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

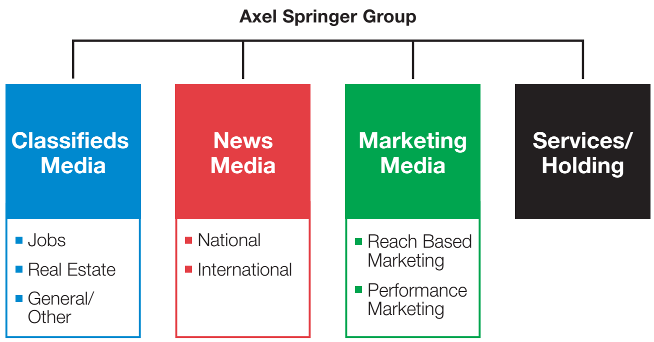
The combined management report for Axel Springer SE and the Group are summarized. The information contained in this combined management report relates to the economic situation and business performance of the Axel Springer Group. These statements are also largely applicable to Axel Springer SE. Additional 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

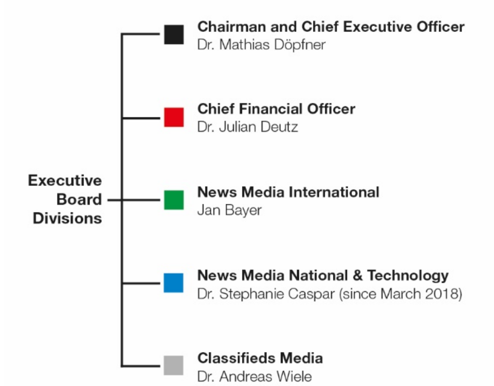
Group services, which also include the three domestic printing plants, as well as the holding functions are reported within the Services/Holding segment. Group services are purchased by in-house customers at standard market prices.

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).

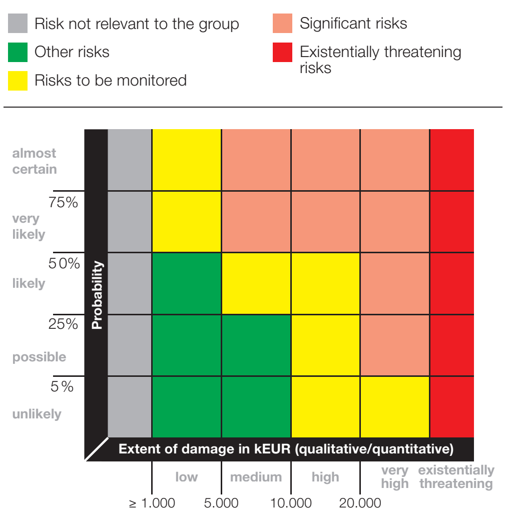
Overall responsibility for an effective risk management lies with the Executive Board of Axel Springer SE, the operational management of the individual risks falls primarily within the area of responsibility of the respective company divisions or holdings of Axel Springer. This includes the early detection, 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.