concept Multimédia contributed to total revenues in the amount of € 67.8 million and to consolidated net income in the amount of € 3.9 million. If Concept Multimédia had already been fully consolidated on January 1, 2018, the total revenues 2018 would have changed by € 73.1 million and consolidated net income 2018 would have changed by € 3.9 million.

At the beginning of May 2018, through StepStone GmbH, a company of StepStone Group owned by Axel Springer, we have acquired and consolidated 100 % of the shares in **Universum Communications Sweden AB**, Stockholm, Sweden, as well as their subsidiaries. Universum Group is one of the world's leading employer-branding specialists, assisting companies to analyze, define, develop and communicate their own employer brand.

The acquisition costs amounted to € 41.0 million and contained the purchase price of € 37.9 million paid in 2018 (including a purchase price adjustment and an earnout payment for earnings targets 2017) and the repayment of a loan taken over by the company in the amount of € 3.0 million. In addition, further earnouts were agreed, which are measured based on future EBIT targets, which can increase the acquisition costs by a maximum of SEK 75.0 million (currently around € 7.3 million), and which were valued at € 0.0 million at acquisition date. The acquisition-related expenses, recognized under other operating expenses, amounted to € 0.5 million in the reporting period and were adjusted as a non-recurring effect (see note (31)).

The acquisition costs were allocated to the purchased assets and liabilities on the acquisition date as follows:

€ millions	Carrying amount after acquisition
Intangible assets	24.9
Trade receivables	6.1
Other assets	3.4
Cash and cash equivalents	1.5
Provisions and other liabilities	–14.3
Deferred tax liabilities	–5.2
Net assets	**16.5**
Acquisition cost	41.0
Goodwill	**24.5**

Of the intangible assets acquired, intangible assets with carrying amounts of € 16.8 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 Classifieds Media segment.

The gross amount of the acquired trade receivables was € 6.1 million. Corresponding valuation allowances did not have to be recorded hereupon.

Since first inclusion at the beginning of May 2018, Universum Group contributed to total revenues in the amount of € 23.0 million and to consolidated net income in the amount of € 4.4 million. If the Universum Group had already been fully consolidated on January 1, 2018, total revenues 2018 would have changed by € 27.8 million and the consolidated net income 2018 would have changed by € 0.9 million.

At the end of April 2018, we acquired 11.5 % of the shares in **Purplebricks Group plc**, Solihull, United Kingdom, through a capital increase and purchase of existing shares from shareholders for a total purchase price of € 143.2 million and has since then been included in the consolidated financial statements using the equity method due to contractual and shareholder rights (see note (6a)). In July, we acquired further shares with a total value of € 10.4 million and increased our stake to around 12.5 %. As of December 31, 2018, the investment was impaired to its stock-market value of € 62.3 million (see note (6a)). Purplebricks was established in April 2014 in the UK and operates purplebricks.co.uk, a transaction-based digital real estate platform. The company is also active in Australia, the USA, and since July 2018 also in Canada. Since December 2015, Purplebricks has been listed on the London Stock Exchange.

For the disposal of our shares in **Doğan TV** to Doğan Holding for a total purchase price of € 160.0 million see note (6b).

At the end of April 2018, we have completely disposed our fully consolidated (78.31 %) shares in **AUFEMININ SA,** Paris, France, and all related subsidiaries of the aufeminin Group for a total price of € 291.5 million. The gain reported in other operating income attributed to the Marketing Media segment amounted to € 49.4 million and was adjusted as a non-recurring effect (see note (31)). The results from the disposal include expenses from foreign currency translations in the amount of € 2.5 million previously recognized as other comprehensive expenses reported under equity. In the course of the transaction, non-controlling interests of € 44.5 million were derecognized. As part of the divestment process, disposal-related costs of € 7.0 million were incurred, recognized in other operating expenses and adjusted as a non-recurring effect (see note (31)). The carrying amounts of the assets and liabilities disposed of were as follows:

€ millions	Carrying amount
Goodwill	162.9
Intangible assets	64.4
Property, plant and equipment and non-current financial assets	9.8
Trade receivables	19.6
Other assets	20.4
Cash and cash equivalents	72.0
Assets related to investments held for sale	23.6
Trade payables	–12.2
Financial liabilities	–7.4
Provisions and other liabilities	–48.4
Deferred tax liabilities	–15.2
Liabilities related to investments held for sale	–5.3
Disposal net assets	**284.2**
Share of non-controlling interests in net assets	–44.5
Cumulative translation differences	–2.5
Selling price	291.5
Gain on disposal	**49.4**

At the end of July 2018, we have completed the sale of our **newspaper and magazine portfolio in Slovakia**, including the associated online services. For this purpose, all of the business units of Ringier Axel Springer Slovakia were transferred into three companies; thereof two companies were completely disposed for a total price of € 60.5 million. The loss on disposal recognized in other operating expenses and attributed to the News Media segment amounted to € -0.8 million and was adjusted as a non-recurring effect (see note (31)). In the course of the sale, non-controlling interests of € 6.6 million were derecognized. As part of the transaction, disposal-related costs of € 0.9 million incurred, which were recognized in other operating expenses and adjusted as a non-recurring effect (see note (31)). The carrying amounts of the assets and liabilities disposed of were as follows:

€ millions	Carrying amount
Goodwill	21.0
Intangible assets	49.8
Property, plant and equipment	0.5
Trade receivables	10.4
Other assets	1.0
Deferred tax assets	0.2
Cash and cash equivalents	1.0
Trade payables	–3.5
Provisions and liabilities	–2.2
Deferred tax liabilities	–10.4
Disposal net assets	**67.9**
Share of non-controlling interests in net assets	6.6
Selling price	60.5
Gain on disposal	**–0.8**

Additional transactions carried out in the reporting year, 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:

At the beginning of January 2017, we have acquired – through AWIN Inc. (previously Digital Window, Inc.), Wilmington, USA, a company of the Awin 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, which were recorded in other operating expenses of financial year 2017 and eliminated as a non-recurring effect, amounted to € 0.2 million (see note (31)).

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 2017 in the amount of € 14.0 million and to consolidated net income 2017 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-controlling 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, which were recorded in other operating expenses of the financial year 2017 and eliminated as a non-recurring effect, amounted to € 0.5 million (see note (31)).

Based on the preliminary purchase price allocation as of December 31, 2017, 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	100.6
Goodwill	**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 as of December 31, 2017.

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 2017 in the amount of € 37.5 million and to consolidated net income 2017 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 2017 in the amount of € 155.9 million and to consolidated net income 2017 in the amount of € 4.7 million.

Further business combinations that occurred in the reporting period 2017 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 2017 amounted to € 36.9 million and contained besides the purchase prices paid also contingent considerations amounting to € 3.9 million. The acquisition-related expenses, which were recorded in other operating expenses of the reporting period 2017 and eliminated as a non-recurring effect, amounted to € 0.2 million (see note (31)).

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 the 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 in 2017 – which were partly preliminary as of December 31, 2017 – were allocated to the purchased assets and liabilities based on the partly preliminary purchase price allocations as of December 31, 2017 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 balance sheet date as of December 31, 2017, and have not yet been completed for some acquisitions because of the closeness in time to the publication of the consolidated financial statements 2017.

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.

Additional transactions carried out in the financial year 2017, as well as finalizations of purchase price allocations arising from acquisitions of companies in 2016, had no material effects individually and 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 previous year, the resulting subsequent income and expenses were shown separately as discontinued operations.

We have not disclosed any results from discontinued operations in the reporting year.

The results of the discontinued operations of the previous year were as follows:

€ millions	2017
Gain on disposal of discontinued operations before taxes	1.9
Taxes on the gain on disposal	−0.6
Gain on disposal of discontinued operations after taxes	**1.3**
Income from discontinued operations (after taxes)	**1.3**

In the previous year, cash outflows attributed to the discontinued operations were only included in the cash flow from investing activities and amounted to € -2.1 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. 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	
	2018	2017	12/31/2018	12/31/2017
Polish zloty	4.26	4.26	4.30	4.18
Swiss franc	1.15	1.11	1.13	1.17
US-Dollar	1.18	1.13	1.15	1.20
Hungarian forint	318.84	309.29	321.07	310.03
British pound	0.88	0.88	0.90	0.89

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

(a) *Basic Principles*

The accounting and valuation principles applied uniformly across the Axel Springer Group in fiscal year 2018 have changed due to the new accounting standards IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers” and IFRS 16 “Leases” (see note (3o)). Apart from that, they are basically the same as those applied in the previous year.

(b) *Revenue recognition*

Axel Springer Group is a leading digital publisher whose core business is digital classified ad models and journalism. We generate revenues primarily from advertising and circulation.

Revenues are basically recognized with fulfillment of the identified performance obligations, i.e. when the customer obtains control over the agreed goods and benefits from them or the agreed services have been provided. The revenues are calculated on the basis of the amount of the respective compensation we expect to receive for the transfer of promised goods or the provision of services ("transaction price") resulting from published price lists or individual agreements. Contracts with customers are either concluded for individual deliveries and services or have terms that are predominantly short-term. Compensation is due either in advance, at the time the service is rendered or under the provision of short-term payment targets. Expenses for initiating contracts with customers are generally of minor importance or relate to short-term contracts and are therefore recognized immediately in profit or loss for reasons of simplification.

In case we have already fulfilled part of our performance obligation, but our entitlement to payment depends on other performances, we recognize a contract asset in other non-financial assets. If the customer has already paid, but the performance obligation has not yet been fulfilled by us, we recognize a contract liability in other non-financial liabilities.

Advertising revenues include, in particular, revenues from digital classifieds, from the marketing of online and print media as well as from reach and performance-based marketing. Advertising revenues from digital classifieds are mainly generated by the sale of job, real estate and car ads. In accordance with the provision of services, the revenues are always realized linearly over the period of the respective advertisement. The corresponding remuneration is often received in advance or at the beginning of the service provision, so that we recognize contract liabilities in respect of outstanding performances.

The marketing of online and print media leads to revenue from the sale of advertisements in newspapers and magazines, from TV advertising and from the sale of advertising in our online media. Revenues are recognized with the publication or reproduction of the advertisement. Discounts and bonuses granted are taken into account, as they diminish sales revenues.

In reach-based marketing, we market advertising space to advertisers, which are compensated based on the generated reach or the interaction generated by the reach. In terms of performance-based marketing, we offer platforms, as a marketplace, that bring together advertisers and online publishers. The advertisers only pay a success-based compensation to the publisher if the advertising materials have actually been used and resulted in the desired transaction for the advertising customers. Our service consists, in particular, in the technological and financial settlement between the two parties. Since we regularly do not gain control over the advertising space offered, we primarily act as an agent in the area of performance-based marketing and only report our revenues in the amount of our commission claim.

Circulation revenues primarily include the sale of printed newspapers and magazines to retailers, wholesalers, subscribers and the sale of digital subscriptions. Revenues from the sale of printed offers are generally recognized at the time of delivery to the customer. Expected sales returns are taken into account on the basis of empirical values and reduce revenue. Digital subscription sales are realized on a linear basis over their term, as the performance obligations are successively fulfilled with the continuous update of the contents. Payments to subscribers for conclusion of subscriptions reduce the transaction price and are distributed over the subscription period to reduce revenue. Subscription compensations are generally collected in advance, so that contract liabilities are recognized for the outstanding fulfilments.

Revenues from barter transactions are recognized if the goods or services exchanged are dissimilar and the amount of revenue can be measured reliably. They 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.

For offers containing several service components ("bundle offers"), the breakdown of the transaction price is always based on the relative stand-alone selling prices of the individual performance obligations. If stand-alone selling prices are not directly derivable from the market, they are estimated at the beginning of the contract.

(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, with the exception of leasing rights, are measured at acquisition or production 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 were reported as other operating income or expenses. For depreciation purposes, the following useful lives are essentially applied:

	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 accounted for 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.

Rights-of-use assets resulting from leases are disclosed under property, plant and equipment. A lease exists if we are entitled to use, for a certain period of time, an identifiable asset over which we have gained control, against payment. Leases mainly relate to office space, leased vehicles and other operating and office equipment at Axel Springer.

At the beginning of the lease term ("provision date"), lease rights-of-use assets are valued at acquisition costs, which in particular arise from the corresponding lease liabilities and lease prepayments, taking into account leasing incentives received. Current depreciations are calculated on a linear basis.

Lease liabilities are recognized at the present value of the lease payments that have not yet been made and reported under financial liabilities. Discounting is always calculated using term-specific and currency-specific incremental borrowing rates, as we are unable to determine the interest rates underlying the leases on a regular basis. The lease liabilities are updated in accordance with the effective interest method. We report the corresponding interest expenses in the financial result.

For reasons of simplification, lease payments in connection with lease contracts with a maximum term of twelve months and leases for so-called low-value assets (new value of up to € 5,000) are included in other operating expenses over the respective term of the leasing contracts.

As a lessor, we operate, in particular, in the context of subletting office space. On the provision date, we evaluate as to whether an operating or finance lease exists. If all material risks and rewards are transferred, this is a finance lease. In that case, a receivable in the amount of the net investment in the lease is accounted for in other financial assets. We report the corresponding interest income in the financial result. Lease payments from operating lease activities are recognized as revenue in the income statement. Until December 31, 2017, lease accounting was carried out in accordance with the previous accounting standard IAS 17. Accordingly, only finance leases were accounted for. Leased assets whose economic benefits were attributable to us were 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 was reasonably certain that ownership would pass to Axel Springer at the end of the lease period, such assets are depreciated over their useful economic lives. The present value of the payment obligations associated with the minimum future lease payments were recognized as a liability. Lease payments in connection with operating lease activities were recognized immediately in profit or loss.

(e) 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 (3f)).

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.

(f) 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.

At initial recognition, trade receivables are measured at transaction price, all other financial assets and liabilities are measured at fair value. Transaction costs are included if the financial assets and liabilities are subsequently valued at amortized costs. Otherwise they are immediately recognized as expenses.

The initial recognition and derecognition of purchases and disposals of financial assets conducted at arm’s length are carried out at settlement date.

Subsequent to initial recognition, financial assets are recognized at fair value or at amortized costs, in case they are not part of a hedging relationship. We basically do not make use of the option to value certain financial assets at fair value through other comprehensive income in equity. The subsequent valuation depends on the business model for managing the financial assets and the characteristics of the contractual cash flows. Financial liabilities are measured at amortized costs or at fair value through profit and loss.

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.

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. Provided that after reasonable assessment, we cannot assume that a financial asset is completely or partly realizable any more, a depreciation and thus a derecognition of this asset is made. If the financial assets are overdue more than one year, we do not assume a realizability any more. A financial liability is derecognized when the obligation underlying the liability is settled or annulled or has expired.

Investments

Subsequent valuation for investments that have not been consolidated or accounted for using the equity method in the consolidated financial statements, is made at fair value through profit and loss. The fair value is determined on the basis of stock exchange or market prices by means of generally accepted valuation methods. The valuation methods employed include especially the discounted cash flow method (DCF method) based on the expected investment income. Any unrealized gains or losses resulting from the changes in fair value are recognized directly in income from investments.

Up to December 31, 2017, investments that have not been consolidated or accounted for using the equity method in the consolidated financial statements, have basically been assessed at fair value through other comprehensive income, or if a fair value could not be reliably determined, at amortized costs. Unrealized profits and losses due to the fair value valuation have, under consideration of tax implications, principally been recognized in accumulated other comprehensive income. Changes in fair value were not recognized in profit or loss until the corresponding investments were sold or an impairment loss was recognized. The carrying amounts of investments and securities were reviewed on every reporting date to determine whether there were objective indications of a permanent impairment. We have assumed a permanent impairment when the impairment was significant, i.e. the impairment was at least 20 % of the carrying amount of the investment, or if the impairment already existed for twelve months.

Loans, receivables, and other non-derivative financial assets

With the exception of convertible loans which are assessed at fair value through profit or loss, all other loans, receivables, and other non-derivative financial assets are recorded at amortized costs after initial recognition by applying the effective interest method and under deduction of allowances, as they are exclusively held for the contractually agreed receipt of principal and interest payments. Profits and losses from the derecognition, impairments and currency translation effects are recognized in profit and loss and reported in other operating income, other operating expenses or in the financial result.

Allowances are recognized under consideration of future-oriented information, in general in the amount of the expected bad debt losses, based on probability-weighted default events in the following twelve months. If the risk of a default, which is assumed at latest after an overdue period of 90 days, has increased significantly after initial recognition, all the default events of the entire remaining term of the financial asset are considered for the valuation of the allowance. A significant increase of the default risk is especially assumed in case of an overdue period of 30 days.

Interest income is basically determined on the basis of gross receivables under application of the effective interest rate and recorded in the financial result. In case the default risk increased since its initial recognition and additionally objective indications for an impairment are given, especially a downgrade in credit rating of the financial asset, interest income is only determined on the basis of the impaired receivable under application of the initial effective interest rate. The credit rating of the financial asset is especially affected in case of significant financial difficulties or breach of contracts by the debtor, as for example outstanding payments for a period of 90 days, or in case of impending bankruptcy.

For trade receivables, contract assets and lease receivables, the simplified method for the determination of impairments is applied. Regardless of the actual change of the credit risk, all events of default of the entire remaining term are considered. The allowance is identified on the basis of historical bad debt losses and future-oriented information. By using provision matrices, bad debt rates for different overdue periods are calculated separately for individual business models and geographical regions and are applied to the actual value of receivables on the balance sheet date.

Up to December 31, 2017, all loans, receivables and other financial non-derivative assets were basically recorded at amortized cost under application of the effective interest rate method, taking into account deductions of impairments. An impairment was recognized, when objective indications were given that the due receivables were not completely realizable.

Under other financial non-derivative assets, we additionally disclose finance lease receivables and a reimbursement right which is associated with pension obligations. For accounting see note (3d), and (3i) respectively.

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.

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.

Contingent consideration arising from acquisitions (see note (2a)) and from earn-out agreements in the context of acquisitions as well as from the acquisition of non-controlling interests are recognized at fair value after initial recognition and are shown under other financial liabilities. To the extent it can be reliably measured, this value is derived from the estimated earnings of the acquired companies in the years prior to the possible exercise dates of the options or the payment dates of the earn-outs. Changes in the fair value are recognized in income through profit and loss. 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.

Further items recorded under other financial liabilities are liabilities arising from put options written over non-controlling interests, which are not recognized as contingent consideration. They are initially measured at the present value of the redemption amount, and subsequently accounted for through profit or loss.

(g) Inventories

Inventories are measured at production or purchase 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.

(h) 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 relate to the continued operations of the Group.

(i) Pension provisions

Pension obligations under defined benefit plans and a reimbursement right referring to this disclosed in the other financial assets, are determined using the projected unit credit method under which future changes in compensation and benefits are taken into account. Plan assets are recognized at fair value. 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.

(j) Other provisions

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.

(k) 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.

(l) 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.

(m) 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 profit or loss.

(n) 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 (3e)) as well as companies accounted for using the equity-method (see note (2a)), for purchase price allocations (see note (2c)) and assessing contingent considerations (see note (3f)), setting actuarial parameters in the context of the valuation of pension obligations (see note (3i)), determining the amount of deferred tax assets to be capitalized (see note (3k)), determining fair values of financial assets (see note (3f)), accounting for other provisions (see note (3j)), assessing share-based compensation programs (see note (3l)), 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.

(o) New accounting standards

In the fiscal year 2018 the first-time application of IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" lead to changes for Axel Springer. In addition to the following explanations see note (3f) "Financial assets and liabilities", note (3b) "Revenue recognition" and note (3d) "Property, plant and equipment".

IFRS 9 "Financial Instruments"

As of January 1, 2018, we initially applied the new accounting standard, IFRS 9 “Financial Instruments” and recognized the cumulative effect directly in equity at the date of initial application, without adjusting the comparative period.

IFRS 9 provides a standardized approach for classification and valuation 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 includes 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 particularly at better illustration of the risk management activities of a company and the monitoring of non-financial risks.

The initial application of IFRS 9 as of January 1, 2018, resulted in only minor changes for both in the classification and valuation of financial assets, as well as in the accounting for financial liabilities. We have made the following reclassifications based on the accounting as of December 31, 2017:

€ millions	12/31/2017	Valuation categories according to IFRS 9: At fair value through profit or loss	Valuation categories according to IFRS 9: At amortized cost
Valuation categories according to IAS 39:			
Loans and receivables			
Trade receivables[1]	693.9		697.3
Cash and cash equivalents	216.8		216.8
Others	122.9	0.2	122.7
Available-for-sale financial assets			
Investments	163.9	163.9	
Financial assets and liabilities held for trading			
Derivatives	155.3	155.3	

[1] Change of the carrying amount (€ 3.4 million) resulted from the initial application of the new impairment model as of January 1, 2018.

The financial assets classified as "Loans and receivables" as of December 31, 2017, were almost entirely allocated to the measurement category "amortized cost" as of January 1, 2018, since they are held to collect contractual cash flows that are payments of principal and interest on the principal amount outstanding.

Investments classified as available-for-sale, which are not consolidated or not included in the consolidated financial statements using the equity method (€ 163.9 million), were reclassified as financial assets at fair value through profit or loss as of the date of initial application. The fair value adjustments (€ 8.0 million) recorded in accumulated other comprehensive income as of December 31, 2017, were reclassified into accumulated retained earnings.

For trade receivables, we apply the simplified approach for the determination of impairments. Thus, a risk provisioning shall be recorded amounting to the credit losses, which are expected throughout the entire term of the related asset. This is measured based on historical credit losses and forward-looking information. To calculate the risk provision for trade receivables, credit default rates for various overdues are determined with the support of impairment matrices, separately for each business model and geographical region.

The initial application of the new impairment model as of January 1, 2018, resulted in the following provision matrix:

€ millions	Non overdue	Overdue: up to 30 days	Overdue: 31 to 90 days	Overdue: 91 to 180 days	Overdue: > 180 days past due	01/01/2018
Expected loss rate	0.2 %	0.3 %	5.9 %	18.8 %	42.9 %	
Trade receivables, nominal	495.2	137.5	44.6	10.2	28.0	715.5
Allowances for doubtful trade receivables	**–0.9**	**–0.4**	**–2.7**	**–1.9**	**–12.2**	**–18.1**

The decrease of the recorded impairments as of December 31, 2017, by € 3.4 million, and taking into account deferred taxes, led to an increase in retained earnings of € 2.5 million (see note (10d)).

IFRS 15 "Revenue from Contracts with Customers"

As of January 1, 2018, we initially applied the new revenue recognition standard, IFRS 15 "Revenue from Contracts with Customers", using the full retrospective method. The comparative period was adjusted accordingly.

IFRS 15 replaces the existing regulations for the recognition of revenue, including related interpretations, in accordance with IAS 18 “Revenue” and IAS 11 “Construction Contracts”. Consequently, revenues shall be recognized, 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 recognition of revenue when individual contractual obligations are fulfilled.

At Axel Springer, IFRS 15 has an impact particularly on contracts that can give rise to a new classification, whether a principal or agent activity exists. Under consideration of 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. This change reduced both the revenues of the Performance Marketing subsegment and the cost of materials. Correspondingly sales revenues and cost of materials in the comparative period were adjusted by € 507.2 million. Our Group performance figures adjusted EBITDA, adjusted EBIT and adjusted EPS, as well as the balance sheet disclosure are not affected. The adjusted EBITDA margin of the Group as well as of the Marketing Media segment increased accordingly.

In addition, IFRS 15 leads to an adjustment in offerings with more than one performance component (“bundle offerings”) to the extent that in general the transaction price for a bundle offer shall be allocated based on the standalone selling prices. In some cases, these contracts lead to an earlier recognition of revenues, since in comparison to the previously applied residual value method, a discount in the bundle offer shall not only be allocated to goods or services that have already been transferred but also to goods still to be delivered or services still to be rendered in proportion to their fair values. The retrospective application of the new standard resulted in an increase of other financial assets by € 0.9 million and a corresponding adjustment in equity as of January 1, 2017. Our Group performance figures were not significantly affected.

IFRS 16 "Leases”

As of January 1, 2018, we early-adopted and applied the new lease accounting standard, IFRS 16 “Leases”, for the first time using the modified retrospective method, without adjusting the comparative period. There was no impact on equity.

IFRS 16 replaces the previous standard IAS 17 “Leases” and the associated interpretations. According to IFRS 16, lessees are required to account for all leases in the form of a right-of-use asset and a corresponding lease 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. At Axel Springer, the new regulations particularly affect the accounting and valuation of rental and lease contracts, which were previously classified as operating leases. These mainly comprise office spaces, leased vehicles and other leased operating and office equipment, which in principle lead to the recognition of right-of-use assets and corresponding lease liabilities.

As of January 1, 2018, the first-time adoption of IFRS 16 had the following effects on the consolidated financial statements based on the existing leases (without considering the lease contracts for renting the Axel-Springer-Passage in Berlin and the Axel Springer high-rise (main building) with commencement of the leases as of January 1, 2018; see note (5)): For the first time, right-of-use assets amounting to € 199.2 million and net-debt-increasing lease liabilities of € 215.8 million were recognized. The difference of € 16.6 million resulted from provisions and liabilities in accordance with the previous lease accounting as of December 31, 2017, which were offset against the recognized right-of-use assets. The recognition of depreciation of right-of-use assets and effects of compounding the lease liabilities, instead of recognizing lease expenses as operating expenses, increased the adjusted Group EBITDA for the financial year 2018 by € 45.1 million, which was allocated to the operating segments as follows: News Media (44 %), Classifieds Media (38 %) and Marketing Media (18 %). There were no significant impacts on the adjusted Group EBIT and net income. The cash flow from operating activities as well as the free cash flow increased by € 42.2 million due to the presentation of lease payments in the cash flow from financing activities.

The following table shows the reconciliation of the future minimum lease payments from operating leases reported as of December 31, 2017 in accordance with IAS 17, to the lease liabilities accounted for in accordance with IFRS 16 as of January 1, 2018:

€ millions	
Future minimum lease payments under operating leases as of 12/31/2017	479.3
Lease agreements concluded in 2017 with lease beginning in 2018[1]	−241.9
Short-term leases	−4.1
Other	−4.6
Additional gross lease liabilities	**228.7**
Discounting	−12.9
Additional net lease liabilities	**215.8**
Lease liabilities under finance lease as of 01/01/2017	0.3
Lease liabilities as of 01/01/2018	**216.1**

[1] For the renting of the Axel-Springer-Passage in Berlin and the Axel Springer high-rise (main building), see note (5).

The initial application of IFRS 16 resulted in additional lease liabilities of € 215.8 million. The calculation was based on a weighted average incremental borrowing rate of 1.9 %.

In the context of the initial application, leases with a remaining lease term of up to one year were classified as short-term leases. Furthermore, direct costs have not been included in the determination of the right-of-use asset. Subsequent knowledge about extension and termination options have been considered for determining the lease term.

Furthermore, no material changes for Axel Springer resulted from IFRS Standards or IFRIC Interpretations to be applied for the first time in the fiscal year 2018. Moreover, IASB and IFRS IC have not published any mandatory applicable statements, that will have material influence on the Axel Springer 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 01/01/2017	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
Reclassifications	–160.2	0.0	–184.4	–344.7
Balance as of 12/31/2017	**2,039.8**	**369.2**	**2,310.0**	**4,719.0**
Initial consolidation	83.6	1.4	85.5	170.5
Deconsolidation	–11.6	–3.5	–3.3	–18.3
Currency effects	1.2	–0.3	5.0	5.9
Additions	30.4	80.0	0.0	110.4
Disposals	–8.0	–28.8	0.0	–36.9
Reclassifications	3.5	–3.5	0.0	0.0
Balance as of 12/31/2018	**2,138.9**	**414.5**	**2,397.1**	**4,950.5**
Depreciation, amortization, and impairments				
Balance as of 01/01/2018	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 depreciation	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
Reclassifications	–51.6	4.6	–2.0	–49.0
Balance as of 12/31/2017	**566.0**	**218.4**	**30.3**	**814.7**
Deconsolidation	–1.1	–2.7	0.0	–3.8
Currency effects	–1.1	0.0	0.0	–1.1
Additions	119.9	73.3	42.3	235.5
Thereof depreciation	118.8	70.9	0.0	189.8
Thereof impairment losses	1.1	2.3	42.3	45.7
Disposals	–4.6	–28.8	0.0	–33.4
Reclassifications	3.4	–3.4	0.0	0.0
Balance as of 12/31/2018	**682.4**	**256.8**	**72.6**	**1,011.8**
Carrying amounts				
Balance as of 12/31/2018	1,456.4	157.6	2,324.5	3,938.6
Balance as of 12/31/2017	1,473.9	150.9	2,279.7	3,904.4

At the balance sheet date, 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 (9)).

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					
2018	**Goodwill**	**Other intangible assets with indefinite useful life**	**Total**	**Discount rate (before tax)**	**Discount rate (after tax)**	**Growth rate**
SeLoger	522.9	165.2	688.1	9.5 %	7.2 %	2.5 %
StepStone	291.0	167.9	458.9	9.0 %	7.1 %	2.5 %
Business Insider	218.7	153.8	372.6	8.9 %	7.6 %	2.5 %
Ringier Axel Springer Media	183.9	168.6	352.5	8.0 %	7.2 %	2.5 %
Awin	248.0	10.9	258.9	9.6 %	7.9 %	2.5 %
Immowelt	142.1	55.9	198.0	8.4 %	6.6 %	2.5 %
eMarketer	121.4	76.5	197.9	9.3 %	7.6 %	2.5 %
Yad2	130.5	53.4	183.9	9.9 %	8.2 %	2.5 %
@Leisure	71.0	95.9	166.9	8.8 %	7.2 %	2.5 %
Others	395.0	115.6	510.6	6.9 % –10.6 %	5.0 % –8.2 %	0.0 % –2.5 %
Total	**2,324.5**	**1,063.7**	**3,388.2**			
thereof Classifieds Media	1,355.7	630.2	1,985.9			
thereof News Media	613.7	404.2	1,018.0			
thereof Marketing Media	354.7	29.2	383.9			

2017	Goodwill (€ millions)	Other intangible assets with indefinite useful life (€ millions)	Total (€ millions)	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			

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

€ millions	01/01/2017	Initial consoli-dation	Currency effects	Reclassi-fications	12/31/2017	Initial consoli-dation	Initial consoli-dation	Currency effects	Reclassi-fications	12/31/2018
SeLoger	463.4	0.0	0.0	0.0	463.4	59.5	0.0	0.0	0.0	522.9
StepStone	235.8	6.0	–6.1	0.0	235.7	24.5	0.0	–1.2	31.9	291.0
Awin	148.9	103.1	–4.6	0.0	247.4	0.0	0.0	0.6	0.0	248.0
Business Insider	237.1	0.0	–28.2	0.0	209.0	0.0	0.0	9.8	0.0	218.7
Ringier Axel Springer Media	192.4	11.7	9.8	–19.4	192.5	–1.6	–1.6	–5.4	0.0	183.9
Immowelt	142.1	0.0	0.0	0.0	142.1	0.0	0.0	0.0	0.0	142.1
Yad2	138.2	0.0	–3.5	0.0	134.8	0.0	0.0	–4.3	0.0	130.5
eMarketer	131.7	0.0	–15.7	0.0	115.9	0.0	0.0	5.5	0.0	121.4
@Leisure	69.4	0.4	0.0	0.0	69.8	2.9	–1.6	0.0	0.0	71.0
AuFeminin	166.2	0.0	–3.1	–163.1	0.0	0.0	0.0	0.0	0.0	0.0
Total	**1,925.2**	**121.3**	**–51.5**	**–182.5**	**1,810.6**	**85.3**	**–3.3**	**5.0**	**31.9**	**1,929.5**

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 the **SeLoger Group**, following the acquisition of Concept Multimédia in 2018, includes the assumption of the realization of synergies through the integrated marketing of the online marketplaces. The high brand awareness of the SeLoger and Logic-Immo brands will be supported by continuous investment in marketing and further developed, in order to retain the high market penetration. Through user-friendly and innovative products, differentiating features compared to the competition will be created. In addition, the strategic growth initiative “Seller Leads”, a service to support real estate agents in attracting clients, shall develop into a new, sustainable source of income in the future. Moderate growth is assumed for growth in the online real estate ads market in France for 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. In order to face the increasingly intense competitive situation in the market and to expand and strengthen its respective market position, the StepStone Group is investing increasingly in marketing in the form of branding campaigns, especially in Germany and in the UK. In addition, the marketing expenses for purchasing traffic are also increasing, in order to secure a high candidate feed rate per display as an important measure of customer satisfaction as the volume of advertisements increases. Primarily in Germany and the United Kingdom, but also in Ireland, more investments are also being made in the sales organization. In the United Kingdom, the ongoing consolidation of Totaljobs and Jobsite sales teams also has a positive impact on revenue development. The margin of the StepStone Group is falling due to the capital expenditures mentioned, but remains at a high level.

In the medium-term planning, **Business Insider** expects a significant increase in revenue. In addition to advertising revenues as the main source of revenue, sales revenues are expected to make a significant contribution to revenue growth. This shall be realized through the expansion of B2B and B2C subscription offerings. In terms of advertising revenues, a large part of the growth is to be realized by linking editorial content with commercial offers. To increase these revenue streams, further investments are envisaged during the planning period, especially in the areas of editorial and technology. In order to adequately take into account the build-up and expansion of the company to a stable condition in the context of the estimation of the future cash flows, a detailed planning period of seven was applied, exceeding the detailed planning period principally used.

In the mid-term planning of **Ringier Axel Springer Media**, we assume that our digital content offerings will increasingly and sustainably participate in the structural shift of print into digital channels and that digital business models in the area of paid services and classified advertisements will gain in importance in the long term. Nonetheless, revenue streams in sales as well as in the print advertising market will continue to decline in the coming years. However, the decline in circulation will at least be partly compensated by price increases. Due to strict cost management in the print sector, profitability in this area is to be largely maintained.

The medium-term planning of the **Awin Group** is essentially characterized by scaling effects and synergies from the merger of Awin and Affilinet. These include the integration of booking platforms, the centralization of operational functions, the consolidation of regional units, as well as the further development of products and the automation of business processes. In addition to operational measures and cost savings, the Group plans moderate revenue growth by opening up new regions and markets.

The medium-term planning of the **Immowelt Group** is based on the assumption of continued positive market conditions in relation to economic growth, employment rates and interest rate developments. As a result, for the German real estate market, the Immowelt Group assumes stable development in terms of real estate demand in an environment of continuing intense competition. On the supply side, stagnation in property inventory leads to a competitive market situation. Immowelt meets these challenges with product innovations, data-driven sales campaigns and the establishment of a regional sales organization to optimize customer care. In addition, the planning assumes price increases and the possibility of up-selling activities. In the coming years, capital expenditures to strengthen brand awareness are planned. The returns are expected to remain at a high level.

The medium-term planning of **eMarketer** is based on the assumption that revenues in the planning period can be significantly increased through additional users and the sale of new products. The continuous increase of the customer base shall be supported by improved customer loyalty and the acquisition of new customers. Additional growth potential exists in thematic extensions of the offerings.

The mid-term planning of **Yad2** is based on the assumption of moderate overall macroeconomic growth rates for Israel. In the classifieds market, Yad2 benefits from a high brand awareness and the associated excellent market position. In conjunction with continuous product innovations, Yad2 assumes further growth in classifieds revenues in all three core classifieds property, jobs and cars. The banner business, on the other hand, is planned to decline.

The medium-term planning of the **@Leisure Group** is characterized by the resolute implementation of strategies and measures relating to markets, organization and technology. On the market side, @Leisure wants to position itself even more attractively for homeowners, open up new regions, strengthen the existing brands and thus significantly increase the range of available holiday properties. Additional services and a targeted focus on guest satisfaction improve the booking rate and utilization. At the same time, the centralization and harmonization of products and functions can keep processes lean and thus costs stable. Finally, through cooperation with global booking platforms, growth and market share will be improved.

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, as in the previous year, no large reporting unit showed that their carrying amounts of the assets exceeded their recoverable amounts.

Goodwill allocated to the other reporting units of the Group and intangible assets with indefinite useful lives of € 510.6 million (PY: € 591.5 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. Only for one (PY: none) of the other reporting units an impairment was indicated. For this other reporting unit which is allocated to the Marketing Media segment and generates digital advertising revenues in Germany and various other countries, primarily via the mobile Internet, an impairment of € 42.3 million on goodwill was recorded in the reporting year. The impairment was the result of adjusted earnings planning in the coming years due to market-related reduced expectations of the business development of the core business areas in Germany as well as the higher than previously assumed development of the permanent costs for necessary technological developments. The recoverable amount of the reporting unit was determined on the basis of the net realizable value at € 31.0 million. The calculation was based on non-observable input factors (Level 3) using a discounted cash flow method with a post-tax discount rate of 8.2 % and a terminal growth rate of 2.5 %. As a result, the sensitivity analysis for this other reporting unit showed that an adjustment of the future cash flows in the last planning year by 10 %, an increase in weighted capital costs of capital of 10 % and a reduction of half a percentage point in the long-term growth rate would lead to an additional impairment of € 3.6 million, € 5.4 million or € 2.9 million respectively.

(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	Pre-payments on construction in progress	Right-of-use assets	Total
Acquisition or production cost						
Balance as of 01/01/2017	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
Reclassifications	3.1	1.7	−4.0	−7.6		−6.8
Balance as of 12/31/2017	**291.6**	**546.4**	**265.1**	**93.9**		**1,196.9**
Initial application of IFRS 16 as of 01/01/2018					190.9	190.9
Initial consolidation	0.0	0.0	0.9	0.0	4.9	5.8
Deconsolidation	−0.1	0.0	−0.7	0.0	−0.8	−1.5
Currency effects	−0.8	−0.4	0.1	0.0	1.0	−0.2
Additions	1.5	3.1	23.1	87.5	134.9	250.1
Disposals	−62.5	−2.6	−25.4	−0.1	−19.2	−109.8
Reclassifications	−0.6	−1.3	−5.2	−3.2	10.2	0.0
Balance as of 12/31/2018	**229.1**	**545.2**	**257.9**	**178.2**	**321.8**	**1,532.2**
Depreciation, amortization, and impairments						
Balance as of 01/01/2017	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
Reclassifications	−0.5	0.0	−4.4	0.0		−4.8
Balance as of 12/31/2017	**122.3**	**437.5**	**185.4**	**0.0**		**745.2**
Deconsolidation	0.0	0.0	−0.6	0.0	−0.2	−0.8
Currency effects	−0.2	−0.2	−0.3	0.0	0.0	−0.7
Additions	5.1	20.0	27.1	0.0	60.2	112.4
Thereof depreciation	5.1	19.9	27.0	0.0	60.2	112.2
Thereof impairment losses	0.0	0.1	0.1	0.0	0.0	0.2
Disposals	−35.3	−2.5	−24.7	0.0	−9.7	−72.2
Reclassifications	−1.5	−4.4	−4.0	0.0	10.0	0.0
Balance as of 12/31/2018	**90.3**	**450.4**	**182.9**	**0.0**	**60.3**	**783.9**
Carrying amounts						
Balance as of 12/31/2018	138.8	94.8	75.0	178.2	261.5	748.3
Balance as of 12/31/2017	169.3	108.8	79.7	93.9		451.7

As of December 31, 2018, property, plant and equipment with acquisition or production costs of € 254.6 million (PY: € 299.3 million) were in use, that had already been fully depreciated.

At the balance sheet date, property, plant and equipment amounting to € 7.7 million (PY: € 37.9 million) had been pledged as security for own liabilities.

As of December 31, 2018, the following right-of-use assets from leases were accounted for:

€ millions	12/31/2018
Real estate	246.2
Technical equipment and machinery	2.4
Other equipment, operational and office equipment	12.9
Right-of-use assets	**261.5**

As of December 31, 2017, the carrying amount of property, plant and equipment recognized as part of finance leases amounted to € 0.2 million. For the effects with respect to the initial application of the new lease accounting standard (IFRS 16) as of January 1, 2018, see note (3o).

Depreciations regarding right-of-use assets from leases broke down as follows in the reporting year:

€ millions	2018
Real estate	52.0
Technical equipment and machinery	1.5
Other equipment, operational and office equipment	6.8
Depreciation on right-of-use assets	**60.2**

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 are reported as a so-called sale-and-leaseback transaction. 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 lease liability in the amount of € 113.8 million was recognized as of January 1, 2018. In total, the transaction resulted in income of € 34.9 million in the fiscal year 2018 which was adjusted as a non-recurring effect (see note (31)).

At the end of 2017, the sale of the Axel-Springer-Passage in Berlin was completed with payment of the purchase price of € 330.0 million (before tax payments of € 79.9 million) and the handover of the building. The remaining carrying amount was derecognized, amounted to € 134.6 million and related with € 104.8 million to property, plant and equipment and with € 29.8 million to investment property. The tax expense, taking into account the reversal of deferred tax liabilities from previous years, amounted to € 55.7 million. Since the beginning of the reporting year, we use the substantial part of the Axel-Springer-Passage in Berlin as a tenant until the end of 2020 for an initial annual rent of € 10.9 million. On the basis of future lease payments, a right-of-use asset in the amount of € 41.5 million, a lease receivable from subleasing rented areas totaling € 6.4 million and a lease liability of € 49.4 million were recognized as of January 1, 2018. Furthermore, a provision recorded in connection with the lease contract as of December 31, 2017, was offset against the right-of-use asset.

Additions during the reporting year in construction in progress amounted to € 76.0 million (PY: € 48.3 million) and related to the new Axel Springer building in Berlin (for additional information regarding 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 or the beginning of 2020 respectively. Axel Springer will rent the new building starting in 2020 on a long-term basis.

(6) Non-current financial assets

(a) Investments recognized using the equity method

Since the beginning of 2016, we legally hold a 50 % stake in **Ringier Axel Springer Schweiz AG**, Zurich, Switzerland. The company gathers all Swiss-German and West Swiss newspaper and broadsheet titles (including their associated online portals) of Ringier and Axel Springer.

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	2018	2017
Revenues	198.8	206.8
Income after taxes	14.5	12.7
Other income/loss	–3.7	7.3
Comprehensive income	**10.8**	**19.9**

€ millions	12/31/2018	12/31/2017
Current assets	67.8	61.0
Non-current assets	452.4	419.0
Current liabilities	–121.5	–108.4
Non-current liabilities	–105.6	–86.3
Net assets	**293.2**	**285.3**

Of the total comprehensive income, an amount of € 5.8 million (PY: € 9.0 million) is attributable to our share. Taking into account a write-up in the amount of € 1.2 million in the reporting year (PY: impairment of € 38.7 million; see note (24)), which was eliminated as a non-recurring effect (see note (31)), we thus disclose a carrying amount of € 107.9 million (PY: € 103.0 million) for our investment as of December 31, 2018. 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 in the previous year is due to the development of the advertising market and the digitization potential in Switzerland and the resulting adjusted earnings expectations for future years. The recoverable amount of € 103.0 million was based on the fair value less costs to sell. The calculation was based on non-observable input factors (Level 3) using a discounted cash flow method by discounting future expected dividend payments. The used discount rate after taxes of the previous year amounted to 7.1 %.

At the end of April 2018, Axel Springer acquired 11.5 % of the shares in **Purplebricks Group plc**, Solihull, United Kingdom, through a capital increase and purchase of existing shares from shareholders (see note (2c)). Purplebricks operates a transaction-based digital real estate platform. The company is also active in Australia, the USA and Canada. Since December 2015, Purplebricks has been listed on the London Stock Exchange. The purchase price for the investment amounted to € 143.2 million which equals a price per share of £ 3.60. In July 2018, Axel Springer has acquired further shares for a price per share of £ 3.07 and a total value of € 10.4 million, thereby increasing its stake to around 12.5 %. Dr. Andreas Wiele, President Classifieds Media of the Axel Springer SE, has assumed a seat on the Board of Directors of the company, so that we account for the investment using the equity method taking into account further shareholder rights.

Purplebricks has a balance sheet date (April 30) which differs from this Annual Report. Due to restrictions with respect to securities laws, we do not receive any financial information as of December 31, 2018. Thus, the investment is included into the consolidated financial statements with its half-yearly figures as of October 31, 2018. Summarized financial information (pursuant to IFRS) regarding the investment (including PPA effects and the goodwill (on a 100 % basis)) are shown below:

€ millions	05/01 - 10/31/2018
Revenues	74.0
Income after taxes	–33.9
Other income/loss	0.0
Comprehensive income	**–33.9**

€ millions	10/31/2018
Current assets	145.1
Non-current assets	481.6
Current liabilities	–51.9
Non-current liabilities	–76.2
Net assets	**498.6**

Of the total comprehensive income, an amount of € -4.2 million is attributable to our share in the reporting year. Taking into account an impairment of € 82.9 million (see note (24)) in the reporting year, we thus disclose a carrying amount of € 62.3 million for our investment as of December 31, 2018. The change in the carrying amount of the investment also resulted from currency translation effects recognized in accumulated other comprehensive income. The impairment recorded in the Classifieds Media segment stems from the declining stock market price since acquisition and was eliminated as a non-recurring effect (see note (31)).

Summarized financial information regarding all companies which are accounted for using the equity method and are not individually material are shown below:

€ millions	2018	2017
Non-material associates		
Carrying amount	37.2	54.9
Share attributable to Axel Springer SE:		
Income from continued operations	–0.2	–0.3
Other income/loss	0.0	0.0
Comprehensive income	**– 0.2**	**– 0.3**

€ millions	2018	2017
Non-material joint-ventures		
Carrying amount	30.0	9.6
Share attributable to Axel Springer SE:		
Income from continued operations	7.1	1.4
Other income/loss	0.0	0.0
Comprehensive income	**7.1**	**1.4**

In the reporting year proportionate net income to be recognized in income from investments was not recorded in the amount of € -2.1 million (PY: € 0.0 million), since the respective net investment had been impaired.

(b) Other non-current financial assets

Other non-current financial assets as of December 31, 2018, included investments measured at fair value through profit or loss in the amount of € 212.4 million and convertible loans of € 1.9 million. The miscellaneous other non-current financial assets, mainly loans, in the amount of € 26.4 million were accounted for at amortized cost.

The investments contained particularly our shares in Group Nine Media Inc. with € 75.1 million (PY: € 68.5 million).

In May 2018, Axel Springer sold its remaining share of approximately 7 % in Doğan TV to Doğan Holding for a total purchase price of € 160.0 million through exercise of the put options. Through the sale, no material income effects occurred. In the previous year, the options, which were secured by bank guarantees, were disclosed in other non-current financial assets in the amount of € 155.3 million. The valuation of the put options in the previous year was 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.

(7) Trade receivables

The trade receivables broke down as follows:

€ millions	12/31/2018	**12/31/2017**
Trade receivables, nominal	797.8	715.5
Allowances for doubtful trade receivables	–14.9	–21.6
Trade receivables	**782.9**	**693.9**

The allowances for trade receivables as of December 31, 2018, were determined based on the application of the new expected loss model (see note (3f)) in the amount of the expected losses on receivables. This resulted in the following provision matrix:

		Overdue				
€ millions	**Non overdue**	**up to 30 days**	**31 to 90 days**	**91 to 180 days**	**> 180 days past due**	12/31/2018
Expected loss rate	0.1 %	0.5 %	2.3 %	14.2 %	49.9 %	
Trade receivables, nominal	601.7	110.2	44.9	21.7	19.3	797.8
Allowances for doubtful trade receivables	**–0.7**	**–0.5**	**–1.0**	**–3.1**	**–9.6**	**–14.9**

The changes in the allowances for doubtful trade receivables are presented below:

€ millions	2018	**2017**
Balance as of 01/01	**21.6**	**25.4**
Adjustment due to initial application of IFRS 9 (see note (3o))	– 3.4	0.0
Balance as of 01/01, adjusted	**18.1**	**25.4**
Additions	18.8	6.7
Reversals	– 6.4	– 0.8
Utilization	– 16.0	– 4.0
Other changes	0.3	– 5.8
Balance as of 12/31	**14.9**	**21.6**

In the reporting year, trade receivables in the amount of € 16.0 million (PY: € 4.0 million) were impaired and derecognized (utilizations). Of the amounts derecognized in the reporting year € 7.1 million were still subject to enforcement measures.

Other changes of the prior year mainly related to reclassifications into assets held for sale (see note (9)).

(8) Other assets

The other assets broke down as follows:

€ millions	12/31/2018	12/31/2017
Reimbursement right for pension obligations	23.4	24.8
Deposits	7.7	10.4
Receivables from finance leases	4.7	0.0
Other	17.4	43.1
Other financial assets	**53.2**	**78.3**
Thereof current	23.2	42.8
Thereof non-current	30.0	35.5
Advance payments	27.1	25.3
Contract assets[1)]	0.6	0.9
Receivables due from employees	1.1	0.8
Receivables from other taxes	22.2	30.5
Other	14.7	13.7
Other non-financial assets[1)]	**65.7**	**71.3**
Thereof current[1)]	56.0	62.8
Thereof non-current	9.7	8.5
Other assets	**118.9**	**149.6**
Thereof current[1)]	79.2	105.6
Thereof non-current	39.7	44.0

[1)] Adjustment of prior year figures as of December 31, 2017 due to the retrospective application of IFRS 15 (by € 0.9 million); see note (3o) ("New accounting standards").

The receivables from finance leases relate almost entirely to the sublease of the Axel-Springer-Passage in Berlin with an amount of € 4.5 million (see note (5)). Regarding the reimbursement right concerning pension obligations, see note (12). The miscellaneous other financial assets particularly included a purchase price claim for the final instalment regarding the sale of the office building in Hamburg executed in 2016, reimbursement claims and debit balances in accounts payable.

The future (undiscounted) cash inflows from finance leases (€ 4.8 million) are due as follows:

€ millions	12/31/2018
2019	2.0
2020	2.1
2021	0.1
2022	0.1
2023	0.1
2024 ff.	0.3
Contractual (undiscounted) cash inflows	**4.8**
Unrealized financial income	–0.1
Receivables from finance leases	**4.7**

(9) Assets held for sale

The assets held for sale and the related liabilities disclosed in the previous year in the following table were completely derecognized in the reporting year:

	12/31/2017	
€ millions	Assets	Liabilities
aufeminin Group	285.3	55.7
Ringier Axel Springer 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). The transaction was completed at the end of April 2018 after approval by the relevant antitrust authorities.

In November 2017, the sale of the newspaper and magazine portfolio including the associated online offers of **Ringier Axel Springer Slovakia** (News Media segment) was contracted. The disposal was finalized after authorization by the local authorities at the end of July 2018.

For the assets and liabilities derecognized as part of those two transactions, see note (2c).

(10) 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

Pursuant to Section 5 (4) of the Articles of Incorporation, the Executive Board is entitled due to resolution of the Annual General Meeting of April 18, 2018, to increase the share capital one time or multiple times by a maximum amount of € 10.5 million with consent of the Supervisory Board until April 17, 2023, by issuance of newly registered shares in return for cash and/or contributions in kind (authorized capital). The shareholders generally thereby must be granted a subscription right. However, the Executive Board is entitled under specific circumstances with the approval of the Supervisory Board to waive the subscription right of the shareholders. The resolution of the Annual General Meeting of April 14, 2015, to increase the share capital and to waive the subscription right pursuant to Section 5 (4) of the company's Articles of Incorporation was revoked with the new authorized capital coming into effect.

As of December 31, 2018, the authorized capital was not utilized and amounted to € 10.5 million.

(c) Additional paid-in capital

The additional paid-in capital (€ 496.0 million; PY: € 501.0 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 settled with equity instruments (see note (11)).

In the reporting year, the remaining value of the share-based compensation program of the aufeminin Group in the amount of € 5.5 million was reclassified into the accumulated retained earnings at the date of disposal (see note (2c)).

(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 € 215.8 million (PY: € 205.0 million) or € 2.00 (PY: € 1.90) per qualifying share for the previous reporting year. For the reporting year 2018, the Executive Board and the Supervisory Board propose to distribute a dividend of € 2.10 per share entitled to the dividend, in total representing € 226.6 million in expected payments. Payment of the proposed dividend is contingent upon approval at the Annual General Meeting on April 17, 2019.

Due to the initial application of the new accounting standard regarding revenue recognition, IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018, following the full retrospective approach, the prior-year period was adjusted accordingly with the accumulated retained earnings as of January 1, 2017, increasing by € 0.9 million (see note (3o)).

The initial application of the new accounting standard IFRS 9 "Financial Instruments" as of January 1, 2018, led to a decrease of the allowances recorded on trade receivables. Taking into account deferred taxes, the accumulated retained earnings increased, without effecting profit or loss, by € 2.5 million (see note (3o) and (7)). Moreover, as of January 1, 2018, the fair value adjustments for investments classified as available-for-sale in the amount of € 8.0 million, which were previously recognized in accumulated other comprehensive income, were reclassified into accumulated retained earnings (see note (3o) and note (11e)).

Furthermore, transactions with shareholders are recognized within the accumulated retained earnings.

As part of the merger of the Immowelt and Immonet group in June 2015, non-controlling shareholders were granted put options for 35 % of non-controlling interests at a fixed option price, exercisable at any time up until the second quarter of 2018, which do not grant present ownership interests. In 2015, the resulting obligation was recognized without effects on income, solely decreasing equity. The option rights expired in the second quarter of 2018 due to non-exercise. As a result, the recorded liability (€ 159.8 million) was completely derecognized without effects on income, solely increasing equity.

In the previous year, the contribution of 20 % of the shares of AWIN AG with respect 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 € -125.3 million (PY: € -118.9 million).

As in the previous year, changes in foreign currency translations are primarily due to conversions of financial statements denominated in US-Dollar.

As of January 1, 2018, the fair value adjustments for investments classified as available-for-sale in the amount of € 8.0 million, which were previously recognized in accumulated other comprehensive income, were reclassified into accumulated retained earnings (see note (3o) and note (11d)).

(f) Non-controlling interests

The non-controlling interests mainly related to the following companies:

€ millions	12/31/2018	12/31/2017
Ringier Axel Springer Media Group	249.0	261.0
Immowelt Group	79.2	74.1
AWIN Group	57.9	58.8
Other companies	74.6	117.4
Non-controlling interests	**460.6**	**511.4**

As of December 31, 2018, the non-controlling interests in Ringier Axel Springer Media amounted to 50.0 % (PY: 50.0 %), whilst their share in the Group net income amounted to € 8.0 million (PY: € 11.4 million). Moreover, they received dividend distributions of € 10.0 million (PY: € 0.0 million) which were paid out from net profit.

Summarized financial information for the Ringier Axel Springer Media sub-group are shown in the following table:

€ millions	2018	2017
Revenues	278.9	273.0
Net income	14.3	20.0
Comprehensive income	–6.0	43.9
Current assets	165.2	187.7
Non-current assets	451.7	466.8
Current liabilities	62.1	71.1
Non-current liabilities	47.7	51.6
Cash flow from operating activities	53.7	41.2
Cash flow from investing activities	44.3	–14.2
Cash flow from financing activities	– 34.3	– 28.6

The decrease of the non-controlling interests attributable to other companies can mainly be ascribed to the disposal of the aufeminin Group (see note (2c)).

Regarding the contribution of 20 % of the shares of AWIN AG related to the acquisition of the affilinet Group in the previous year, see note (2c).

(11) Share-based payment

In the reporting year, expenses and income for share-based payment programs amounted to € -10.7 million and € 11.5 million respectively (PY: € -44.9). These effects were attributable to equity-settled programs with an amount of € -1.1 million (PY: € -1.0 million) and to cash-settled programs with an amount of € -9.6 million and € 11.5 million respectively (PY: € -43.9 million). The liability recorded for share-based payments concerns especially the following stock option plans and totaled € 31.3 million (PY: € 55.1 million).

As of May 1, 2016, members of the Executive Board, which already held office in 2016, were granted a long-term variable remuneration in the form of a **long-term incentive plan** ("LTIP") with a duration – including lock-up periods – until 2023. In addition, selected executives were granted this LTIP with largely equal terms in the reporting year. 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 by at least 40 % within three, four, and maximally five years (respective "performance periods"). No claim for compensation can be made below this threshold. The compensation entitlement will increase only up to a growth in market capitalization by maximally 60 %.

In the event of targets being achieved, the eligible members of the Executive Board were entitled to a payment claim totaling 4.0% of the increase in market capitalization. In the reporting year, the LTIP was adjusted by reducing the payment to entitled members of the Executive Board to 3.63 % ("Executive Board LTIP") and by granting selected executives the LTIP with substantially equal terms a total payment of 0.48 % of the increase in market capitalization ("Executive LTIP").

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 treasury 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. In the case of early target achievement after three years, the payout amount I is to be paid out immediately, but only in the case of the Executive Board LTIP, if the beneficiaries exercise their respective option. Solely in the case of premature target achievement, payout amount II will 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 payments (after taking into account taxes and duties to be paid) must always be fully invested in issued Axel Springer shares. The equity investment made in respect of the payout amount I or II must be held for a minimum of two years or one year. The LTIP contains common regulations for premature retirement. Thus, e.g. all non-contractual claims not paid out under the LTIP lapse if the member of the Executive Board or the company executive leaves the Executive Board or resigns at his own request before expiration of the waiting period or termination of the employment relationship.

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 Executive Board LTIP at grant date was determined at € 32.1 million, using a stochastic model for the valuation of stock option rights. On the basis of the valuation adjustment made retrospectively to the grant date in the reporting year, the value amounts to € 29.1 million. The value of the LTIP granted retrospectively to selected executives amounts to € 3.9 million. In the reporting year, the valuation of the Executive Board LTIP resulted in other operating income totaling € 9.2 million (PY: personnel expenses of € 20.2 million), in particular due to the development of the price of the Axel Springer share. Personnel expenses of € 1.9 million (PY: € 0.0 million) were incurred for the Executive LTIP. As of December 31, 2018, the liabilities (Executive Board LTIP) and provisions (Executive LTIP) recognized amounted to € 14.5 million (PY: € 23.7 million) and € 1.9 million (PY: € 0.0 million) respectively.

Members of the Executive Board and selected executives (beneficiaries) were granted **virtual stock option plans.** The Executive Board Programs 2014 I and 2014 II, as well as the Senior Executive Program 2014 were fully exercised during the reporting year and are thus terminated. In the reporting year, the Executive Board member not participating in the LTIP was granted a virtual stock option plan 2018 (Executive Board Program 2018). The fundamental parameters of the current plans of the reporting year and those of the prior year are shown below:

Virtual stock option plans

	Executive Board Program			Senior Executive Program
	2014 I	**2014 II**	**2018**	**2014**
Grant date	01/01/2014	09/01/2014	10/01/2018	03/01/2014
Term in years	6	6	6	5
Qualifying period in years	4	4	4	3
Option rights granted	205,313	675,000	225,000	60,000
Underlying (€)	44.06	44.56	62.06	46.80
Maximum payment (€)	88.12	89.12	124.12	93.60
Value at grant date (€)	6.69	6.26	4.35	8.14
Total value at grant date (€ million)	**1.4**	**4.2**	**1.0**	**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 may become vested. If the employment with the company ends before the end of the vesting period, but ends at least one year after the grant date, the stock options are vested on a pro-rated basis in relation to the vesting period (Executive Board Programs) or up to one half (Senior Executive Program 2014).

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 Programs) or three calendar months (Senior Executive Program) 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 of 90 calendar days (Executive Board Programs) or of three calendar months (Senior Executive Program) 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 obliged 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 grant date. The options will be remeasured at each balance sheet 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
	2014 I	**2014 II**	**2018**	**2014**
01/01/2017	**205,313**	**675,000**	**0**	**60,000**
Exercise	0	0	0	0
Lapse	0	0	0	0
12/31/2017	**205,313**	**675,000**	**0**	**60,000**
Exercise	−205,313	−675,000	0	−60,000
Grant	0	0	225,000	0
12/31/2018	**0**	**0**	**225,000**	**0**

The expenses and income in the reporting year, as well as the portfolio of liabilities and provisions at the balance sheet date are shown below:

Virtual stock option plans

	Executive Board Program			Senior Executive Program
€ millions	**2014 I**	**2014 II**	**2018**	**2014**
Expenses/income 2018	**−1.0**	**2.2**	**−0.1**	**0.1**
Expenses/income 2017	−4.2	−10.7	0.0	−1.2
Carrying amount as of 12/31/2018	**0.0**	**0.0**	**0.1**	**0.0**
Carrying amount as of 12/31/2017	4.9	13.0	0.0	1.3

The following material share-based payment 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 ten 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, 2018, 11,097 option rights still existed (PY: 15,854 options) of which none are exercisable. The exercise price of the option per share amounts to kUSD 3.6 (k€ 3.2). The weighted average residual term of the option was 6.8 years (PY: 7.8 years). In the previous year, it was agreed that in case that prescribed revenue and performance targets in 2018 are met, 30% of the option rights shall be acquired by Axel Springer; thus, in the reporting year, 4,757 options were repurchased for a payment of USD 4.6 million (€ 4.0 million). Furthermore, in the previous year, it has been agreed that in the event of reaching revenue targets in the year 2020, an advance payment in the amount of USD 15.0 million (€13.1 million) will occur, which will be offset against any future payments from the options; in the reporting year, it has also been stipulated that regardless of reaching defined targets, half of the aforementioned payment shall be made in equal annual installments from 2018 until 2022. An additional USD 3.0 million (€ 2.6 million) shall be disbursed in the event of earnings and revenue targets being achieved in 2021/2022. To date, such payments have not occurred. There is no repayment obligation in case of stock options being forfeited or not being exercised. If targets are not achieved, the stock option program will continue unchanged at the respective dates. Due to the adjustment of the program in the reporting year, its fair value increased by USD 2.8 million (€ 2.5 million); due to the adjustment of the program in the previous year, the fair value increased by 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 € 6.0 million in personnel expenses was recorded (PY: 4.9 million). The value of the liability as of December 31, 2018 arising from the option program amounted to € 14.9 million (PY: € 12.3 million).

Other share-based payment programs were individually and in total insignificant for the financial position, liquidity, and financial performance of the Group.

(12) 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 € 51.4 million (PY: € 50.0 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 fair 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 commitments 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 %	2018	2017
Discount rate	1.6	1.6
Salary trend	1.6	1.5
Pension trend	1.6	1.5

The expected life spans were determined with reference to the mortality tables 2018 G (PY: 2005 G) by Dr. Klaus Heubeck.

The following table shows the development of the defined benefit pension liabilities as well as associated plan assets and reimbursement right:

	Defined benefit liabilities		Plan assets		Provisions for pensions		Reimbursement right		Net obligation	
€ millions	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Balance as of 01/01, adjusted	**538.4**	**534.4**	**–174.9**	**–162.9**	**363.5**	**371.5**	**–24.8**	**–26.6**	**338.7**	**344.9**
Current service costs	7.9	8.4			7.9	8.4			7.9	8.4
Plan curtailments		0.1			0.0	0.1			0.0	0.1
Net interest expense	8.5	8.8	–5.0	–3.2	3.5	5.6	–0.4	–0.4	3.1	5.2
Pension expenses	**16.4**	**17.3**	**–5.0**	**–3.2**	**11.4**	**14.1**	**–0.4**	**–0.4**	**11.0**	**13.7**
Actuarial gains/losses from plan assets			0.2	–0.3	0.2	–0.3			0.2	–0.3
Changes in demographic assumptions	4.1	0.0			4.1	0.0	–0.2	0.0	3.9	0.0
Changes in financial assumptions	4.7	7.4			4.7	7.4	–0.2	–0.2	4.5	7.2
Experience-related adjustments	1.0	–2.1			1.0	–2.1	0.1	0.3	1.1	–1.8
Actuarial gains/losses	**9.8**	**5.3**	**0.2**	**–0.3**	**10.0**	**5.0**	**–0.3**	**0.1**	**9.7**	**5.1**
Employer contribution			–141.6	–26.5	–141.6	–26.5			–141.6	–26.5
Employee contribution	3.0	3.0	–0.3	–0.2	2.7	2.8			2.7	2.8
Key performance indicator	–21.3	–21.4		18.1	–21.3	–3.3	2.1	2.1	–19.2	–1.2
Change in consolidated companies	4.9				4.9	0.0			4.9	0.0
Other	0.1	–0.2		0.1	0.1	–0.1			0.1	–0.1
Other changes	**–13.3**	**–18.6**	**–141.9**	**–8.5**	**–155.2**	**–27.1**	**2.1**	**2.1**	**–153.1**	**–25.0**
Balance as of 12/31	**551.3**	**538.4**	**–321.6**	**–174.9**	**229.7**	**363.5**	**–23.4**	**–24.8**	**206.3**	**338.7**

Service costs and expenses from plan curtailments are represented in personnel expenses (see note (21)). Net interest expenses are represented in financial result (see note (25)). Actuarial gains and losses are represented in other income or loss in the consolidated statement of comprehensive income (see note (28)).

As of December 31, 2018, the weighted average duration of the defined benefit obligation was 14 years (PY: 14 years).

Plan assets broke down as follows:

€ millions	12/31/2018	12/31/2017
Shares	32.8	53.7
Bonds	62.4	72.5
Cash and cash equivalents	22.0	21.8
Real estate funds	18.3	18.3
Others	24.2	7.8
Plan assets with market price quotations	**159.7**	**174.1**
Real Estate	161.3	0.5
Others	0.5	0.3
Plan assets without market price quotations	**161.8**	**0.8**
Total	**321.6**	**174.9**

Employer contributions to the plan assets included mainly the fiduciary transfer of the Axel Springer high-rise (main building) in Berlin to Axel Springer Pensionstreuhand e.V. in the reporting year (see note (5)). In 2019 we do not expect any significant employer contributions to plan assets.

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 (see note 8), 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 € 21.4 million (PY: € 22.7 million) as non-current. The remaining amount of € 2.0 million (PY: € 2.1 million) was classified as current.

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:

	Increase by 25 basis points		Decrease by 25 basis points	
Information in %	**2018**	**2017**	**2018**	**2017**
Discount rate	−3.3	−3.4	3.5	3.6
Salary trend	0.1	0.1	−0.1	−0.1
Pension trend	2.3	2.4	−2.2	−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, 2018, pension obligations in Germany would have risen by 4.3 % (PY: 3.2 %).

(13) Other provisions

Other provisions broke down as follows:

€ millions	Balance as of 01/01/2018	Utilization	Reversals	Additions	Other changes	Balance as of 12/31/2018	Thereof current	Thereof non-current
Other obligations towards employees	91.6	−68.9	−3.6	84.8	2.1	106.0	72.2	33.8
Partial early retirement program (Altersteilzeit)	44.9	−11.1	0.0	11.6	0.0	45.3	11.5	33.8
Structural measures	43.1	−27.9	−1.5	23.4	0.0	37.1	29.9	7.2
Discounts and rebates	15.6	−13.9	−1.5	13.4	0.1	13.8	13.8	0.0
Returns	12.0	−8.4	−0.8	8.1	0.0	10.9	10.9	0.0
Litigation expenses	11.6	−3.7	−2.9	2.4	0.2	7.5	5.3	2.2
Other taxes	8.5	0.0	0.0	1.9	0.0	10.5	10.5	0.0
Dismantling obligations	7.7	−0.5	−2.1	0.3	0.1	5.5	0.5	5.0
Other	30.8	−15.4	−1.7	6.4	0.2	20.3	16.3	4.1
Other provisions	**265.8**	**−149.9**	**−14.2**	**152.4**	**2.7**	**256.8**	**170.8**	**86.0**

Other obligations towards employees primarily included variable compensation tied to performance measures. Structural measures were mainly allocated to the newspaper and magazine units as well as distribution and sales divisions, and printing plants. Other provisions mainly involved rebuilding measures still to be carried out in connection with the sale of the office building complex in Hamburg in 2016 and the sale of the Axel-Springer-Passage in Berlin (see note (5)).

The other changes resulted from the initial consolidation of acquired companies (see note (2c)), currency translation differences and compounding.

(14) Financial liabilities

The financial liabilities comprised liabilities from promissory notes in the amount of € 698.8 million (PY: € 817.7 million), other liabilities due to banks amounting to € 452.3 million (PY: € 365.1 million), as well as from leases of € 379.6 million (PY: € 0.3 million).

The increase of the financial liabilities from leases was a result of the initial application of IFRS 16 as of January 1, 2018, (see note (3o)) and the recognition of new lease liabilities of the fiscal year 2018, particularly with respect to the contracts concluded to rent the Axel-Springer-Passage and the Axel Springer high-rise (main building), see note (5).

The promissory notes (nominal amounts) were characterized by the following utilizations, interest rates, and maturities at the reporting date:

2018 € million	2017 € million	Interest rate in %	Maturity
327.5	327.5	1.14	05/30/2024
146.0	146.0	0.73	05/30/2022
72.0	72.0	0.91	05/30/2023
69.0	69.0	1.47	10/12/2020
66.5	66.5	6-month EURIBOR + 0.70	05/30/2024
12.0	12.0	6-month EURIBOR + 0.55	05/30/2022
11.5	11.5	0.51	05/30/2021
0.0	104.0	1.03	10/11/2018
0.0	70.5	3.06	04/11/2018

The other liabilities due to banks (nominal amounts) related almost exclusively to utilization of credit lines by Axel Springer SE, characterized by utilizations, interest rates, and maturities set forth in the table below:

2018 € million	2017 € million	Interest rate in %	Maturity
175.0	60.0	Eonia + 0.30	07/03/2023
115.0	135.0	Eonia + 0.25	07/03/2023
100.0	0.0	Eonia + 0.25	07/03/2023
63.0	0.0	1-month EURIBOR +0.25	07/03/2023
1.9	2.4	3-month EURIBOR + 0.30	10/15/2022
0.0	170.0	1-month EURIBOR +0.43	07/03/2020

Furthermore, on the reporting date additional unused long-term credit facilities amounted to € 1,047.0 million (PY: € 835.0 million).

The commercial paper program available since the reporting year (see note (32)) was not used significantly during the reporting year and was not utilized as of the reporting date.

(15) Other liabilities

The other liabilities broke down as follows:

€ millions	12/31/2018	12/31/2017
Contingent consideration and other put options for purchase of non-controlling interests	103.4	297.9
Liabilities from loans	19.8	19.6
Debit balances in accounts receivable	16.0	12.6
Liabilities from derivatives	0.3	0.4
Other	22.8	32.3
Other financial liabilities	**162.2**	**362.8**
Thereof current	119.6	233.3
Thereof non-current	42.6	129.5
Contract liabilities[1]	262.0	215.8
Liabilities from other taxes	79.8	55.7
Liabilities due to employees	48.5	45.4
Accrued liabilities	22.3	20.3
Liabilities due to social insurance carriers	10.5	8.5
Liabilities for duties and contributions	5.8	5.1
Capital investment subsidies	3.8	4.3
Other	10.0	21.8
Other non-financial liabilities	**442.6**	**376.9**
Thereof current	436.8	348.3
Thereof non-current	5.7	28.6
Other liabilities	**604.8**	**739.7**
Thereof current	556.4	581.6
Thereof non-current	48.3	158.1

[1] Adjustment of prior-year figures due to the retrospective application of IFRS 15 contract liabilities recognized under advance payments from customers (€ 204.9 million) and advance payments (€ 10.9 million) were reclassified (see note (3o)).

Other financial liabilities mainly related to profit distributions to minority shareholders. Contingent consideration and other put options for the purchase of non-controlling interests primarily decreased due to non-exercised put options for the acquisition of 35% of the non-controlling interests of the Immowelt Group (see note (10d)) and due to payouts (see note (33)). Contract liabilities mainly consisted of advance payments from customers. Liabilities due to employees related to outstanding wage and salary payments, management bonuses, and severance compensation claims. Accrued liabilities contained liabilities resulting from over-time and unused vacation.

(16) 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 12/31/2018**	**2019**	**2020-2023**	**2024 ff.**
Financial liabilities	1,530.8	82.7	964.8	596.4
thereof lease liabilities[1]	379.6	73.9	176.1	206.3
Contingent consideration and other put options for purchase of non-controlling interests	103.4	87.8	15.7	0.0
Other non-derivative financial liabilities	591.3	563.2	11.9	16.2
Derivative financial liabilities	0.3	0.3	0.1	0.0

		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
thereof lease liabilities	0.3	0.3	0.0	0.0
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

[1] See note (3o) for initial application of IFRS 16.

Notes to the consolidated income statement

(17) Revenues

Revenues in the reporting year and the prior year were almost exclusively generated from contracts with customers and broke down as follows:

€ millions	Classifieds Media	News Media	Marketing Media	Services/ Holding	2018	Classifieds Media	News Media	Marketing Media	Services/ Holding	2017
Advertising revenues[1]	1,167.4	678.5	313.4	0.0	2,159.4	990.4	666.1	357.5	0.0	2,014.0
Circulation revenues	0.0	592.0	0.0	0.0	592.0	0.0	633.1	0.0	0.0	633.1
Other revenues	45.1	225.7	104.8	53.7	429.3	17.3	210.6	119.8	60.7	408.4
Revenues	**1,212.5**	**1,496.2**	**418.3**	**53.7**	**3,180.7**	**1,007.7**	**1,509.8**	**477.3**	**60.7**	**3,055.5**

[1] Adjustment of prior-year figures due to the retrospective application of IFRS 15 in the Marketing Media segment (by € 507.2 million); see note (3o).

Revenues in the Classifieds Media segment resulted almost exclusively from advertising revenues from online classifieds ads and broke down as follows:

€ millions	2018	2017
Jobs	602.6	495.9
Real Estate	375.3	290.1
General/Other	234.6	221.7
Revenues	**1,212.5**	**1,007.7**

Revenues in the News Media segment were predominantly generated by national and international advertising and circulation revenues and broke down as follows:

€ millions	2018	2017
Advertising revenues national	432.4	448.3
Circulation revenues national	474.6	504.7
Other revenues national	163.4	156.2
Revenues national	**1,070.4**	**1,109.2**
Advertising revenues international	246.1	217.8
Circulation revenues international	117.4	128.4
Other revenues international	62.3	54.4
Revenues international	**425.7**	**400.7**
Revenues	**1,496.2**	**1,509.8**

Revenues in the Marketing Media segment were predominantly generated by advertising customers in reach-based and performance-based marketing and broke down as follows:

€ millions	2018	2017
Reach-based marketing	235.2	317.7
Performance-based marketing	183.1	159.6
Revenues[1]	**418.3**	**477.3**

[1] Adjustment of prior-year figures due to the retrospective application of IFRS 15 in the Marketing Media segment (by € 507.2 million); see note (3o).

Furthermore, revenues for group services and holding functions of € 53.7 million (PY: € 60.7 million) were generated.

Contract liabilities recognized as of December 31, 2017, of € 215.8 million almost completely led to revenue in the reporting year.

Other revenues included revenues from operating leasing of € 2.4 million. Thereof € 2.0 million were attributable to income from subleasing in the reporting year.

Future (undiscounted) cash inflows from operating leasing are due as follows:

€ millions	12/31/2018
2019	1.9
2020	1.3
2021	0.2
2022	0.2
2023	0.2
2024 ff.	0.6
Contractual (undiscounted) cash inflows	**4.5**

(18) Other operating income

The other operating income broke down as follows:

€ millions	2018	2017
Income from disposal of intangible assets, property, plant, equipment, and investment property	35.7	204.7
Subsequent valuation of contingent purchase price liabilities and other option liabilities for the acquisition of non-controlling interests	5.7	54.9
Income from reversal of provisions	14.2	8.5
Foreign exchange gains	3.1	4.6
Gain on disposal of subsidiaries and business units	45.1	4.2
Miscellaneous operating income	65.8	40.5
Other operating income	**169.5**	**317.3**

Income from the disposal of intangible assets and property, plant and equipment and investment property in the reporting year resulted mainly from the transfer of the Axel Springer high-rise (main building) to Axel Springer Pensionstreuhand e.V. and amounted to € 34.9 million; in the previous year the income included € 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 previous year in the amount of € 50.0 million were attributable to options to acquire non-controlling interests in Bonial Holding. The gain on disposal of consolidated subsidiaries in the reporting year resulted mainly from the sale of the aufeminin Group (see note (2c)). Miscellaneous operating income contained a large number of non-material items.

(19) Change in inventories and internal costs capitalized

Change in inventories and internal costs capitalized increased to € 93.5 million (PY: € 87.7 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	2018	2017
Raw materials and supplies and purchased merchandise	114.6	114.5
Purchased services[1)]	435.1	429.6
Purchased goods and services	549.7	544.2

1) Adjustment of previous-year figures by € 507.2 million due to retrospective application of IFRS 15 (see note (3o)).

Raw materials and supplies and purchased merchandise comprised paper costs amounted to € 56.2 million (PY: € 53.3 million).

The cost of purchased services was predominantly composed of purchased third-party printing services (including paper costs), professional fees and other purchased services.

(21) Personnel expenses

The personnel expenses broke down as follows:

€ millions	2018	2017
Wages and salaries	1,042.6	995.4
Social security	156.2	146.3
Share-based payments	10.7	44.9
Expenses of defined benefit plans	7.9	8.5
Other personnel expenses	7.1	7.0
Personnel expenses	**1,224.4**	**1,202.1**

The average number of employees in the Group is shown below:

	2018	2017
Salaried employees	13,093	12,397
Editors	2,773	2,867
Wage-earning employees	484	572
Total employees	**16,350**	**15,836**

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, amortization, and impairments

The depreciation, amortization, and impairments broke down as follows:

€ millions	2018	2017
Impairment losses in goodwill	42.3	2.0
Amortization of other intangible assets	189.8	175.8
Impairment losses in other intangible assets	3.4	4.5
Depreciation of property, plant and equipment	112.2	52.5
Impairment losses in property, plant and equipment	0.2	1.0
Depreciation of investment property	0.0	0.3
Depreciation, amortization, and impairments	**347.9**	**236.1**

Depreciation of property, plant and equipment of the reporting year included depreciation of right-of-use lease assets of € 60.2 million (see note (5)).

For impairment losses in goodwill see note (4).

Impairment losses in investments are included in the income from investments.

(23) Other operating expenses

The other operating expenses broke down as follows:

€ millions	2018	2017
Advertising expenses	290.1	266.8
Expenses for external personnel	183.2	181.7
Mailing and postage expenses	91.3	94.5
Consulting, audit and legal fees	55.4	53.3
Commissions and gratuities	40.6	38.9
Maintenance and repairs	39.1	30.7
Travel expenses	28.6	26.7
Allowances for doubtful receivables	19.2	7.4
Training of employees	15.9	16.3
Lease expenses	12.5	59.4
Services provided by related parties	9.1	16.6
Subsequent valuation of contingent purchase price liabilities and other option liabilities for the acquisition of non-controlling interests	8.7	21.4
Other taxes	6.8	8.4
Foreign exchange losses	3.7	2.9
Miscellaneous operating expenses	77.7	87.4
Other operating expenses	**882.0**	**912.4**

The miscellaneous operating expenses included additions to provisions relating to legal and other risks, additional rental costs, expenses from bank charges and other operating expenses. Lease expenses of the reporting year included expenses for short-term leases (€ 11.2 million), low-value assets (€ 0.5 million) as well as expenses for variable lease payments (€ 0.8 million).

The following professional fees for the services rendered by the auditor Ernst & Young GmbH were recognized:

€ millions	2018	2017
Audits of the annual financial statements	1.4	1.4
Tax advisory services	0.2	0.3
Other services	0.1	0.2
Total professional fees	**1.6**	**1.9**

The professional fees for the audit of financial statements included mainly 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 com-piled 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 € -86.9 million (PY: € -43.9 million). Besides our share in the investee’s net income, it consisted of write-ups of € 1.2 million (PY: € 0.0 million) and impairment losses of € 92.7 million (PY: € 51.1 million). Impairment losses were mainly attributable to our investment in Purplebricks Group plc (PY: mainly in Ringier Axel Springer Schweiz AG), see note (6a).

The other investment income of € 24.7 million (PY: € 4.9 million) included dividends received from other investments as well as gains from the measurement of other investments at fair value in the amount of € 14.5 million. In the previous year, the other operating expenses included impairment losses from other investments in the amount of € 4.4 million.

(25) Financial result

The financial income broke down as follows:

€ millions	2018	2017
Interest income from bank accounts	0.6	0.7
Interest income from loans and securities	0.8	0.9
Interest income from taxes	0.1	0.4
Other interest income	4.6	7.2
Interest income	**6.1**	**9.2**
Other financial income	4.4	5.9
Financial income	**10.5**	**15.1**

The financial expenses broke down as follows:

€ millions	2018	2017
Interest expenses on liabilities due to banks and on promissory note	12.7	18.0
Net interest expense due from pension accounting	3.1	5.2
Interest expense from compounding	1.3	3.6
Interest expenses from leases	7.3	0.0
Miscellaneous interest expenses	2.6	3.2
Interest and similar expenses	**27.0**	**30.0**
Other financial expenses	4.7	3.5
Financial expense	**31.6**	**33.5**

With respect to financial assets and liabilities not carried at fair value through profit or loss, interest income and expenses amounting to € 2.3 million (PY: € 2.3 million) and € -22.0 million (PY: € -19.3 million) were recognized respectively.

Other financial income as well as other financial expenses include gains and losses from currency translation of € 3.5 million (PY: € 3.0 million) and € -4.1 million (PY: € -2.1 million).

The increase in interest expenses from leases resulted from the initial application of IFRS 16 as of January 1, 2018 (see note (3o)).

(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	2018	2017
Current taxes	170.1	274.6
Deferred taxes	−22.1	−144.4
Income taxes from continued operations	**147.9**	**130.2**
Income taxes from discontinued operations	0.0	0.6
Income taxes	**147.9**	**130.8**

Changes in current and deferred taxes are mainly related to the sale of the Axel-Springer-Passage in Berlin in the previous year (see note (5)). The decrease in deferred tax income resulted from tax rate changes in particular in the USA in the previous year.

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	2018	2017
Income before income taxes	356.4	508.3
Tax rate of Axel Springer SE	31.00 %	31.00 %
Expected tax expenses	**110.5**	**157.6**
Differing tax rates	–10.0	–3.8
Changes in tax rates	–5.5	–55.0
Permanent differences	46.5	2.8
Adjustments to carrying amounts of deferred taxes	2.6	6.3
Current income taxes for prior years	11.4	27.8
Deferred income taxes for prior years	–3.1	–19.1
Non-deductible operating expenses	14.8	12.5
Tax-exempt income	–23.5	–1.2
Trade tax additions/deductions	0.9	2.4
Other effects	3.2	–0.1
Income taxes	**147.9**	**130.2**

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 differing 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 previous year, effects from tax rate changes mainly resulted from reduced tax rates in the USA. The permanent differences resulted mainly from impairment losses in goodwill (see note (4)), impairment losses in companies accounted for using the equity method (see note (6a)) and other consolidation effects that are not taken into account for tax purposes. The adjustments made to the carrying amounts of deferred taxes included € 9.8 million (PY: € 21.4 million) for the non-recognition of deferred taxes on tax loss carry-forwards. In addition, effects from the initial recognition of deferred tax assets are included. In the reporting year, tax-exempt income was mainly attributable to the disposal of the aufeminin Group (see note (2c)).

Deferred tax assets and liabilities were recognized to account for temporary differences and tax loss carry-forwards, as follows:

€ millions	12/31/2018 Deferred tax assets	12/31/2018 Deferred tax liabilities	12/31/2017 Deferred tax assets	12/31/2017 Deferred tax liabilities
Intangible assets	16.8	382.0	11.8	374.2
Property, plant and equipment	6.0	104.1	2.2	51.0
Non-current financial assets	0.7	3.1	1.0	0.3
Inventories	0.5	0.0	0.6	0.0
Receivables and other assets	56.6	4.6	54.9	6.5
Pension provisions	11.3	35.9	19.1	0.0
Other provisions	12.4	4.8	11.1	5.9
Liabilities	117.7	0.9	22.9	3.9
Temporary differences	**222.1**	**535.4**	**123.6**	**441.8**
Tax loss carry-forwards	**6.1**	**0.0**	**3.5**	**0.0**
Total	**228.2**	**535.4**	**127.1**	**441.8**
Offsetting	–171.5	–171.5	–72.5	–72.5
Amounts as per balance sheet	**56.7**	**363.9**	**54.6**	**369.3**

The increase in deferred tax liabilities related to property, plant and equipment as well as the increase of deferred tax assets related to liabilities is related to the initial application of IFRS 16 and the resulting accounting of right-of-use assets and corresponding lease liabilities (see note (3o)).

The transfer of the Axel Springer high-rise (main building) for the formation of plan assets to Axel Springer Pensionstreuhand e.V. leads to an increase in deferred tax liabilities for pension provisions (see note (5)); taking into account the changes in property, plant and equipment and lease liabilities, the transfer resulted in the recognition of deferred tax expenses in the total amount of € 10.8 million.

The net balance of deferred tax items from January 1 to December 31, 2018 was derived as follows:

€ millions	**2018**	**2017**
Deferred tax assets as of January 1	54.6	55.0
Deferred tax liabilities as of January 1	−369.3	−530.5
Net tax position as of January 1	**– 314.8**	**– 475.5**
Deferred tax of current year	22.1	144.4
Changes in deferred taxes recognized in other comprehensive income	3.1	1.6
Changes due to currency translations	−1.7	14.9
Changes in consolidated companies	−15.9	−23.0
Reclassification into assets and liabilities held for sale	0.0	22.8
Net tax position as of December 31	**– 307.2**	**– 314.8**
Deferred tax assets as of December 31	56.7	54.6
Deferred tax liabilities as of December 31	−363.9	−369.3

Of the deferred tax assets, an amount of € 12.7 million (PY: € 22.4 million), and of the deferred tax liabilities, an amount of € 2.4 million (PY: € 5.2 million) can be realized in the short term.

The amount of deferred tax assets to be disclosed in accordance with IAS 12.82 was € 4.5 million (PY: € 3.8 million). It is expected that this amount can be realized by utilization against the available operating income.

Deferred taxes in the total amount of € 55.3 million (PY: € 52.2 million) were recognized directly in equity, as they related 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 € 168.1 million (PY: € 233.6 million), and with respect to trade tax loss carry-forwards amounting to € 104.3 million (PY: € 87.7 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 € 1.5 million (PY: € 1.9 million) for which no deferred tax assets were recognized. Of these tax loss carry-forwards, an amount of € 9.7 million (PY: € 6.1 million) can be carried forward for up to five years and an amount of € 0.0 million (PY: € 0.0 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 € 2.3 million (PY: € 1.9 million). In the previous year, there were corrections of recognized tax loss carry-forwards due to tax audits or differing tax assessments in the amount of € 2.4 million (PY: € -0.7 million).

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 € 11.3 million (PY: € 6.0 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:

		2018	2017
Result of continued operations attributable to shareholders of Axel Springer SE	€ millions	181.0	344.1
Result of discontinued operations attributable to shareholders of Axel Springer SE	€ millions	0.0	1.3
Net income attributable to shareholders of Axel Springer SE	€ millions	181.0	345.5
Weighted average shares outstanding	000s	107,895	107,895
Earnings per share from continuing operations (basic/diluted)	**€**	**1.68**	**3.19**
Earnings per share from discontinued operations (basic/diluted)	€	0.00	0.01
Net income attributable to shareholders of Axel Springer SE per share (basic/diluted)	**€**	**1.68**	**3.20**

Notes to the consolidated statement of comprehensive income

(28) Other income/loss

The other income/loss broke down as follows:

	2018			2017		
€ millions	Before tax	Tax effect	Net	**Before tax**	**Tax effect**	**Net**
Actuarial gains/losses from defined benefit pension obligations	−9.7	3.2	−6.5	−5.1	1.7	−3.4
Currency translation differences	9.0	0.0	9.0	−80.8	0.0	−80.8
Changes in fair value of available-for-sale financial assets[1]	–	–	–	−17.8	0.0	−17.8
Changes in fair value of derivatives in cash flow hedges	0.2	0.0	0.1	0.1	0.0	0.1
Other income/loss from investments accounted for using the equity method	−2.6	0.0	−2.6	2.8	0.0	2.8
Other income/loss	**−3.2**	**3.1**	**−0.1**	**−100.7**	**1.6**	**−99.1**

[1] Elimination of the category due to the initial application of IFRS 9 (see Note (3o)).

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 € 5.0 million (PY: € 6.6 million) had not been paid yet.

In the reporting period, the total cash outflow for leases amounted to € 80.0 million.

In the reporting period, the income taxes paid in the cash flow from operating activities disclosed below the cash flow statement amounted to € 184.9 million (PY: € 161.8 million).

In the prior year, the cash flow from investing activities contains income taxes paid of € 113.0 million, which 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 amounted in total to € 274.7 million in the previous year.

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	2018	2017
Intangible assets	85.1	75.9
Property, plant and equipment	5.7	0.9
Inventories	0.1	0.0
Trade receivables	15.1	31.0
Other assets	5.4	3.9
Cash and cash equivalents	7.2	21.1
Assets related to investments held for sale	23.6	0.0
Provisions and other liabilities	−27.9	−49.8
Trade payables	−7.9	0.0
Financial liabilities	−4.8	0.0
Deferred tax liabilities	−20.1	−22.7
Liabilities related to investments held for sale	−5.3	0.0
Net assets	**76.2**	**60.2**
Acquisition cost	163.0	181.9
Thereof paid	141.2	86.2

The amounts from the purchases of shares in consolidated subsidiaries and business units less cash and cash equivalents acquired which are reported in the cash flow statement mainly related to the acquisitions of Concept Multimédia and Universum (see note (2c)) and, 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 € 20.7 million (PY: € 120.0 million); see note (33)).

The purchases of investments in non-current financial assets mainly related to purchase prices paid in connection with the acquisition of our stake in Purplebricks Group plc in the amount of € 153.7 million in the reporting period (see note (2c) and (6a)).

The following table provides details of sales proceeds, paid up amounts, and disposed assets and liabilities arising from transactions with loss of control:

€ millions	2018	2017
Goodwill	185.6	1.7
Other intangible assets	125.5	0.8
Property, plant and equipment and non-current financial assets	11.0	0.1
Trade receivables	32.7	3.6
Other assets	23.2	0.7
Cash and cash equivalents	74.2	0.4
Assets related to investments held for sale	23.6	0.0
Provisions and other liabilities	−76.2	−5.1
Deferred tax liabilities	−29.8	−0.3
Liabilities related to investments held for sale	−5.3	0.0
Disposal net assets	**364.5**	**1.9**
Selling prices	360.8	6.4
Thereof paid-up	358.2	5.6

In the reporting period, the proceeds from disposals (after taxes) comprised in particular the purchase prices paid for the sale of the aufeminin Group in the amount of € 291.5 million, as well as for the sale of our newspaper and magazine portfolio including the associated online offers in Slovakia in the amount of € 57.9 million (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 previous year 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 building in Berlin see note (5) and note (39).

The proceeds from the disposal of non-current financial assets mainly related to the purchase price paid in connection with the sale of our investment in Doğan TV in the amount of € 160.0 million (see note (6b)).

In the prior year, in the line purchase of non-controlling interests primarily the payment for the exercise of the option to acquire the 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. As a result of the application of IFRS 16, beginning at the start of the current financial year, the cash-effective repayment portion for the settlement of lease liabilities is included in the cash flow from financing activities and therefore changes the current and non-current financial liabilities (see note (3o)).

In the reporting period the cash outflows from other financial transactions (PY: cash inflows) resulted primarily from other non-current loans and correspond to the change in the statement of financial positions within other non-current financial liabilities.

Regarding cash outflows with respect to discontinued operations in the previous year, 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. The reporting format is broken down into the three operating segments, those being News Media, Marketing Media, and Classifieds Media. 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 (incl. the portal Logic-Immo acquired in 2018), Immoweb, Immowelt/Immonet, the job portals of the StepStone Group (including the portals of Totaljobs, Jobsite and Saongroup, the regional portal meinestadt.de, and since 2018 the employer-branding specialist Universum), 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. Furthermore the TV-news channel WELT (previously N24) is part of WELT Group.

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. Beyond that, the segment includes the news aggregator upday and the European joint venture together with Politico.

The Marketing Media segment comprises 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 (incl. ShareASale.com), as well as the reach-based marketing offers of Idealo, finanzen.net and Bonial. The aufeminin Group was part of the Marketing Media segment until April 30, 2018, as well, before being sold at the end of April 2018 (see note (2c)).

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 share-based incentive plan (LTIP). 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:

	2018				2017			
€ millions	**Classifieds Media**	**News Media**	**Marketing Media**	**Services/ Holding**	**Classifieds Media**	**News Media**	**Marketing Media**	**Services/ Holding**
Effects from acquisitions of subsidiaries and investments	−2.7	−7.2	0.0	0.0	−2.4	−10.9	−1.3	0.0
Subsequent valuation of contingent purchase price liabilities and other option liabilities for the acquisition of non-controlling interests	−5.0	−0.6	−1.8	0.0	−15.1	−2.6	52.7	0.0
Effects from initiated and finalized disposals of subsidiaries, investments and real estate	−4.1	−0.7	47.0	32.2	0.4	−12.4	0.7	183.7
Impairments and write-ups on investments	−83.7	−4.1	12.2	−1.3	0.0	−40.3	−15.3	0.0
Long-term share-based incentive plan (LTIP)	0.0	0.0	0.0	7.2	0.0	0.0	0.0	−20.2
Non-recurring effects	**−95.4**	**−12.6**	**57.3**	**38.2**	**−17.2**	**−66.2**	**36.8**	**163.5**

The effects from acquisitions of subsidiaries and investments are primarily attributable to the News Media segment, mainly resulting as in the previous year from effects of purchase price allocations in connection with the establishment of Ringier Axel Springer Schweiz AG.

In the previous year, 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).

The effects from initiated and finalized disposals of subsidiaries, investments and real estate are mainly attributable to the disposal of our shares in the aufeminin Group (Marketing Media; see note (2c)) as well as the transfer of the Axel Springer high-rise (main building) in Berlin to the Axel Springer Pensionstreuhand e.V. (Services/Holding; see note (5)). In the previous year, the effects related primarily to the sale of the Axel-Springer-Passage in Berlin (Services/Holding, see note (5)).

In the reporting period the impairment and write-ups of investments related primarily to Purplebricks Group plc (Classifieds Media). In the previous year the effects mainly related to Ringier Axel Springer Schweiz AG (News Media); for both effects see note (6a).

For the long-term share-based incentive plan (LTIP) see further explanations in note (11).

The reconciliation of the income from investments disclosed in the income statement as well as the impairments are shown below:

€ millions	**2018**	**2017**
Income from investments included in adjusted EBITDA	15.5	16.0
Non-recurring effects included in result from investments accounted for using the equity method	–97.4	–51.1
Non-recurring effects included in other investment income	19.7	–4.0
Income from investments	**–62.2**	**–39.0**
Depreciation, amortization, impairments, and write-ups (except from non-recurring effects and purchase price allocations)	–210.1	–141.9
Amortization and impairments from purchase price allocations	–137.8	–94.2
Depreciation, amortization, and impairments	**–347.9**	**–236.1**

For the impairment losses in goodwill in the amortization and impairments from purchase price allocations in the reporting period see note (4).

The non-current segment assets include goodwill, intangible assets, property, plant and equipment. The largest share of non-current segment assets of the other countries is attributable to France in the amount of € 965.9 million (PY: € 838.6 million) and the USA in the amount of € 726.6 million (PY: € 668.0 million).

The largest share of revenues of the other countries is attributable to France in the amount of € 324.7 million (PY: € 282.4 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 (€ 704.5 million) and also avail ourselves of our long-term credit lines (€ 1,500.0 million), both for general business purposes as well as to finance acquisitions.

In May 2018, we adjusted the financing conditions for our credit lines and, in this context, reduced the average interest rate, extended the term and increased the financing volume. Thus, we were able to avail ourselves of long-term credit lines in the amount of € 1,500.0 million (previously € 1,200.0 million), of which its utilizations will be due for repayment in July 2023 (previously 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.

In addition, there existed promissory notes totaling € 704.5 million as of December 31, 2018, whose financing conditions were optimized in the prior year by partial termination, conversion and re-issuance. The promissory note run until October 2020 (€ 69.0 million), May 2021 (€ 11.5 million), May 2022 (€ 158.0 million), May 2023 (€ 72.0 million), and May 2024 (€ 394.0 million).

Furthermore, for interest-optimizing satisfaction of short-term capital requirements, we are able – starting in the reporting year – to issue certain forms of short-term bearer bonds (commercial paper program) with a maximum volume of € 750.0 million. As of the reporting date, no commercial paper had been issued.

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 18, 2018. 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 carrying amounts of the items in the statement of financial positions as of December 31, 2018, comprising financial assets and liabilities can be attributed to the measurement categories according to IFRS 9 as follows (see note (3o)):

		Valuation categories according to IFRS 9		
€ millions	**Carrying amount as of 12/31/2018**	**At fair value through profit or loss**	**At amortized cost**	**No valuation categories according to IFRS 9 and non-financial assets and liabilities**
ASSETS				
Investments	212.4	212.4		
Loans	28.2	1.9	26.4	
Other non-current financial assets	240.6	214.3	26.4	
Trade receivables	782.9		782.9	
Receivables due from related parties	22.9		22.9	
Other assets	118.9		53.2	65.7
Cash and cash equivalents	281.5		281.5	
EQUITY AND LIABILITIES				
Financial liabilities	1,530.8		1,151.1	379.6
Trade payables	511.8		511.8	
Liabilities due to related parties	35.5		35.5	
Contingent consideration	51.3	51.3		
Remaining other non-financial assets	553.5	0.3	58.5	494.7
Other liabilities	604.8	51.5	58.5	494.7

A designation of financial assets and financial liabilities as measured at fair value through profit or loss was not made.

The carrying amounts of the items in the statement of financial positions as of December 31, 2017, comprising financial assets and liabilities can be attributed to the measurement categories according to IAS 39 as follows:

€ millions	Carrying amount as of 12/31/2017	Loans and receivables	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 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

The following table presents the applied valuation hierarchy for financial assets and liabilities, which are not measure at amortized cost (see note (3f)):

€ millions	12/31/2018 Fair value based on market price (level 1)	12/31/2018 Fair value based on observable market data (level 2)	12/31/2018 Fair value not based on observable market data (level 3)	12/31/2017 Fair value based on market price (level 1)	12/31/2017 Fair value based on observable market data (level 2)	12/31/2017 Fair value not based on observable input factors (level 3)
Investments (PY: Other non-current investments and securities)			212.4			103.7
Loans			1.9			0.0
Derivatives not designated as a hedging instrument (positive fair value) (see note (35))			0.0			155.3
Derivatives designated as a hedging instrument (negative fair value) as part of other liabilities		0.3			0.4	
Contingent consideration			51.3			80.6

The development of investments (PY: other non-current investments and securities) related to the reclassification in connection with the initial application of IFRS 9 as of January 1, 2018, of € 60.2 million (see note (3o)), additions of € 34.6 million (PY: € 21.1 million) and disposals of € 0.6 million (PY: € 5.6 million) as well as fair value changes from the valuation affecting profit or loss recognized in other investment income of € 14.5 million (PY: € -0.6 million). In the prior year, fair value changes recognized directly in equity amounted to € -17.8 million.

Loans receivables mainly related to a loan granted in the reporting period with a conversion right into shares in the company.

In the reporting year, the fair values of liabilities for contingent considerations from business combinations developed as follows:

€ millions	2018	2017	Thereof Immoweb	Thereof Bonial Holding	Thereof Awin	Thereof Onet
January 1	80.6	309.3	67.4	54.2	63.1	41.9
Acquisitions or granting of option rights	0.9	13.2				
Payment	−28.9	−187.0	−52.8		−62.4	−43.8
Subsequent valuation affecting net income	−1.7	−43.9	3.4	−50.0	−1.1	2.0
Thereof other operating income	−5.7	−56.6		−50.0	−1.1	
Thereof other operating expenses	4.0	12.6	3.4			2.0
Compound	0.6	2.0	0.2	0.1	0.4	
Other	−0.3	−13.0				
December 31	**51.3**	**80.6**	**18.2**	**4.3**	**0.0**	**0.0**

Contingent considerations as of December 31, 2018, mainly related to the option liability for the acquisition of non-controlling interests in Immoweb. The payments include an amount of € 8.2 million, which had been paid to a notary trust account in the prior year. In addition, in the reporting period, other operating expenses of € 4.0 million from the subsequent valuation from contingent considerations in connection with assets held for sale and related liabilities have been recognized (see note (9)).

In the prior year, other effects mainly related to the reclassification of contingent considerations into liabilities related to assets held for sale (see note (9)). The subsequent valuation of the contingent consideration for the acquisition of non-controlling interests of the Bonial Holding in the prior year is connected to the closing of the business in the USA and the associated adjustment of the medium-term planning of the entity.

The fair value measurement of contingent considerations 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 18 %. A decrease of the relevant earnings measures by 10 % would result in a reduction of approximately 6 %.

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	12/31/2018 Carrying amount	12/31/2018 Fair value	12/31/2017 Carrying amount	12/31/2017 Fair value
Financial liabilities	620.4	627.4	793.3	804.1
Thereof promissory note	620.4	627.4	793.3	804.1

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 (3f)).

The net gains and losses of financial instruments (excluding interest, income from investments and results from the currency translation) recognized in profit or loss are presented in the following table:

€ millions	2018
Financial assets and liabilities at fair value through profit or loss	16.5
Financial assets at amortized cost	–14.4
Financial liabilities at amortized cost	–1.9

The net gains and losses in the category of "financial assets and liabilities measured at fair value through profit or loss" resulted mainly from the revaluation of other investments and gains from the disposal of other investments.

The net gains and losses in the category of "financial assets at amortized cost" are mainly valuation effects for trade receivables and other assets resulting from the new impairment model according to IFRS 9 (see note (3o)).

The net gains and losses in the category of "financial liabilities at amortized cost" related to effects of the subsequent valuation of contingent considerations.

In the prior year, net gains and losses of financial instruments (excluding interest, income from investments and results from the currency translation) were the following:

€ millions	2017
Loans and receivables, financial liabilities	– 6.4
Available-for-sale financial assets	– 4.5
Financial assets and liabilities held for trading	4.7

The net gains and losses in the categories of "loans and receivables" and "financial liabilities" consisted mainly of valuation allowances.

The net gains or losses of "available-for-sale financial assets" consisted mainly of impairment losses of other investments.

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 from other financial derivatives.

In the fiscal year 2017, fair value changes of € -17.8 million 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 59.9 % (PY: 49.0 %).

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 € 1.0 million (PY: € 0.9 million). Assuming a parallel shift of the interest curve by -50 basis points, the financial result would increase by € 0.4 million (PY: € 0.4 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 22 % (PY: 22 %).

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 € 1,500.0 million (until 2023) as well as by the promissory notes (€ 704.5 million). Note (16) 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. Significant risk items are contained in non-current financial assets (loan receivables) as well as in trade receivables, receivables due from related parties, and other assets. The maximum exposure to risk from financial assets, which are fundamentally subject to credit risk, correspond to their carrying amounts. Collateral for related receivables and repayment claims usually does not exist.

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.

Credit risks are taken into account in the statement of financial positions through appropriate allowances (see note (3f)).

Investments in securities are mainly 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 not designated as hedging instruments

In May 2018, we sold our remaining share of approximately 7 % in Doğan TV to Doğan Holding for a total purchase price of € 160 million through exercise of the put options. With regard to the accounting of this hedging agreement, see note (6b). From the valuation of these put options we recognized gains of € 3.7 million (PY: € 6.4 million) in the financial result in the reporting period until the date of disposal. Besides the agreed fixed price secured by bank guarantees, the valuation of the derivatives depended in particular on the discounting of the future payment entitlements. A supposed variation of the interest rate by 25 basis points would have led in the prior year to an opposite change of the fair value of the put options by approximately € 1.1 million.

(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. Since the end of November 2018, the group is directly controlled by Dr. h. c. Friede Springer. Previously the group was controlled by Axel Springer Gesellschaft für Publizistik GmbH & Co or its parent company, Friede Springer GmbH & Co. KG, of which a majority was attributable to Dr. h. c. Friede Springer. Accordingly, Dr. h. c. Friede Springer and her immediate family, the companies controlled, jointly managed, or that are 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. Furthermore, the subsidiaries, joint ventures, and associated companies of the Axel Springer Group are defined as related parties. 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 investments, the Axel Springer Pensionstreuhand e.V., which manages the plan assets of the Axel Springer Group, are also considered related parties.

Besides the business relationships with consolidated subsidiaries, the following business relationships with related parties existed:

€ millions	Total	Associated companies	Other related parties	Total	Associated companies	Other related parties
Balance sheet	12/31/2018			12/31/2017		
Loans	2.0	0.2	1.8	0.7	0.1	0.6
Receivables	22.9	20.4	2.5	29.3	27.0	2.2
Thereof trade	2.5	1.3	1.2	3.4	2.5	0.9
Allowances included	0.6	0.0	0.6	1.2	0.0	1.2
Provisions	20.0	0.0	20.0	17.5	0.0	17.5
Liabilities	35.5	13.0	22.5	64.3	12.0	52.2
Thereof trade	2.8	1.2	1.6	3.7	0.9	2.8
Income statement	2018			2017		
Goods and services supplied	5.9	4.5	1.4	19.2	16.7	2.5
Goods and services received	26.4	1.5	24.9	78.3	2.5	75.9
Financial result	0.1	0.0	0.1	0.1	0.1	0.1

The changes in the allowances for receivables due from related parties are presented in the table below:

€ millions	2018	2017
Balance as of January 1	1.2	18.3
Additions	–0.9	0.2
Utilization	–0.5	–17.0
Reversals	0.2	–0.4
Other changes	0.6	0.0
Balance as of December 31	**0.6**	**1.2**

Receivables due from related parties in the amount of € 0.5 million (PY: € 17.0 million) have been written off and derecognized (utilizations).

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 foundation of the company in 2016.

The provisions refer to pension obligations owed to members of the Executive Board. The liabilities due from related parties include obligations from the share-based compensation pro-grams granted to the Executive Board of Axel Springer SE in the amount of € 14.6 million (PY: € 41.6 million).

Goods and services provided to related parties were mostly related to other services, and in the previous year also concerned the distribution of newspapers and magazines. The services received from related parties mainly included Executive Board or Supervisory Board services and other services.

In the financial year 2018, the fixed compensation of the members of the Executive Board of Axel Springer SE amounted to € 10.1 million (PY: € 9.5 million). The variable compensation amounted to € 11.3 million (PY: € 10.2 million). The measurement of the share-based compensation granted to the Executive Board of Axel Springer SE resulted in personnel expenses of € 1.1 million and other operating income of € 11.4 million (PY:

personnel expenses of € 35.1 million; see note (11)). In the previous year, 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 86). Guaranteed pension payments to members of the Executive Board resulted in a personnel expense of € 1.4 million (PY: € 1.6 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 approximately 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 has received a compensation of USD 0.4 million (€ 0.3 million) in the reporting period (PY: USD 0.1 million (€ 0.1 million)). In addition, we have granted the related party of a Supervisory Board member a loan of € 1.5 million in the reporting period. The granting of the loan includes a conversion right into shares in the company. The company develops future mobility concepts.

The compensation of the members of the Executive and Supervisory Board of the Axel Springer SE 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: € 2.5 million) was paid to former Executive Board members and former managing directors and their survivors. A total amount of € 31.0 million (PY: € 31.4 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 (5) and note (12).

(37) Contingent liabilities

As of December 31, 2018, contingent liabilities from guarantees existed in the amount of € 1.8 million (PY: € 4.3 million).

(38) Contigent assets

No contingent assets existed as of December 31, 2018. In the previous year, contingent assets were due from KirchMedia GmbH & Co KGaA i. L. in the amount of € 211.3 million. The receivables accepted in the table of claims by the insolvency administrator originally totaled € 325.0 million. The insolvency proceedings against KirchMedia GmbH & Co. KGaA i. L. have been completed in the reporting period. A total of € 20.4 million (PY: € 8.1 million) was terminally paid out.

(39) Other financial commitments

The other financial commitments broke down as follows:

€ millions	**12/31/2018**	**12/31/2017**
Purchase commitments for		
- intangible assets	1.1	1.9
- property, plant and equipment	129.5	193.7
- inventories	55.2	48.9
Future payments from unrecorded leases according to IFRS 16	241.7	-
Future payments from unrecorded leases according to IAS 17	-	479.3
Future payments from unrecorded leases under finance lease according to IAS 17	-	0.3
Long-term purchase obligations	40.5	38.4
Other financial obligations	**468.1**	**762.5**

In Berlin, the construction of the new Axel Springer building in the immediate vicinity of the current publishing building is currently taking place. Up to 3,500 employees will be working on approximately 52,000 m^2 from 2020 onwards. The total construction budget will be approximately € 310 million. As of the balance sheet date, investments amounted to around € 166 million (PY: about € 90 million). The purchase commitments for property, plant and equipment almost exclusively result from this new construction project.

Future lease payments include obligations under short-term leases (€ 0.9 million), leases for low-value assets (€ 1.1 million) and contracts that have already been concluded, but start after the reporting date (€ 239.7 million). This includes the future financial obligation of € 223.4 million for the leaseback of the new building after completion (see note (5)). All other leases are accounted for as liabilities in accordance with IFRS 16, see note (16). In the previous year, there were almost exclusively obligations from operating leases, and the future minimum lease payments broke down as follows:

€ millions	**2017**
Due in up to one year	73.8
Due in one to five years	208.7
Due in more than five years	196.8
Total	**479.3**

Due to extension options not included in the valuation of lease liabilities, potential future cash outflows of € 40.8 million arise. This essentially relates to extension options of up to ten years for the partial lease of the Axel-Springer-Passage in Berlin. It is currently not reasonably certain that these options will be exercised. Therefore, the options are not included in the valuation of the lease liability. Exercising all options in connection with the Axel-Springer-Passage would result in a cash outflow of approximately € 20 million.

Long-term purchase obligations resulted primarily from contracts for TV productions.

(40) 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 Executive 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.

(41) Companies included in the consolidated financial statements and share property

No.	Company	12/31/2018 Share-holding in %	12/31/2018 via No.	12/31/2017 Share-holding in %	12/31/2017 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	23	100.0	23	
4	AS TV-Produktions- und Vertriebsges. mbH, Hamburg	100.0	1	100.0	1	
5	AWIN AG, Berlin	80.0	13	80.0	13	
6	Axel Springer All Media GmbH (previously Axel Springer All Media GmbH & Co. KG), Berlin	100.0	1	100.0	1	5)
7	Axel Springer Asia GmbH, Hamburg	100.0	23	100.0	23	
8	Axel Springer Audio GmbH, Berlin	100.0	1	100.0	1	5)
9	Axel Springer Auto-Verlag GmbH, Hamburg	100.0	1	100.0	1	5)
10	Axel Springer Corporate Solutions GmbH & Co. KG, Berlin	100.0	1	-	-	6)
11	Axel Springer Digital Classifieds GmbH, Berlin	100.0	13	100.0	13	5)
12	Axel Springer Digital Classifieds Holding GmbH, Berlin	100.0	11	100.0	11	5)
13	Axel Springer Digital GmbH, Berlin	100.0	1	100.0	1	5)
14	Axel Springer Digital Ventures GmbH, Berlin	100.0	13	100.0	13	5)
15	Axel Springer Digital Ventures US GmbH, Berlin	100.0	14	100.0	14	
16	Axel Springer Digital Ventures US II GmbH, Berlin	100.0	14	100.0	14	
17	Axel Springer Druckhaus Spandau GmbH & Co. KG, Berlin	100.0	1	100.0	1	6)
18	Axel Springer hy GmbH, Berlin	62.1	14	62.12	14	
19	Axel Springer Ideas Engineering GmbH, Berlin	100.0	38	100.0	38	5)
20	Axel Springer ideAS Ventures GmbH, Berlin	100.0	38	100.0	38	5)
21	Axel Springer INSIDER Ventures GmbH, Berlin	80.1	14	80.1	14	
		19.9	162	19.9	162	
22	Axel Springer International GmbH, Berlin	100.0	1	100.0	1	5)
23	Axel Springer International Holding GmbH, Berlin	100.0	22	100.0	22	5)
24	Axel Springer Kundenservice GmbH, Hamburg	100.0	1	100.0	1	5)
25	Axel Springer Liveware IT GmbH, Berlin	100.0	19	100.0	19	5)
26	Axel Springer Media for Equity GmbH (previously Einhundertzweite "Media" Vermögensverwaltungsgesellschaft mbH), Berlin	100.0	14	100.0	1	5)
27	Axel Springer Mediahouse Berlin GmbH, Berlin	100.0	1	100.0	1	5)
28	Axel Springer Medien Accounting Service GmbH, Berlin	100.0	1	100.0	1	5)
29	Axel Springer Offsetdruckerei Ahrensburg GmbH & Co. KG, Ahrensburg	100.0	1	100.0	1	6)
30	Axel Springer Offsetdruckerei Kettwig GmbH & Co. KG, Essen	100.0	1	100.0	1	6)
31	Axel Springer Personalservice GmbH, Berlin	-	-	100.0	1	
32	Axel Springer Services & Immobilien GmbH, Berlin	100.0	1	100.0	1	5)
33	Axel Springer Sport Dienstleistungs-GmbH, Hamburg	100.0	34	100.0	34	
34	Axel Springer Sport Verlag GmbH, Hamburg	100.0	1	100.0	1	5)
35	Axel Springer Syndication GmbH, Berlin	100.0	38	100.0	38	5)
36	Axel Springer Teaser Ad GmbH, Berlin	100.0	6	100.0	6	
37	Axel Springer TV Productions GmbH, Hamburg	100.0	1	100.0	1	5)
38	"Axel Springer Verlag" Beteiligungsgesellschaft mbH, Berlin	100.0	1	100.0	1	5)
39	B.Z. Ullstein GmbH, Berlin	100.0	38	100.0	38	5)
40	Bilanz Deutschland Wirtschaftsmagazin GmbH, Hamburg	100.0	38	100.0	38	5)
41	BILD GmbH (previously BILD GmbH & Co KG), Berlin	100.0	1	100.0	1	5)
42	Bonial Holding GmbH, Berlin	72.5	13	72.5	13	9)
43	Bonial International GmbH, Berlin	100.0	42	100.0	42	
44	Bonial Management GmbH, Berlin	100.0	42	100.0	42	
45	Buch- und Presse-Großvertrieb Hamburg GmbH & Co. KG, Hamburg	80.5	1	77.1	1	6)
46	Buzz Technologies GmbH, Berlin	51.0	1	51.0	1	
47	Casamundo GmbH, Hamburg	-	-	100.0	95	
48	Commerz-Film GmbH, Berlin	100.0	23	100.0	23	
49	comparado GmbH, Lüneburg	100.0	59	100.0	59	
50	COMPUTER BILD Digital GmbH, Hamburg	100.0	1	100.0	1	5)
51	Contact Impact GmbH, Hamburg	75.1	6	75.1	6	
52	Content Factory TV-Produktion GmbH, Berlin	100.0	92	100.0	92	5)
53	DanCenter GmbH, Hamburg	100.0	146	100.0	146	
54	eprofessional GmbH, Hamburg	100.0	5	100.0	5	

No.	Company	12/31/2018 Share-holding in %	12/31/2018 via No.	12/31/2017 Share-holding in %	12/31/2017 via No.	
55	finanzen.net GmbH, Karlsruhe	75.0	14	75.0	14	10)
56	Fünfundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	12	100.0	1	
57	Gofeminin.de GmbH, Cologne	-	-	100.0	107	
58	Idealo International GmbH, Berlin	100.0	59	100.0	59	
59	Idealo Internet GmbH, Berlin	74.9	13	74.9	13	
60	ImmoSolve GmbH, Bad Bramstedt	100.0	62	100.0	62	
61	Immowelt AG, Nuremberg	100.0	63	100.0	63	
62	Immowelt Hamburg GmbH, Hamburg	100.0	63	100.0	63	
63	Immowelt Holding AG, Nuremberg	55.0	12	55.0	12	
64	infoRoad GmbH, Heroldsberg	80.3	9	60.4	9	9)
65	MAZ & More TV-Produktion GmbH, Berlin	100.0	92	100.0	92	5)
66	Media Impact GmbH & Co. KG, Berlin	74.9	6	74.9	6	6)
67	meinestadt.de GmbH, Cologne	100.0	76	100.0	68	5)
68	meinestadt.de Holding GmbH, Berlin	-	-	100.0	12	
69	meinestadt.de Vertriebs-GmbH, Cologne	100.0	67	100.0	67	5)
70	MeinProspekt GmbH, Berlin	-	-	100.0	43	
71	Newspaper Impact GmbH, Hamburg	100.0	1	100.0	1	5)
72	PACE Paparazzi Catering & Event GmbH, Berlin	100.0	1	100.0	1	5)
73	Panther Holding GmbH, Berlin	100.0	59	100.0	59	
74	Sales Impact GmbH (previously Sales Impact GmbH & Co. KG), Berlin	100.0	1	100.0	1	5)
75	SPRING Axel Springer Digital News Media GmbH & Co. KG, Berlin	100.0	1	100.0	1	6)
76	StepStone Continental Europe GmbH, Berlin	100.0	78	100.0	78	5)
77	StepStone Deutschland GmbH, Düsseldorf	100.0	76	100.0	76	5)
78	StepStone GmbH, Berlin	100.0	12	100.0	12	5)
79	t-bee GmbH, Puchheim	100.0	83	100.0	83	
80	Tourismuszentrum GmbH Mecklenburgische Ostseeküste, Kröpelin	100.0	94	100.0	47	
81	TraderFox GmbH, Reutlingen	50.1	55	50.1	55	
82	Transfermarkt GmbH & Co. KG, Hamburg	51.0	41	51.0	41	6)
83	Traum-Ferienwohnungen GmbH, Bremen	50.0	131	50.0	131	
84	Ullstein Ges. mit beschränkter Haftung, Berlin	100.0	38	100.0	38	5)
85	Umzugsauktion GmbH & Co. KG, Schallstadt	100.0	62	100.0	62	6)
86	upday GmbH & Co. KG, Berlin	100.0	1	100.0	1	6)
87	upday Holding GmbH, Berlin	100.0	86	100.0	86	
88	Vertical Media GmbH, Berlin	88.0	92	88.0	92	9)
89	Visoon Video Impact GmbH & Co. KG, Berlin	51.0	6	51.0	6	6)
90	Visual Meta GmbH, Berlin	96.0	59	75.6	59	
91	WeltN24 Club GmbH, Berlin	100.0	92	100.0	92	
92	WeltN24 GmbH, Berlin	100.0	1	100.0	1	5)
93	YOURCAREERGROUP GmbH, Düsseldorf	100.0	76	100.0	76	5)
	Other countries					
94	@Leisure Holding B.V., Rotterdam, Netherlands	51.0	12	51.0	12	
95	AanZee VillaXL B.V., Bergen, Netherlands	100.0	94	100.0	94	
96	Administrationsselskabet af 1.10.2015 ApS, Copenhagen, Denmark	-	-	100.0	146	
97	Admiral Strand Feriehuse ApS, Nørre Nebel, Denmark	100.0	146	-	-	
98	affilinet Austria GmbH, Vienna, Austria	100.0	5	100.0	2	
99	affilinet Benelux B.V., Amsterdam, Netherlands	100.0	5	100.0	2	
100	affilinet España SLU, Madrid, Spain	100.0	5	100.0	2	
101	affilinet France SAS, Saint-Denis, France	100.0	5	100.0	2	
102	affilinet Limited, London, United Kingdom	100.0	5	100.0	2	15)
103	affilinet Schweiz GmbH, Zurich, Switzerland	100.0	5	100.0	2	
104	alFemminile s.r.l., Milan, Italy	-	-	100.0	107	
105	APM Print d.o.o., Belgrade, Serbia	100.0	197	100.0	197	
106	AS-NYOMDA Kft, Kecskemét, Hungary	100.0	199	100.0	199	
107	AUFEMININ SA, Paris, France	-	-	78.3	23	
108	auFeminin.com Productions SARL, Paris, France	-	-	100.0	107	
109	Autobazar.EU portál s.r.o., Nové Mesto nad Váhom, Slovakia	100.0	227	100.0	227	
110	AWIN AB, Stockholm, Sweden	100.0	5	100.0	5	
111	AWIN B.V., Amsterdam, Netherlands	100.0	5	100.0	5	
112	AWIN Global Affiliate Network S.L., Madrid, Spain	100.0	5	100.0	5	
113	AWIN Inc., Wilmington, USA	100.0	114	100.0	114	

		12/31/2018		12/31/2017		
No.	Company	Share-holding in %	via No.	Share-holding in %	via No.	
114	AWIN Ltd., London, United Kingdom	100.0	5	100.0	5	
115	AWIN SAS, Paris, France	100.0	5	100.0	5	
116	AWIN Sp. z o.o., Warsaw, Poland	100.0	5	100.0	5	
117	AWIN SRL, Milan, Italy	100.0	5	100.0	5	
118	AWIN VEICULAÇÃO DE PUBLICIDADE NA INTERNET LTDA., São Paulo, Brazil	100.0	5	100.0	5	
		0.0	54	0.0	54	7)
119	Axel Springer Beteiligungen Schweiz AG, Zurich, Switzerland	100.0	125	100.0	125	
120	Axel Springer Digital Classifieds France SAS, Paris, France	100.0	12	100.0	12	
121	Axel Springer España S.A., Madrid, Spain	100.0	1	100.0	1	
122	Axel Springer France S.A.S., Paris, France	100.0	1	100.0	1	
123	Axel Springer International AG, Zurich, Switzerland	100.0	124	100.0	124	
124	Axel Springer International Limited, London, United Kingdom	100.0	23	100.0	23	
125	Axel Springer Schweiz AG, Zurich, Switzerland	100.0	124	100.0	1	
126	Axel Springer Services Inc., Wilmington, USA	100.0	14	100.0	14	
127	Belles Demeures S.A.S., Paris, France	100.0	192	100.0	192	
128	Belvilla AG, Zurich, Switzerland	100.0	94	-	-	
129	Belvilla Ferienwohnungen GmbH, Kitzbühel, Austria	50.0	131	50.0	131	11)
130	Belvilla Nederland B.V. (previously Topic Travel B.V.), The Hague, Netherlands	100.0	94	100.0	94	
131	Belvilla Services B.V. (previously @Leisure BR B.V.), Eindhoven, Netherlands	100.0	94	100.0	94	
132	BEMFEMININO.COM.BR, São Paulo, Brazil	-	-	99.9	107	
		-	-	0.1	108	
133	Blikk Kft., Budapest, Hungary	100.0	200	100.0	200	
134	Bonial Enterprises North America Inc., New York, USA	-	-	100.0	42	
135	Bonial SAS, Paris, France	98.0	43	98.0	43	
136	Business Insider Europe Limited, London, United Kingdom	100.0	162	100.0	162	
137	Candidate Manager Ltd, Dublin, Ireland	100.0	207	100.0	207	
138	Candidate Manager (US) Inc, Boston, USA	100.0	137	100.0	137	
139	Car&Boat Media SAS, Paris, France	61.0	12	61.0	12	
		39.0	120	39.0	120	
140	CaribbeanJobs Ltd, George Town, Cayman Islands	100.0	207	100.0	207	
141	City-Nav Sp. z o.o., Poznan, Poland	69.3	202	69.3	202	
142	Concept Multimédia SAS, Aix-en-Provence, France	100.0	120	-	-	
143	Coral-Tell Ltd., Tel Aviv, Israel	100.0	12	100.0	12	
144	CV Keskus OÜ, Tallinn, Estonia	100.0	200	100.0	200	
145	Cybersearch S.A., Guatemala City, Guatemala	100.0	220	100.0	220	
		0.0	207	0.0	207	7)
146	DanCenter A/S, Copenhagen, Denmark	100.0	94	100.0	94	
147	DanCenter EDB Service ApS, Copenhagen, Denmark	100.0	146	100.0	146	
148	DreamLab sp. z o.o., Krakow, Poland	-	-	100.0	188	
149	eMarketer Europe Ltd., London, United Kingdom	100.0	150	100.0	150	
150	eMarketer Inc., New York, USA	95.1	14	93.9	14	9)
151	ENFEMENINO AUFEMININ S.A, Madrid, Spain	-	-	100.0	107	
152	Estascontratadocom S.A., Panama City, Panama	100.0	220	100.0	220	
153	Etoilecasting.com SAS, Paris, France	-	-	100.0	107	
154	Gambettes Box SAS, Paris, France	-	-	100.0	177	
155	Garantie System SAS, Paris, France	100.0	139	100.0	139	
156	G-Construct SA, Brussels, Belgium	100.0	161	100.0	161	
157	GoBrands Sp. z o.o., Krakow, Poland	-	-	100.0	188	
158	Good & Co Labs, Inc., San Francisco, USA	100.0	78	100.0	78	
159	ICI Formations SAS, Paris, France	100.0	213	100.0	213	
160	ictjob SPRL, Waterloo, Belgium	99.0	76	99.0	76	
		1.0	214	1.0	214	
161	Immoweb SA, Brussels, Belgium	94.5	120	94.5	120	9)
162	Insider Inc. (previously Business Insider Inc.), New York, USA	100.0	14	100.0	14	
163	Interactive Junction Holdings Proprietary Limited, Rosebank/Johannesburg, South Africa	100.0	190	100.0	190	
164	Jobmagnet Limited, London, United Kingdom	100.0	78	100.0	78	
165	Jobs LU Ltd, Dublin, Ireland	100.0	207	100.0	207	
166	Jobs.ie Ltd, Dublin, Ireland	100.0	207	100.0	207	
167	Jobsite UK (Worldwide) Limited, London, United Kingdom	100.0	218	100.0	218	
168	Les Rencontres aufeminin.com SAS, Paris, France	-	-	100.0	107	

No.	Company	12/31/2018 Share-holding in %	via No.	12/31/2017 Share-holding in %	via No.	
169	Livingly Media, Inc., San Carlos, USA	-	-	100.0	107	
170	Maritimo 101 SL, Malaga, Spain	-	-	100.0	146	
171	Marmiton SAS, Paris, France	-	-	100.0	107	
172	Media Impact Polska Sp. z o.o., Warsaw, Poland	-	-	50.0	188	
		-	-	50.0	201	
173	Merci Alfred S.A.S., Paris, France	-	-	100.0	107	
174	Milkround Online Ltd., London, United Kingdom	-	-	100.0	224	
175	My Little Box KK, Tokyo, Japan	-	-	100.0	177	
176	My Little Campus SAS, Paris, France	-	-	100.0	177	
177	My Little Paris S.A.S., Paris, France	-	-	91.7	107	9)
178	My Web Ltd, Ebene, Mauritius	100.0	190	100.0	190	
179	NARKS INFOSERVIS, a.s., Bratislava, Slovakia	100.0	227	100.0	227	
180	Netmums Limited, London, United Kingdom	-	-	100.0	107	
181	New Digital d.o.o. Belgrade, Belgrade, Serbia	100.0	197	100.0	197	
182	NIJobs.com Ltd, Belfast, United Kingdom	100.0	207	100.0	207	
183	NIN d.o.o., Belgrade, Serbia	99.7	197	99.7	197	
184	Ofertia Colombia Retail Services SAS, Bogotá, Columbia	100.0	211	100.0	211	
185	OfertiaCL Retail Services SpA, Santiago de Chile, Chile	100.0	211	100.0	211	
186	OFERTIAMX RETAIL SERVICES, S. de R.L. de C.V., Mexico City, Mexico	100.0	211	100.0	211	
187	OnetMarketing Sp. z o.o., Krakow, Poland	-	-	100.0	188	
188	Onet.S.A., Krakow, Poland	-	-	100.0	202	
189	Opineo Sp. z o.o., Wroclaw, Poland	-	-	100.0	202	
190	Pnet (Pty) Ltd, Johannesburg, South Africa	100.0	207	100.0	207	
191	Praxis SARL, Chambéry, France	100.0	192	100.0	192	
192	PressImmo On Line S.A.S., Paris, France	100.0	196	100.0	196	
193	profession.hu Kft, Budapest, Hungary	100.0	200	100.0	200	
194	RealSoft s.r.o., Nové Mesto nad Váhom, Slovakia	50.0	227	50.0	227	
		50.0	223	50.0	223	
195	Residence de Monbrison A/S, Copenhagen, Denmark	73.2	146	73.2	146	
196	SeLoger.com SAS, Paris, France	100.0	120	100.0	120	
197	Ringier Axel Springer d.o.o., Belgrade, Serbia	100.0	200	100.0	200	
198	Ringier Axel Springer Inwestycje Sp. z o.o., Warsaw, Poland	-	-	99.0	201	
199	Ringier Axel Springer Magyarország Kft, Budapest, Hungary	100.0	200	100.0	200	
200	Ringier Axel Springer Media AG, Zurich, Switzerland	50.0	124	50.0	124	3)
201	Ringier Axel Springer Polska Sp. z o.o., Warsaw, Poland	-	-	100.0	200	
202	Ringier Axel Springer Polska Sp. z.o.o. (previously ONET Holding Sp. z.o.o.), Warsaw, Poland	100.0	200	100.0	200	
203	Ringier Axel Springer SK, a.s., Bratislava, Slovakia	87.5	200	-	-	
204	Ringier Axel Springer Slovakia a.s., Bratislava, Slovakia	-	-	89.0	200	
205	Rodacom SARL, Grenoble, France	100.0	142	-	-	
206	Saknai Net Ltd., Tel Aviv, Israel	100.0	143	70.0	143	9)
207	Saongroup Limited, Dublin, Ireland	100.0	218	100.0	218	12)
208	ShareASale.com Inc., Chicago, USA	100.0	113	100.0	113	
209	Skapiec Sp. z o.o., Wroclaw, Poland	-	-	100.0	202	
210	soFeminine.co.uk Limited, London, United Kingdom	-	-	100.0	107	
211	SOKOWEB TECHNOLOGIES, S.L., Barcelona, Spain	70.0	43	70.0	43	9)
212	SPORT.SK s.r.o., Zilina, Slovakia	66.7	203	66.7	204	
213	StepStone France SAS, Paris, France	100.0	76	100.0	76	
214	StepStone NV, Brussels, Belgium	100.0	76	100.0	76	
		0.0	215	0.0	215	7)
215	StepStone Österreich GmbH, Vienna, Austria	100.0	77	100.0	77	
216	StepStone.pl Sp. z o.o., Warsaw, Poland	100.0	200	-	-	
217	StepStone Services Sp. z o.o., Warsaw, Poland	100.0	76	100.0	76	
218	StepStone UK Holding Limited, London, United Kingdom	100.0	78	100.0	78	
219	Tecoloco El Salvador S.A. de C.V., San Salvador, El Salvador	100.0	220	100.0	220	
		0.0	207	0.0	207	7)
220	Tecoloco International Inc, Panama City, Panama	100.0	207	100.0	207	
221	Tecoloco S.A. de C.V. Honduras, Tegucigalpa, Honduras	99.6	220	99.6	220	
		0.4	207	0.4	207	
222	Tecoloco.com S.A. de C.V. Nicaragua, Managua, Nicaragua	95.0	220	95.0	220	
		3.0	219	3.0	219	
		2.0	145	2.0	145	

No.	Company	12/31/2018 Share-holding in %	12/31/2018 via No.	12/31/2017 Share-holding in %	12/31/2017 via No.	
223	Topreality.sk s.r.o., Nové Mesto nad Váhom, Slovakia	100.0	227	100.0	227	
224	Totaljobs Group Limited, London, United Kingdom	100.0	218	100.0	218	
225	Turijobs México S DE RL DE CV, Mexico City, Mexico	100.0	220	85.0	226	
		0.0	207	15.0	76	7)
226	Turijobs Tourism Services S.L., Barcelona, Spain	100.0	76	100.0	76	
227	United Classifieds s.r.o., Bratislava, Slovakia	60.0	203	60.0	204	
228	Universum Business Consulting Shanghai Co. Ltd, Shanghai, China	100.0	236	-	-	
229	Universum Communications Holding Inc., New York, USA	100.0	236	-	-	
230	Universum Communications Inc., New York, USA	100.0	229	-	-	
231	Universum Communications Ltd, London, United Kingdom	100.0	236	-	-	
232	Universum Communications Norway AS, Oslo, Norway	100.0	236	-	-	
233	Universum Communications Pte Ltd, Singapore, Singapore	100.0	236	-	-	
234	Universum Communications SA (PTY) Ltd, Johannesburg, South Africa	100.0	236	-	-	
235	Universum Communications SARL, Paris, France	100.0	236	-	-	
236	Universum Communications Sweden AB, Stockholm, Sweden	100.0	78	-	-	
237	Universum Communications Switzerland AG, Basel, Switzerland	100.0	236	-	-	
238	upday France SARL, Paris, France	100.0	87	100.0	87	
239	upday Italia S.r.l., Milan, Italy	100.0	87	100.0	87	
240	upday Nederlands B.V., Amsterdam, Netherlands	100.0	87	100.0	87	
241	upday Nordics AB, Stockholm, Sweden	100.0	87	100.0	87	
242	upday Polska Sp. z o.o. Sp.k., Warsaw, Poland	100.0	87	100.0	87	
243	upday UK Ltd., London, United Kingdom	100.0	87	100.0	87	
244	WEBIMM SAS, Paris, France	65.0	196	65.0	196	
245	wewomen.com Inc., Wilmington, USA	-	-	100.0	107	
246	YOURCAREERGROUP Austria GmbH, Vienna, Austria	100.0	76	100.0	76	
247	YOURCAREERGROUP Schweiz GmbH, Kloten, Switzerland	100.0	76	100.0	76	

No.	Company	12/31/2018 Share-holding in %	12/31/2018 via No.	
	Other subsidiaries[1]			
	Germany			
248	Achtundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	
249	Achtundsiebzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	
250	AS Buchversand GmbH, Munich	100.0	38	
251	Axel Springer Corporate Solutions Verwaltungs-GmbH (previously Einhundertdritte "Media" Vermögensverwaltungsges., mbH), Berlin	100.0	1	
252	Axel Springer Financial Media GmbH, Munich	100.0	1	
253	Axel Springer Porsche Management GmbH (previously Neunundneunzigste "Media" Vermögensverwaltungsges.mbH), Berlin	50.0	14	
254	Axel Springer Print Management GmbH, Ahrensburg	100.0	1	
255	Axel Springer Security GmbH, Berlin	100.0	1	
256	Bonial Ventures GmbH, Berlin	74.9	1	
257	CEO Event GmbH, Berlin	100.0	88	
258	Dreiundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	
259	Dreizehnte "Media" Vermögensverwaltungsges. mbH, Hamburg	100.0	1	
260	Einhundertachte "Media" Vermögensverwaltungsgesellschaft mbH, Berlin	100.0	1	
261	Einhunderterste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	
262	Einhundertfünfte "Media" Vermögensverwaltungsgesellschaft mbH, Berlin	100.0	1	
263	Einhundertsechste "Media" Vermögensverwaltungsgesellschaft mbH, Berlin	100.0	1	
264	Einhundertste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	
265	Einhundertvierte "Media" Vermögensverwaltungsgesellschaft mbH, Berlin	100.0	1	
266	Einundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	
267	Finanzen Corporate Publishing GmbH, Berlin	100.0	1	
268	Fünfundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	
269	Fünfundsiebzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	38	
270	Hammerich & Lesser Zeitschriften- und Buchverlag GmbH, Hamburg	100.0	1	
271	Hauptstadtsee 809. VV GmbH, Berlin	100.0	1	
272	Informationsmedien Handels GmbH, Hamburg	100.0	1	
273	kinkaa GbR, Berlin	50.0	59	
		50.0	73	
274	Media Impact Management GmbH, Berlin	74.9	6	

No.	Company	12/31/2018 Share-holding in %	via No.	
275	meinestadt.de Vermögensverwaltungsgesellschaft mbH, Cologne	100.0	67	
276	myPass GmbH, Berlin	100.0	1	
277	Room 49 GmbH, Berlin	100.0	20	
278	Scubia GbR, Berlin	50.0	59	
		50.0	73	
279	Shop Now GmbH i.L., Berlin	90.0	20	
280	Siebenundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	
281	SPRING Axel Springer Digital News Media Management GmbH, Berlin	100.0	1	
282	Tarif24 GmbH, Berlin	100.0	59	
283	TOPS Online Publications GbR, Lüneburg	90.0	49	
		10.0	59	
284	Transfermarkt Verwaltungs GmbH, Hamburg	51.0	41	
285	Umzugsauktion Verwaltungs GmbH, Schallstadt	100.0	62	
286	upday Management GmbH, Berlin	100.0	1	
287	Varsavsky Axel Springer Management GmbH, Berlin	100.0	14	
288	Vierundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	
289	Visoon Video Impact Management GmbH, Berlin	51.0	6	
290	Zuio GmbH, Berlin	100.0	38	
291	Zweiundsechzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	
	Other countries			
292	Alpha Real spol. s.r.o., Zilina, Slovakia	100.0	203	
293	AUTOVIA, s.r.o., Bratislava, Slovakia	100.0	227	
294	Axel Springer Hírszolgálat Kft, Tatabánya, Hungary	100.0	199	
295	Axel Springer International Group Limited, London, United Kingdom	100.0	1	
296	Axel Springer Media France S.A.R.L., Neuilly-sur-Seine, France	100.0	66	
297	Axel Springer Media Italia s.r.l., Milan, Italy	100.0	66	
298	Axel Springer Norway AS, Oslo, Norway	100.0	124	
299	Axel Springer Publishing International Limited, London, United Kingdom	100.0	294	
300	Axel Springer TV International Limited, London, United Kingdom	100.0	294	
301	Azet.sk – katalóg s.r.o., Zilina, Slovakia	100.0	203	
302	BILD Inc., City of Wilmington, USA	100.0	41	
303	Car Price List Yad2 Ltd., Tel Aviv, Israel	100.0	143	
304	CompuTel Telefonservice AG, Chur, Switzerland	100.0	125	
305	Cpress Media s.r.o., Zilina, Slovakia	100.0	203	
306	Digitalni klik d.o.o., Zagreb, Croatia	60.0	61	
307	ETSBA Ltd., Tel Aviv, Israel	100.0	143	
308	Euro Blic Press d.o.o., Banja Luka, Bosnia and Herzegovina	100.0	197	
309	eurobridge Inc., New York, USA	100.0	1	
310	Flyers 24hs S.A., São Paulo, Brazil	58.3	256	
311	Immostreet ES, Barcelona, Spain	100.0	192	
312	Jean Frey AG, Zurich, Switzerland	100.0	125	
313	Jobcity Ltd., Tel Aviv, Israel	100.0	143	
314	Media Impact Inc., New York, USA	100.0	66	
315	Realty Media House s.r.o., Bratislava, Slovakia	100.0	179	
316	Saongroup Caribbean (Jamaica) Ltd, Kingston, Jamaica	100.0	140	
317	Saongroup Caribbean (Trinidad) Ltd, Port of Spain, Trinidad and Tobago	100.0	140	
318	Saongroup.com India Pvt Ltd, Pune, India	100.0	207	
319	Tecoloco.com S.A. de C.V. Panama, Panama City, Panama	100.0	220	
320	upday Polska Sp. z o.o., Warsaw, Poland	100.0	87	
321	Yad2 Internet Ads Ltd., Haifa, Israel	100.0	143	
322	Yad2Pay Ltd., Tel Aviv, Israel	100.0	143	
323	zanox Schweiz AG i.L., Zurich, Switzerland	100.0	5	
	Associated companies and joint ventures accounted for using the equity method			
	Germany			
324	AS TYFP Media GmbH & Co. KG, Berlin	50.0	1	
325	Axel Springer Plug and Play Accelerator GmbH, Berlin	50.0	14	
326	Axel Springer Porsche GmbH & Co. KG, Berlin	50.0	14	
327	Einhundertsiebte "Media" Vermögensverwaltungsgesellschaft mbH, Berlin	50.0	335	
		50.0	56	
328	Project A Ventures GmbH & Co. KG, Berlin	26.3	13	
329	Radio Hamburg GmbH & Co. KG, Hamburg	35.0	8	
330	Varsavsky Axel Springer GmbH & Co. KG, Berlin	93.3	14	[4]
	Other countries			
331	AC3 SAS, Guipavas, France	40.0	120	
332	Custeed SAS, Arcueil, France	16.2	139	[8]
333	Editions Mondadori Axel Springer (EMAS) S.E.N.C., Montrouge Cedex, France	50.0	122	
334	Ozy Media, Inc., Mountain View, USA	16.8	14	[8]
335	Purplebricks Group plc, Solihull, United Kingdom	12.5	56	[8]
336	QWANT SAS, Paris, France	18.1	14	[8]
337	Ringier Axel Springer Schweiz AG, Zurich, Switzerland	50.0	119	
	Other associated companies and joint ventures[2]			
	Germany			
338	Berliner Pool TV Produktion Gesellschaft mbH, Berlin	50.0	92	
339	Blitz-Tip Radio Hessen Beteiligungsges. mbH & Co. KG, Bad Soden am Taunus	33.3	8	
340	Dalim Software GmbH, Kehl	21.9	1	
341	Filmgarten GmbH, Berlin	42.0	59	
342	Ges. für integr. Kommunikationsforschung mbH & Co. KG, Munich	20.0	1	
343	Ges. für integr. Kommunikationsforschung Verwaltungs GmbH, Munich	20.0	1	
344	Intermedia Standard Presse-Code GmbH, Hamburg	32.0	1	
345	InterRed GmbH, Haiger	24.0	1	
346	ISPC Intermedia Standard Presse-Code GmbH & Co.KG, Hamburg	32.0	1	
347	LAUT AG, Constance	25.0	1	
348	Marina Wendtorf Invest II GmbH & Co. KG, Kiel	49.0	146	
349	Mont Ventoux Media GmbH, Berlin	50.0	37	
350	Project A Management GmbH, Berlin	26.3	13	
351	Project A Services GmbH & Co. KG, Berlin	37.5	13	
352	Qivive GmbH i. L., Bad Homburg	33.3	1	
353	Sparheld International GmbH, Berlin	30.0	59	

No.	Company	12/31/2018 Shareholding in %	via No.	
	Other countries			
354	1plusX AG, Pfäffikon, Switzerland	10.0	6	
355	Asocijacija Privatnih Media, Belgrade, Serbia	20.0	197	
356	BULGARPRESS OOD, Veliko Tarnovo, Bulgaria	25.5	1	
357	EMAS Digital SAS, Montrouge Cedex, France	50.0	122	
358	Inoveo Holding SA, Sugiez, Switzerland	20.0	196	
359	No Fluff Jobs Sp. z o.o., Gdansk, Poland	44.0	200	
360	Polskie Badania Internetu sp. z o.o., Warsaw, Poland	21.3	202	
361	Real Estate Media S.A., Esch-sur-Alzette, Luxembourg	35.0	161	
362	SereniPay SAS, Paris, France	19.4	139	
363	Vooop GmbH, Vienna, Austria	30.0	65	
364	WeCheck Ltd., Ramat Hasharon, Israel	25.0	143	

No.	Other significant investments	12/31/2018 Shareholding in %	via No.	Equity € million [13]	Net Income € million [13]	
	Germany					
365	ANTENNE BAYERN GmbH & Co. KG, Ismaning	16.0	1	-	-	[14]
366	Funk & Fernsehen Nordwestdeutschland GmbH & Co. KG, Hannover	7.6	8	0.2	0.5	
367	RADIO/TELE FFH GmbH & Co. Betriebs-KG, Bad Vilbel	15.0	1	-	-	[14]
368	Verimi GmbH, Berlin	6.5	1	35.7	– 4.5	
	Other countries					
369	Airbnb, Inc., San Francisco, USA	0.1	1	-	-	[14]
370	Group Nine Media, Inc., New York, USA	13.0	14	67.9	– 21.2	
371	Lakestar II LP, Guernsey, Guernsey	5.7	14	170.2	– 14.3	
372	Lamudi Global S.à.r.l., Senningerberg, Luxembourg	10.0	56	47.8	0.3	
373	Lerer Hippeau Ventures IV, LP, New York, USA	1.6	14	101.7	– 1.1	
374	Lerer Hippeau Ventures V, LP, New York, USA	1.8	14	87.8	– 2.3	
375	NeoLotto Limited, Ta' Xbiex, Malta	13.0	1	– 4.3	– 7.1	

[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 % in the reporting year and/or in the previous year.
[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 2017. Values translated into foreign currency using the closing rate as at December 31, 2018.
[14] No statement of equity and profit for the year as the annual financial statements are not published.
[15] Application of the exemption pursuant to Section 479(A) of the UK Companies Act 2006.

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 21, 2019

Axel Springer SE

Dr. Mathias Döpfner

Jan Bayer

Dr. Stephanie Caspar

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, 2018, 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, 2018, 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, 2018. 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, 2018, and of its financial performance for the fiscal year from January 1 to December 31, 2018, 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, 2018. 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 € 2.325 million, which represented approximately 36 % of the balance sheet total, and approximately 81 % 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 (e). 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 2018, the Axel Springer Group recognized total revenues of € 3,181 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, € 1,407 million originate from revenues generated outside of Germany, which represents a share of 44 %.

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 new accounting standard IFRS 15 which defines a five-step process concerning revenue recognition. In this context, we have especially given attention to contracts for which we expected, due to the business model of the company, impacts caused by the new standard. Additionally, 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 2018 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 IFRS 15. We have audited the revenues for the fiscal year 2018 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 effects resulting from the initial application of IFRS 15 “Revenues from Contracts with Customers” see section

(3) chapter (o) "New accounting standards". The explanations concerning the composition of revenues can be found in the notes in section (17) "Revenues".

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board; the executive directors are responsible for the other remaining information. The other remaining information comprise the components of the Management Report which are disclosed in the attachment to the Auditor's Report, further the remaining components of the Annual Report, with exemption of the audited Financial Statements and the Management Report, as well as our Auditor's Report, especially the Responsibility Statement of the executive directors pursuant to Section 297 (2), Sentence 4 HGB, the report of the Supervisory Report pursuant to Section 171 (2) AktG, as well as the paragraphs "Group Key Figures", "Foreword", "Executive Board" and "The Axel Springer Share". Of this other information, we have received a version prior to the issuing of this Auditor's Report.

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 18, 2018. We were engaged by the Supervisory Board on April 18, 2018. 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.

Attachments to the Auditor’s Report:

Components of the Group Management Report which we have not audited with respect to their contents:

- information contained in the “Corporate Governance Report” of the Group Management Report, except for the Compensation Report

Berlin, February 22, 2019

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Ludwig	Mielke
Wirtschaftsprüfer	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, until April 2018)
Dr. h. c. Friede Springer Vice Chairwoman of the Supervisory Board of Axel Springer SE		
William E. Ford (until April 2018) CEO General Atlantic		Authentic Brands Group L.L.C., USA (Board of Directors, until April 2018) Black Rock Inc., USA (Board of Directors, since March 2018) IHS Markit Ltd., United Kingdom (Board of Directors) Oak Hill Advisors, L.P., USA (Partnership Committee, until February 2018) TBG AG, Switzerland (Board of Directors, until April 2018) Tory Burch LLC, USA (Board of Directors)
Oliver Heine Attorney at law and partner in the law firm Kanzlei Heine & Partner		YooApplications AG, Switzerland (Board of Directors, until October 2018)
Dr. Alexander Karp (since April 2018) CEO Palantir Technologies Inc.		The Economist Newspaper Limited, United Kingdom (Board of Directors)
Rudolf Knepper (until April 2018) Entrepreneur		
Iris Knobloch (since April 2018) Président Warner Bros. Entertainment France S.A.S.		Accor S.A., France (Vice Chairwoman of the Board of Directors and Senior Independent Director) Central European Media Enterprises Ltd., Bermuda (Board of Directors, until March 2018) Larzard Ltd., Bermuda (Board of Directors, since April 2018)
Lothar Lanz Member of various Supervisory Boards	Bauwert AG (Vice Chairman) Dermapharm Holding SE Home24 AG (Chairman) TAG Immobilien AG (Vice Chairman) Zalando SE (Chairman)	Kinnevik AB, Schweden (Board of Directors, until May 2018)
Dr. Nicola Leibinger-Kammüller President and Chairwoman of the Managing Board of TRUMPF GmbH + Co. KG	Siemens AG Voith GmbH & Co. KGaA (until March 2018)	Berthold Leibinger Beteiligungen GmbH, Germany (Board of Directors) TRUMPF Schweiz AG, Switzerland (Chairwoman of the Board of Directors)
Prof. Dr.-Ing. Wolfgang Reitzle Entrepreneur	Continental AG (Chairman) Linde AG (Chairman) Medical Park AG (Chairman) Willy Bogner GmbH & Co. KGaA (Chairman, since January 2018)	Ivoclar Vivadent AG, Liechtenstein (Board of Directors) Linde plc, United Kingdom (Chairman of the Board of Directors, since October 2018)
Martin Varsavsky Entrepreneur		

Executive Board

The Executive 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. Mathias Döpfner Chairman and Chief Executive Officer Journalist		Axel Springer Schweiz AG, Switzerland (Chairman of the Board of Directors) eMarketer Inc., USA (Chairman of the Board of Directors) Insider Inc., USA (Chairman of the Board of Directors) Netflix Inc., USA (Board of Directors, since September 2018) Ringier Axel Springer Schweiz AG, Switzerland (Board of Directors) Time Warner Inc., USA (Board of Directors, until June 2018) Vodafone Group Plc., United Kingdom (Board of Directors, until July 2018) Warner Music Group Corp., USA (Board of Directors)
Jan Bayer President News Media International (until December 31, 2018 President News Media) Media scholar		eMarketer Inc., USA (Board of Directors) Insider Inc., USA (Board of Directors) Media Impact GmbH & Co. KG, Germany (Chairman of the Advisory Board) ONET S.A., Poland (Supervisory Board) Ringier Axel Springer Media AG, Switzerland (Vice Chairman of the Board of Directors) Ringier Axel Springer Schweiz AG, Switzerland (Chairman of the Board of Directors) Visoon Video Impact Management GmbH, Germany (Advisory Board, since January 2019)
Dr. Stephanie Caspar President News Media National & Technology (from March 1, 2018 until December 31, 2018 President Technology and Data) Master's Degree in Business Administration		Media Impact GmbH & Co. KG, Germany (Advisory Board) Visoon Video Impact Management GmbH, Germany (Advisory Board, until December 2018)
Dr. Julian Deutz Chief Financial Officer Master's Degree in Business Administration	AWIN AG	Axel Springer Beteiligungen Schweiz AG, Switzerland (Board of Directors) Axel Springer Digital Classifieds France SAS, France (Supervisory Board) Axel Springer International AG, Switzerland (Chairman of the Board of Directors) Axel Springer Schweiz AG, Switzerland (Board of Directors) CompuTel Telefonservice AG, Switzerland (Chairman of the Board of Directors) Doğan TV Holding A.S., Turkey (Supervisory Board, until May 2018) Jean Frey AG, Switzerland (Chairman of the Board of Directors) Ringier Axel Springer Media AG, Switzerland (Board of Directors) SeLoger.com SAS, France (Supervisory Board) StepStone GmbH, Germany (Supervisory Board)
Dr. Andreas Wiele President Classifieds Media (until March 1, 2018 President Classifieds and Marketing Media) Lawyer	AWIN AG (Chairman) 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, until April 2018) Axel Springer Digital Classifieds France SAS, France (Chairman of the Supervisory Board) 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) Homeday GmbH, Germany (Supervisory Board, since December 2018) Immoweb SA, Belgium (Chairman of the Board of Directors) Insider Inc., USA (Board of Directors) Magnolia International AG, Switzerland (Chairman of the Board of Directors) meinestadt.de GmbH, Germany (Chairman of the Supervisory Board, until February 2018) Project A Ventures GmbH & Co. KG, Germany (Advisory Board, since March 2018) Purplebricks Group plc, United Kingdom (Board of Directors, since April 2018) SeLoger.com SAS, France (Chairman of the Supervisory Board) StepStone GmbH, Germany (Chairman of the Supervisory Board)

Financial Calender

March 7, 2019
Annual Report 2018
Annual results press conference, telephone conference for investors and analysts, audio webcast

April 17, 2019
Annual General Meeting
Video webcast of the speech of the CEO

May 7, 2019
Quarterly Statement as of March 31, 2019
Telephone conference, audio webcast

August 14, 2019
Interim Financial Report as of June 30, 2019
Telephone conference, audio webcast

November 6, 2019
Quarterly Statement as of September 30, 2019
Telephone conference, audio webcast

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