Summary of business performance and operating results in 2014

The following statements refer exclusively to continuing operations (see page 27).

Axel Springer has had a successful conclusion to the 2014 financial year. The forecast targets published in March 2014 were essentially attained (see page 58).

During the financial year, the **total revenues** generated, worth € 3,037.9 million, were significantly higher (8.4 %) than the prior-year figure of (€ 2,801.4 million). All operating segments contributed to this revenue growth. Adjusted for consolidation and currency effects, total revenues were above the level of the prior-year figure (+ 2.8 %).

The **pro-forma revenues of digital media** activities increased to € 1,705.8 million (PY: € 1,568.6 million), reflecting an organic growth rate of 8.7 %.

EBITDA rose, compared to the previous year, by 11.6 % to € 507.1 million (PY: € 454.3 million). Furthermore, the EBITDA margin also improved to 16.7 % (PY: 16.2 %). The growth of earnings in our Classified Ads and Marketing Models are contrasted with falls in the case of Paid Models and also in the Services/Holding segment. The EBITDA of **digital activities** rose by 29.9 % from € 281.6 million to € 365.8 million.

The **adjusted earnings per share** for continuing operations of € 2.01 was above the prior-year figure of € 1.81.

The Executive Board and Supervisory Board will propose a **dividend** of € 1.80 (PY: € 1.80) per qualifying share at the annual shareholders' meeting to be held on April 14, 2015.

Outlook for 2015

We anticipate in the Group that **total revenues** will be higher for the 2015 financial year than the prior-year figure by an amount in the low to mid single-digit percentage range. We assume that the planned increase in advertising revenues will more than compensate for the fall in circulation revenues and other revenues.

We expect a rise in **EBITDA** in the high single-digit percentage range. In this case a rise in EBITDA in the Classified Ads Models and Services/Holding segments is expected, whilst the EBITDA of Paid Models should finish below the level of the prior year due to planned investments in product quality and also in digitization. For the Marketing Models segment we also, amongst other things, expect EBITDA to be below the level of the prior year due to planned structural adjustments within performance marketing, planned expenditure for increasing competitiveness, and internationalization of digital business models within the field of reach marketing.

For **EBIT** we expect developments to be similar to those for EBITDA.

For the **adjusted earnings per share** we expect, due to a lower proportion of adjusted consolidated net income that is due for minorities, an increase in the low double-digit percentage range compared to the prior-year figure.

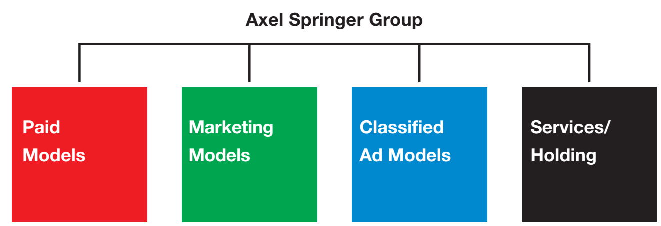
Introductory remarks

The current combined management report for Axel Springer SE and the Group contains statements concerning the economic situation and business performance of the Axel Springer Group. These statements are also largely applicable to the Axel Springer SE. Additional information on the economic situation of the parent company Axel Springer SE is provided in a separate chapter on page 41.

For the sake of better comparability, the operating earnings indicators EBITDA and EBIT have been adjusted for non-recurring effects and amortization and impairments from purchase price allocations (see Section (31) of the notes to the financial statements).

Fundamentals of the Axel Springer Group

Segments



Business model

Axel Springer is a leading publishing company in Europe. Journalism is the foundation of the business model. The broad-based media portfolio includes successfully established brand families such as the BILD Group and the WELT Group. Journalistic content is delivered to Internet users, readers, viewers, and advertising customers via digital, print, and TV channels. The portfolio is divided into Paid Models which are generally used by paying readers, into Marketing Models where revenues are primarily generated by advertising customers and into Classified Ad Models where revenues are primarily generated by job ads, real estate and car ads. The focus is on the digital transformation of the business. Building on its competencies in journalism, technology, and business administration, Axel Springer strives to become the leading digital publisher.

Legal structure, business locations

Axel Springer SE, as the flagship company of the Axel Springer Group, is an exchange-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 in other countries. The consolidated shareholdings of the Group are listed in Section (42) in the notes to the consolidated financial statements.

The Executive Board and Supervisory Board decided in December 2014 to prepare to change Axel Springer SE into a partnership limited by shares (KGaA) (see page 25). A final decision regarding the conversion will be made by the Executive Board and Supervisory Board after the as yet ongoing tax and legal audits are completed. As soon as the audits are complete with the desired results and the necessary preparatory work then the Executive Board and Supervisory Board intend to put the conversion to the vote at the annual shareholders' meeting. A decision is yet to be made regarding the exact point in time.

Segments of the Axel Springer Group

Axel Springer's business activities are organized into three operating segments: Paid Models, Marketing Models, and Classified Ad Models. In addition, there is the Services/Holding segment.

The segment structure reflects the different customer groups and revenue types of an increasingly digital publisher.

Paid Models

The Paid Models segment encompasses all business models that are primarily used by paying readers.

Portfolio and market position

Paid Models are sub-divided into national and international offerings. The principal activities are summarized in the graph below.

Portfolio Paid Models

National	International	
▪ BILD Group ▪ WELT Group	▪ Switzerland ▪ France ▪ Austria	▪ Russia ▪ Spain ▪ Belgium
	Ringier Axel Springer Media	
	▪ Poland ▪ Hungary	▪ Slovakia ▪ Serbia

National Paid Models are mainly offered by the BILD Group and the WELT Group.

The BILD Group comprises the digital media offerings and the newspapers and magazines of the BILD family of brands and B.Z. Bild.de is Germany's largest news and entertainment portal with the widest reach in the country with a digital subscription model. Bild.de is also distributed via mobile channels, with apps for nearly all kinds of smartphones, tablet PCs, and smart TVs, not to mention the mobile portal, once again Germany's most-visited mobile media brand in 2014 ("mobile facts 2014-III" of the Working Group for Online Research (AGOF). Bild.de also offers the products stylebook.de, travelbook.de, BUNDESLIGA bei BILD, and BILD Shop. Autobild.de is the clear leader among automotive portals featuring editorial content in Germany. BILD is Europe's biggest daily newspaper with the widest reach, as well as the unchallenged number one in Germany, with a share of 75.6 % by newsstand sales. (All figures for the German newspapers and magazines are based on paid circulation as per IVW as of December 31, 2014). BILD am SONNTAG is Germany's best-selling nationwide Sunday newspaper, with a share of 61.7 %. B.Z. is Berlin's biggest newspaper. The automotive, computer, and sports media of the BILD brand family make up a magazine and online portfolio built on the core brands of AUTO BILD, COMPUTER BILD, and SPORT BILD. With a share of 55.3 % AUTO BILD continues to be Germany's biggest automotive magazine. It is also the No. 1 automotive magazine in Europe. Furthermore, the magazines COMPUTER BILD and SPORT BILD occupy leading European market positions in their respective segments. Based on paid circulation, their German shares are 40.3 % and 48.2 % respectively.

The WELT Group comprises the digital media offerings and the newspapers and magazines of the WELT family of brands. DIE WELT ONLINE is one of the most successful online/mobile sites in the segment of German premium newspapers. The offering is also available on PC tablets, smartphones and e-readers, and also as a digital subscription model. The DIE WELT iPad app has the strongest turnover of any news app in the German app store. DIE WELT am SONNTAG is the undisputed No.1 title in the nationwide premium newspaper sector. DIE WELT (including WELT KOMPAKT) is the third-biggest premium newspaper in Germany, with a share of 18.5 %, based on paid circulation.

DIE WELT Group, together with N24 satisfied the necessary conditions in 2014 for merging both companies into a multimedia news company under the auspices of the new WeltN24 company as of January 1, 2015. In the future this will be the basis for the development of the Group to become the leading multi-media news organization for quality journalism in German-speaking countries.

Since July 2014 the Gründerszene portal, with its focus on start-ups, the digital economy, and venture capital, has been part of the WELT Group.

Our music magazines ROLLING STONE, MUSIKEXPRESS and METAL HAMMER were also assigned to the Paid Models National segment.

International Paid Models comprise Axel Springer's digital and print activities in western and eastern Europe. In eastern Europe, the joint venture Ringier Axel Springer Media is the leader in the segment of mass-circulation dailies in the countries of Poland, Hungary, Slovakia, and Serbia. Our Hungarian activities were combined with the Hungarian activities of Ringier in the joint venture Ringier Axel Springer Media on November 1, 2014. The media offering currently comprises more than 160 digital and printed products.

We reach 70.6 % of Internet users in Poland through the leading Polish online group Onet. With FAKT as the largest newsstand newspaper and PRZEGLAD SPORTOWY as the country's only national sports daily, the joint venture controls 46.7 % of the market for national dailies (based on paid circulation), making it the biggest newspaper publisher in Poland. Measured in the number of Internet users, the strongest growth was seen in 2014 by our news portal fakt.pl. Onet also owns 80.0 % of shares in Skapiec.pl, the second-largest shopping comparison portal in Poland, and has taken over Opineo.pl, the leading website for product comparisons in Poland. An agreement regarding the acquisition of nk.pl has also been signed. The online platform nk.pl, which was founded in 2006, is one of the leading gaming platforms in Poland and is also one of the most popular social networks in the country. In January 2014 Media Impact Polska, the joint marketing organization for Ringier Axel Springer Poland and Onet, was also founded. Media Impact Polska is the largest marketing organization in the Polish market. The range consists of strong brands and offers clients innovative, integrated advertising solutions.

Above all, Ringier Axel Springer Media's portfolio in Hungary will comprise titles with a strong market position in their respective sectors and with excellent potential for digitization, which predominantly include mass-circulation dailies, including the leader BLIKK, and women's magazines. Ringier Axel Springer Media AG has also signed an agreement regarding the acquisition of Profession.hu, the Hungarian job portal. Profession.hu is the leading job portal with the highest levels of online traffic of all job portals in the country. Finalization of the transaction should take place in the first quarter of 2015 after approval from the Hungarian cartel authorities.

The majority-owned azet.sk is the leading Internet portal in Slovakia, reaching 83.2 % of Internet users in that country. The leadership position in the print business is mainly based on the NOVY CAS family of brands, consisting of two newspapers and four magazines. The mass-circulation daily of the same name is the country's biggest newspaper, with a share of 45.2 %. In total, Ringier Axel Springer Media publishes nine magazines in Slovakia.

In Serbia, Ringier Axel Springer Media is the publisher with the biggest total circulation and reach, with three newspapers and seven magazines and the corresponding web portals. Furthermore, our joint venture publishes Serbia's biggest mass-circulation dailies, ALO! and BLIC, together with their high-reach online portals.

In Switzerland, Axel Springer publishes HANDELSZEITUNG and twelve magazines. Based on paid circulation, it holds the leadership position in the segments of business magazines, consumer advice magazines, and TV program guides. HANDELSZEITUNG and the business magazine BILANZ are among the country's biggest publications in the business press segment. In the segment of consumer advice magazines, Axel Springer publishes BEOBACHTER, which is the biggest subscription magazine in Switzerland, and the TV program guides TELE and TV STAR, which are likewise leaders in their segment. The portfolio also includes brand-derived online portals and the web portals students.ch, usgang.ch and partyguide.ch.

In December 2014, Ringier and Axel Springer announced plans for establishment of a further joint venture in Switzerland where both companies would have an equal equity stake. On the one hand, all Swiss-German and West Swiss newspaper titles from Ringier including their associated online portals as well as the West Swiss broadsheet Le Temps should be included, but on the other hand Axel Springer Switzerland, which combines all business in Switzerland, should also be included. Any transaction would be subject to the approval of the Supervisory Boards of both companies and the relevant competition authorities.

In Russia, we publish a total of six print titles and three online portals. Besides the business magazine FORBES and the website of the same name, and the magazines GALA BIOGRAFIA and OK!, the portfolio also includes three magazines of the GEO brand family.

Axel Springer is represented in Spain by seven magazines and three online portals. In particular, we occupy leading positions in the video game and computer magazines segments and also in automotive magazines.

We are represented in France in a joint venture with the Mondadori Group with three automotive magazines and associated online portals.

In September 2014 an agreement was set up to create a joint venture (50:50) between Axel Springer and POLITICO, the leading media brand for political journalism in Washington D.C. The objective of the new media company, headquartered in Brussels, is to develop and market the European business of POLITICO in the form of a website, newspaper, digital newsletter and conferences from early 2015. European business should be established together with EUROPEAN VOICE and the Development Institute International (DII), France's leading event agency in the public affairs sector, which were both acquired in January 2015 by the new joint venture company.

Business model and key factors

The revenues generated in the Paid Models segment consist mainly of circulation revenues and advertising revenues. Circulation revenues are generated on sales of newspapers and magazines and digital subscriptions models. Advertising revenues are generated by marketing the reach of our online and print media. The value chain, which spans all media comprises all essential processes involved in the production of information, entertainment, and video content, from conception to editorial work and production, and from there to sales and marketing. The cross-media approach is conducive to the optimal realization of synergies, competencies, and reach values.

All journalism content is collected in integrated newsrooms, some of which are used for more than one publication, and processed there in accordance with the demands of our print and online media. The production process for digital paid content involves the production of editorial content, which we then post on our websites or other digital resources such as smartphones, PC tablets, and smart TVs, or the processing and aggregation of information in databases. Our newspapers are produced, amongst other things, in the three offset printing plants in Hamburg-Ahrensburg, Essen-Kettwig, and Berlin-Spandau, which were changed into independent subsidiaries on January 1, 2015. We therefore carry out all steps in the value chain ourselves, from production to monitoring dispatch logistics. Distribution of digital products takes place predominantly via our own Internet pages or download platforms such as the app stores owned by Apple and Google. The print media are distributed nationally and internationally mainly via wholesale press distribution companies, train station bookstores, and press import companies. In Germany there are about 109 thousand retail outlets where our newspapers and magazines are sold.

Paid Models are centrally marketed in Germany by Axel Springer Media Impact (ASMI), one of the leading cross-media marketers based on gross market shares. The digital marketing portfolio also includes content produced by other companies.

The business performance of this segment is, amongst other things, strongly influenced by the growing use of digital content. A key growth driver is the mobile Internet, via smartphones and tablets, which are mostly used in addition to stationary Internet connections (source: AGOF mobile facts 2014-III). Other key factors besides online usage behavior are the willingness of consumers to pay for online content and the development of the market for paid content. Digital content is also driving the growth of the advertising market, while print media advertising revenues are declining across the board.

Regardless of media types, this segment is influenced by the political situation in the relevant markets, as well as the economic environment and performance of advertising markets, in particular. Aside from the general market cyclicity, seasonal aspects and non-recurring effects also play a role.

Marketing Models

The Marketing Models segment comprises all business models that generate revenues predominantly through sales to advertising customers of reach-based or success-based marketing services.

Portfolio and market position

The Marketing Models segment is sub-divided into reach-based and performance-based services. The principal activities are summarized in the graph below.

Portfolio Marketing Models

Reach Based Marketing	Performance Marketing
■ Idealo ■ aufeminin ■ Bonial ■ Smarthouse ■ finanzen.net	■ zanox ■ Digital Window ■ eprofessional

Axel Springer's **Reach Based Marketing** portfolio includes idealo.de, Germany's leading portal with the widest reach for product searches and price comparisons. Idealo searches more than 1.8 million products and more than 170 million offers of online dealers (as of year-end 2014). Furthermore, its success is increasingly international. The ladenzeile.de product comparison portal is also part of the Idealo Group.

aufeminin is the largest women's portal worldwide and is active in 15 countries with its articles on fashion, beauty, and lifestyle. The onmeda health portals in Germany and Spain, the marmiton cooking Internet site, the netmums online portal and the My Little Paris recommendations portal, acquired at the beginning of 2014 belong, amongst others, to the Group also.

kaufDA.de and MeinProspekt.de, which was acquired in 2014 as Germany's leading consumer information portals regarding local shopping, operate under the auspices of the Bonial International Group. The company distributes digitized advertising retail leaflets predominantly via mobile Internet at a regional level. These services are also offered in France (Bonial France), Spain (Ofertia), Russia (Lokata), South America, including Brazil (Guiato), and the United States (Retale).

Germany's widest-reach finance portal finanzen.net provides up-to-date financial markets data on every business day. In line with its internationalization strategy, this portal also operates in Switzerland, Russia, and Austria, among other places.

Smarthouse Media is a leading European provider of complex, web-based financial applications for banks, online brokers, and other providers of financial services.

Within the TV and Radio sector Axel Springer, with its majority shareholding in Talpa Germany (49.9 % of the company, initially formed as Schwartzkopff TV, was sold to the Dutch Talpa Group in the final quarter of 2014), has one of the leading independent TV production companies, which mainly produces TV shows in the entertainment segment for private and public TV channels. With direct and indirect investments in leading private-sector radio stations, Axel Springer holds one of the biggest radio portfolios in Germany. Axel Springer continues to hold a minority interest in Turkey's biggest private-sector TV and radio company, the Doğan TV Group.

Axel Springer's **Performance Marketing** activities are bundled within the zanox Group. The leading provider of success-based online marketing in Europe brings advertisers and publishers together, giving advertisers an efficient way to market their products and services on the Internet. The corporate group comprises the companies ZANOX AG, including Digital Window, and the performance marketing agency eprofessional.

Business model and key factors

In our **Reach Based Marketing** activities, ad 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.

Due to the rising use of online media, reach marketing on the Internet is a major business. Besides display ads like banners, layer ads, and wallpaper, videos are also increasingly being used as online advertising formats. In addition, advertisers are increasingly turning to marketing cooperation ventures and advertising forms such as native advertising, sponsoring, and marketing via YouTube channels. The growing prevalence of mobile terminal devices, in addition to stationary Internet usage, represents additional potential for reach marketing.

Performance Marketing gives advertisers the chance to advertise their products on websites and publishers' offerings via text links, banners, and online videos. Advertisers only pay for successfully completed actions, and publishers receive a portion of this compensation in the form of a commission. Our platforms provide the infrastructure for this efficient form of marketing, record the data flows and transactions, and allow for a variety of services for advertisers and publishers.

This segment benefits from the growth of stationary and mobile Internet usage and the increasing tendency of consumers to make purchases. Through performance marketing, Axel Springer benefits from the increasing demand of advertising companies for success-based advertising and marketing models.

Classified Ad Models

All Business models which predominantly generate revenues in online classified advertising are summarized in the Classified Ad Models segment.

Portfolio and market position

Axel Springer has established a portfolio of leading online classified ad portals over the last few years. To accelerate growth through acquisitions, a strategic partnership with American growth investor General Atlantic was agreed upon in April 2012; they still hold a 15 % share of Axel Springer Digital Classifieds at the end of this financial year (see page 25). The main portals are bundled into jobs, real estate, automobile, and general classified ads under the auspices of the company

The principal activities of the Classified Ad Models segment are summarized in the graph below.

Portfolio Classified Ad Models

Jobs	Real Estate	General/ Other
▪ StepStone	▪ SeLoger	▪ LaCentrale
▪ Totaljobs	▪ Immonet	▪ @Leisure
▪ Saongroup	▪ Immoweb	▪ meinestadt.de
▪ YourCareerGroup		▪ Yad2
▪ Jobsite		▪ CarWale

Jobs comprises StepStone, the leader among private-sector job exchanges in Germany and Belgium, and one of the leading providers in Europe. The StepStone Group, with its portals specializing in technical and managerial personnel, has the greatest coverage in Germany and has the largest online recruiting portal in Great Britain with the Totaljobs Group. In addition, the major job exchange Jobsite was also acquired in 2014 in Great Britain, which also includes the specialist portals CityJobs.com and eMedcareers.com. The Saongroup, which was acquired by StepStone Group at the end of 2013, operates job portals in 16 countries and is the leader in Ireland, Northern Ireland, and South Africa. The specialty provider YourCareerGroup, which was likewise acquired at the end of 2013, is the leading niche portal in the German-speaking countries for online ads for hotel and restaurant jobs. StepStone took over ictjob SPRL, the leading IT job portal in Belgium and Luxembourg, at the beginning of 2015.

In **Real Estate**, Axel Springer is the leader in France (with SeLoger) and Belgium (with Immoweb). SeLoger's portfolio also includes some niche portals such as vacances.com and a-Gites.com for vacation home rentals, and belles-demeures.com for luxury properties. The Classified Ad Models segment also contains Immonet, one of the leading real estate portals in Germany.

Since July Axel Springer has also held a majority shareholding (51 %) of Car & Boat Media SAS, headquartered in Paris, which belongs to **General/Other** (see page 24). This company operates LaCentrale, the leading specialist classified ads portal for used cars in France, as well as other portals related to cars and boats. Yad2, a portal which was likewise acquired in 2014, is the leading general classified ad portal in Israel for real estate, automobile and classified ads. The German regional portal meinestadt.de consists of marketplaces for jobs, automobiles, real estate and classified ads. In addition, city information, classified directories, and event calendars are also provided, amongst others. Axel Springer has an equity stake in CarWale in India. Furthermore, since the beginning of 2015 this includes the majority (51 %) of shares in @Leisure, a leading operator of online brokerage portals for vacation home rentals in the Classified Ad

Models segment. The company is headquartered in Amsterdam and also operates, amongst others, the portals belvilla and casamundo (see page 25).

Business model and key factors

The Classified Ad Models segment generates revenues mainly from sales of classified ads. In addition, it also generates revenues by marketing online ad space, through cooperation arrangements, and by providing software functions to clients. Business developments are significantly determined by the economic environment in the respective market segments, the market position in the respective market segment, and online usage behavior of advertisers and seekers. Long-term growth drivers are the continuing shift of classified ads to the Internet, the rising number of Internet users, and the monetization of supplementary products.

Within **Jobs**, ads are sold to job advertisers, and online resume databases which belong to the respective portals are marketed in which the job advertisers can actively search for suitable candidates.

Real Estate portals generate revenues by selling advertising and display space to brokers, project developers, housing agencies, or private individuals.

Within **General/Other**, revenues are based on the focus of the relevant portal. Alongside the above consumer groups, commercial automobile sales and renters of holiday homes are the main target groups.

Services/Holding

Service and holding functions are combined under the **Services/Holding** segment. This segment also comprises our centralized marketing unit Axel Springer Media Impact as well as all activities related to the production and distribution of the BILD Group and the company's magazines, including the Group's three printing plants and the management of all logistical activities for Axel Springer.

Discontinued operations

The **regional newspapers, the program guides, and women's magazines**, which were sold to FUNKE Mediengruppe in a deal concluded on April 30, 2014 (see page 26) are again listed separately in the previous year as discontinued operations in the 2014 consolidated financial statements.

Activities listed as discontinued operations include the regional newspapers BERLINER MORGENPOST and HAMBURGER ABENDBLATT, the advertising supplements in Berlin and Hamburg, and the five TV program guides and two women's magazines of Axel Springer (HÖRZU, TV DIGITAL, FUNK UHR, BILDWOCHE, TV NEU, BILD der FRAU, FRAU von HEUTE), including the corresponding digital brands.

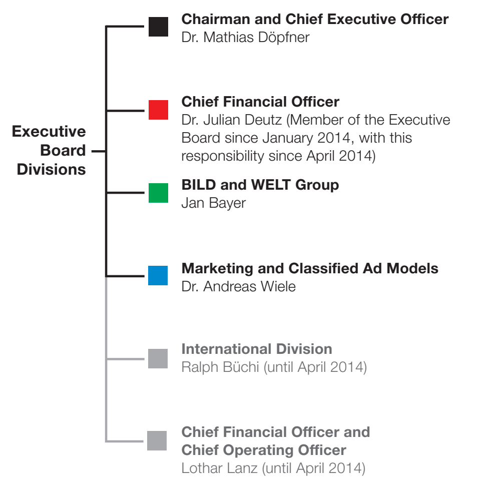
Also presented under discontinued operations are the **business activities and equity investments of Ringier Axel Springer Media in the Czech Republic**, including the leading mass-circulation daily BLESK and the leading news magazine REFLEX, as well as the automotive and women's magazines in that country. The portfolio of newspapers, magazines, and brand-derived online activities were also sold to two Czech entrepreneurs on April 30, 2014 (see page 26).

Management and supervision

Executive Board divisions

The Executive Board of Axel Springer SE currently comprises four members, whose work is supported and supervised by a Supervisory Board composed of nine members.

Axel Springer Executive Board Divisions



Executive Board responsibilities are divided as follows:

Dr. Mathias Döpfner is Chairman and Chief Executive Officer of Axel Springer SE. All editors-in-chief and the corporate staff functions of corporate communications, public affairs, M&A and strategy, as well as the Axel Springer International division report to him. Furthermore the Executive Personnel, Axel Springer Academy, and Customer Loyalty sectors are also part of his responsibilities.

Dr. Julian Deutz was appointed to the Executive Board in January 2014 and since April 2014 has been in charge of Finance and Personnel. The department covers commercial sectors, internal auditing, and the Governance, Risk & Compliance, Law, and Group Purchasing sectors.

Jan Bayer is the President of the BILD and WELT Group. IT and domestic printing plants are also assigned to this sector alongside national brands within the Paid Models segment. These also include Customer Services and the Sales Impact sales company.

Dr. Andreas Wiele is the President of Marketing and Classified Ad Models and is responsible for the corresponding segments including the associated direct and indirect investments as well as the marketing unit Axel Springer Media Impact.

Ralph Büchi, member of the Executive Board until April 2014, in addition to his previous functions as CEO of Axel Springer Switzerland and Chairman of the Board of Directors of Ringier Axel Springer Media AG, also exercises responsibility for the international Paid Models of Axel Springer as President International.

Lothar Lanz, Chief Financial Officer of Axel Springer SE until April 2014, has moved to the Supervisory Board following agreement in the annual shareholders' meeting in April 2014.

Corporate governance principles

Axel Springer's corporate governance principles are aligned with our core values of creativity, entrepreneurship, and integrity, as well as the five principles enshrined in Axel Springer's own corporate constitution. For more information on our internal guidelines, please refer to the corporate governance statement pursuant to Section 289a HGB contained in the section entitled "Significant corporate governance practices" on page 66 of the present Annual Report.

Basic principles of the compensation system

The compensation of our employees, all the way up to senior management level, consists of a fixed component and for qualifying employees, a variable component as well. Variable compensation is determined on the basis of individual performance and the company's success. To this end, individual target agreements encompassing both company-wide targets and division targets are adopted every year anew. The part of variable compensation that reflects the attainment of company-wide targets in 2014 is determined mainly with reference to the financial indicator EBITDA. A detailed description of Executive Board compensation can be found in the "Compensation Report" section of the "Corporate Governance" chapter (starting on page 74). There, you will also find information on the compensation of our Supervisory Board members (starting on page 76).

Goals and strategy

Axel Springer pursues a strategy of profitable growth, with the overarching goal of becoming the leading digital publisher. This goal will be attained when the Group is the No.1 player in every one of the market segments and countries in which it operates. Furthermore, journalism is and always will be the foundation of our business model.

Segment strategies

In the **Paid Models** segment, Axel Springer will strive to realize the full potential of its strong brands BILD, WELT, and N24, as well as its established international media.

By means of linking its print, online, and mobile offerings ever more closely, the BILD Group achieves a higher level of reading time and usage time than its competitors, expanding share among young and high-income readers in particular. Through the digital brand subscription BILDplus, Axel Springer is building and expanding a base of paying online readers.

Together with N24, the WELT Group will strive to become the leading multimedia provider of news-based quality journalism across the platforms of digital, print, video, and live TV. The two companies will contribute their respective strengths to this endeavor. Thus, the WELT Group can make good use of the video inventory of N24 in its media offerings, and the quality TV news station can exploit its full online potential in cooperation with the WELT Group. Furthermore, the WELT Group will use its digital subscription model to further expand the base of paying readers on the Internet.

The Group's centralized marketing company Axel Springer Media Impact (ASMI) offers an attractive, cross-media platform for advertising campaigns – with a reach that is rivaled only by the big TV marketing firms. As one of the leading cross-media marketers (based on gross market shares), ASMI will continue to expand its external marketing portfolio in the print and digital segments.

The strategy of profitable growth in the **Marketing Models** segment is followed both in Reach Based Marketing and Performance Based Marketing. In the area of Reach Based Marketing, the strategy is focused on expanding the reach and usage of products, increasing the ad space utilization rate, and developing new advertising and pricing models. The continued internationalization of services is also a growth driver. Furthermore, innovative products and business models are promoted and developed via investments in early-stage activities. In the Performance Marketing sector, the integration of the Group and expansion of services and the publisher network are of utmost importance.

In the **Classified Ad Models** segment, Axel Springer will strive to further extend its position as a leading international player. Both organic growth and complementary acquisitions will contribute to the growth of this business. Furthermore, internal synergies will be realized systematically.

Organic and acquisitions-driven growth

Generally speaking, the organic growth measures of the different segments pursue the same goal of expanding the market shares of the current portfolio and increasing the revenues and profits per reader/user on the basis of attractive product design and pricing. These measures will be accompanied by acquisitions-driven growth.

In all segments, Axel Springer seizes opportunities to expand the business model by acquiring companies with innovative business ideas, which are still in an early phase of their development. For this purpose in 2013 Axel Springer started the Axel Springer Plug & Play accelerator program in conjunction with the Silicon Valley-based accelerator Plug & Play, and is also involved in the Project A Ventures early stage fund.

When the opportunity arises, Axel Springer will also acquire companies that are well established in the market. Suitable acquisition targets are chosen on the basis of complementary business strategies, as well as the quality of management, and the profitability and scalability of the business model.

We employ a capitalized earnings approach based on weighted capital costs to assess the economic efficiency of investments in new or existing business segments. The weighted capital costs are determined with reference to a target capital structure.

In general, we employ a capital markets equilibrium method, using beta for the business-specific, systematic risk, and a market premium for the country-specific, unsystematic market risk, to assess the risks of an investment opportunity. Essentially, we assume that the systematic risk of our company is the same, on average, as that of our peer group, meaning other European media companies.

Internal management system

We have designed our internal management system and defined suitable control parameters in alignment with our group strategy. We use both financial and non-financial performance indicators to 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 periodic forecasts of anticipated advertising revenues in the following weeks and by months and by forecasts of the probable development of our financial performance.

Financial performance indicators

Our central focus is to sustainably increase both the profitability and the value of our company. The most important target and control parameters for the company's financial performance are revenues, EBITDA, and EBIT. EBITDA (and from financial year 2015, EBIT) also forms the basis for the performance-based compensation of management (please refer to page 74 for more information on the compensation system). These indicators and the EBITDA margin are anchored in our internal planning and controlling system.

Financial Control Parameters[1]

Selected financial control parameters on the Group level, € millions	2014	2013	2012
Consolidated revenues	3,037.9	2,801.4	2,737.3
EBITDA[2]	507.1	454.3	498.8
EBITDA margin[2]	*16.7 %*	*16.2 %*	*18.2 %*
EBIT[2]	394.6	359.7	413.6

1) Continuing operations.
2) Adjusted for non-recurring effects and amortization and impairments from purchase price allocations.

Non-financial performance indicators

In addition to the financial performance indicators, the following non-financial performance indicators are relevant to an evaluation of our performance with respect to customers, the market, and offerings, although they are not employed as the basis for managing the company:

- Unique users/visitors and other business model-specific indicators of our online media, and the resulting market positions
- Average paid circulation of all principal newspapers and magazines
- Reach values of our media in the advertising market and indicators of brand and advertisement familiarity
- Digital subscriptions

Economic report

General economic conditions and business developments

General economic conditions

According to estimates from the International Monetary Fund in January 2015 the **world economy** is currently barely profiting from low oil prices. The global economy has picked up slightly during the second half of 2014, with the result that the world economy has grown in total by 3.3 % in real terms. On the other hand, the International Monetary Fund has observed continued underinvestment in many industrial and emerging countries. Stagnation and low inflation remain, as ever, a cause for worry for the IMF within Japan and the euro zone. On the other hand, economic recovery in the USA has proven to be better than expected.

The **German economy** has generally shown itself to be robust during 2014 according to calculations from the German Federal Statistical Office. Gross Domestic Product was 1.5 % higher in real terms compared to the prior year. Consumption showed itself to be the most important growth motor for the German economy once again. Private consumer spending rose by 1.1 % in real terms. Capital expenditures also increased: in real terms business and the government have increased expenditure in equipment by 3.7 % compared to the prior-year figure. Construction investments also generated a sizable return of 3.4 % in real terms. Despite an ongoing demanding external economic environment, German foreign trade improved slightly on average during 2014: in real terms Germany exported 3.7 % more than in 2013. Imports rose almost as quickly, by 3.3 %.

In 2014 the number of unemployed fell to an average of 3.0 million, a fall of 1.8 % compared to the prior-year figure, the rate of unemployment was 6.7 %. The consumer research organization Gesellschaft für Konsumforschung (GfK) established that the consumer climate has rebounded in 2014. As a consequence, the recovery of the German economy has also gathered pace in the opinion of German consumers. According to calculations from the German Federal Statistical Office consumer prices rose by 0.9 % during 2014. The continued fall in the rate of inflation was characterized considerably by the fall in energy prices.

According to calculations from the ifo Institute, the economic recovery in central and eastern European member EU states has slowed down since the middle of 2014. The main reason was reduced demand from the euro zone. Domestic demand remained robust in almost all countries.

Anticipated Economic Development[1] (Selection)

Change in gross domestic product compared to prior year (real)	2014
Germany	1.5 %
United Kingdom	3.0 %
France	0.4 %
Poland	3.2 %
Switzerland[2]	1.3 %
Hungary	3.3 %
Belgium	0.9 %
Slovakia	2.4 %
Netherlands	0.7 %
Serbia[2]	−0.5 %
Austria	0.5 %
Ireland	5.2 %
Italy	−0.3 %
Spain	1.3 %
USA	2.3 %
Russia	0.8 %
Israel[2]	2.5 %
Brazil[2]	0.3 %
China	7.4 %

[1] Source: ifo Institut. December 2014.
[2] Source: IMF. October 2014.

Industry environment

Press distribution market

Continuing the trend of prior periods, the German **press distribution market** contracted somewhat further. The total paid circulation of newspapers and magazines was 4.5 % below the corresponding prior-year figure. Thanks to the price increases implemented in the past four quarters, however, circulation revenues declined by only 2.7 %.

The 359 IVW registered **daily and Sunday newspapers** achieved total sales of 19.6 million copies per publication day. Compared to the prior-year figure, this corresponds to a fall of 4.1 %. As in the prior-year period, newsstand sales suffered a much greater decline (–8.3 %) than subscription sales (–2.7 %). Within the press distribution market, the demand for daily and Sunday newspapers (weighted for their respective publication frequencies) declined by 4.1 %.

Overall sales of **general-interest magazines** including membership and club magazines was 102.3 million copies per publication day. Compared to the prior-year figure, this corresponds to a fall of 3.9 %. IVW tracked a total of 822 titles (–3.1 % from the prior-year figure). Weighted for their respective publication frequencies, the demand for general-interest magazines declined by 5.7 %.

Whereas the circulation volumes of print media declined again in 2014, **online media** continued the growth trend of prior years. According to the study "internet facts 2014-11" by the Working Group for Online Research (AGOF), 55.6 million people in Germany use the Internet today (Internet users within the last three months). That number represents 75.7 % of German residents aged 10 and older. Of the total regular Internet users 72.5 % go online to obtain information about world events, and 64.6 % use the Internet for regional or local news. Thus, getting the news is one of the main reasons for using the Internet, besides e-mail, online searches, online shopping, and weather forecasts. Job listings are also one of the 20 most-used online categories. Alongside the wired Internet, the mobile Internet is unchanged in gaining in importance according to the study "mobile facts 2014-III". In the third quarter of 2014, 34.3 million people were mobile online (48.7 %) of the German-speaking residential population of Germany over 14 years of age). In most cases (63.2 %), mobile Internet use was predominantly in addition to desktop use. According to IVW, content portals of German print media were visited somewhat more frequently in 2014 compared to the previous year. The 20 most popular portals of German daily newspapers increased the number of visits by an average of 12.4 %, whilst the visits to portals belonging to magazines rose by 19.1 %.

Advertising market

According to the latest advertising market forecast of ZenithOptimedia ("Advertising Expenditure Forecast", December 2014), the total volume of the German advertising market in 2014 was slightly above the prior-year figure.

According to these surveys, **total net advertising revenues** (including classified ads and advertising supplements, less discounts granted and agency commissions, and excluding production costs) amounted to € 18.5 billion, in the reporting period, reflecting a nominal increase of 1.5 % from the prior-year figure.

In the German **online advertising sector** (display ads, search term marketing, and affiliates), net advertising revenues rose by 8.5 % to € 4.5 billion in 2014.

In the category of print media, the net advertising revenues of **newspapers** (newspapers, advertising supplements, and newspaper supplements) amounted to € 4.9 billion in 2014, reflecting a 4.0 % decrease from the prior-year figure. The net advertising revenues of **magazines** (general-interest and trade magazines, directory media) declined by 2.2 % to € 3.1 billion.

In 2014, **television advertising** in Germany rose by 3.3 % to € 4.3 billion, and net advertising revenues in radio advertising rose by 1.7 % to € 759 million. The net advertising revenues of **outdoor advertising** rose by 4.1 % to € 928 million in 2014.

ZenithOptimedia expects the following advertising revenue forecasts for selected countries in 2014:

Anticipated Advertising Activity 2014 (Selection)

Change in net ad revenues compared to prior year (nominal)	Online	Print
Germany	8.5 %	−3.4 %
United Kingdom	18.3 %	−7.5 %
France[1]	3.3 %	−8.0 %
Poland[1]	12.2 %	−16.9 %
Switzerland[2]	11.4 %	0.2 %
Hungary	7.0 %	−2.2 %
Belgium[2]	8.1 %	1.2 %
Slovakia[1]	3.4 %	−2.4 %
Netherlands	6.6 %	−5.5 %
Serbia[1]	20.0 %	17.0 %
Austria[1]	16.9 %	−5.5 %
Ireland	16.6 %	−9.0 %
Italy[1]	5.8 %	−9.7 %
Spain[1]	5.0 %	−3.6 %
USA	18.3 %	−5.0 %
Russia	15.0 %	−16.4 %
Israel	2.8 %	−8.1 %
Brazil	5.0 %	−7.3 %

Source: ZenithOptimedia, Advertising Expenditure Forecast (December) 2014
1) Excluding classified ads.
2) Gross advertising revenues (excluding classified ads). Gross advertising revenues do not adequately reflect the true development of advertising revenues.

Business performance

In the first quarter of 2014, we sold about 2.6 % of our equity stake in **Doğan TV Holding** A.S., Istanbul, Turkey. The revenues from this transaction amounted to € 62.5 million.

At the end of February 2014, after approval by anti-trust and media law bodies the purchase agreement signed in December 2013 to acquire 100 % of the shares in **N24** Media GmbH was finalized. N24 is the leading German news channel. DIE WELT Group, together with N24, satisfied the necessary conditions in 2014 for merging both companies into a multimedia news company under the auspices of the new WeltN24 company on January 1, 2015. In the future this will be the basis for the development of the Group to become the leading multi-media news organization for quality journalism in German-speaking countries.

At the start of May 2014, Axel Springer Digital Classifieds (ASDC), the strategic partnership between Axel Springer and General Atlantic in the online classified ads market, acquired 100 % of the shares in Coral-Tell Ltd., which operates the leading classified ad portal **Yad2** in Israel. The purchase price was approximately € 170 million.

Likewise in May 2014, StepStone entered into a purchase agreement to acquire Evenbase Recruitment Ltd. (**Jobsite**) in order to expand its activities in the United Kingdom. StepStone is part of the ASDC Group and is represented in the UK by, among others, its subsidiary Totaljobs. Evenbase Recruitment Ltd. has its registered head office in Havant and operates the job website jobsite.co.uk along with brands such as CityJobs.com and eMedcareers.com. The purchase price was about € 114 million. After approval was granted by the British cartel authorities, the transaction was completed at the end of October 2014.

At the end of July 2014, ASDC also acquired the majority share (51 %) in Car & Boat Media SAS with its registered head office in Paris. This company operates **LaCentrale,** the leading specialist classified ads portal for used cars in France, as well as other portals related to cars and boats. The purchase price was about € 73 million.

At the end of July 2014 we sold the minority interest (17.2 %) in SeLoger held **iProperty**, an operator of real estate portals in the South East Asian market for € 74.3 million. The gain of disposal, totaling € 55.1 million (before tax of € 2.2 million) was recorded as income from investments, listed as a non-recurring effect in the Classified Ad Models segment, and 30 % of the interest was assigned to other shareholders.

At the end of August 2014, Ringier Axel Springer Media AG, a joint venture between Axel Springer and Ringier, concluded an agreement to acquire the leading job portal in Hungary, namely **profession.hu**. The Hungarian cartel authorities approved the transaction in October. Completion of the profession.hu transaction is expected to be in the first quarter of 2015. After approval by the Hungarian cartel and media authorities and the successful partial sale of the Ringier AG and Axel Springer SE Hungarian portfolio, both companies have combined their activities within Hungary and combined them into Ringier Axel Springer Media AG as of November 1, 2014. In particular, the portfolio consists of the leading mass-circulation brands Blikk, successful women's magazines and additional licensed titles. Incorporation of the portfolio was already agreed in 2010 during the course of founding the joint venture between Ringier AG and Axel Springer SE.

At the beginning of September 2014 an agreement was set up to create a joint venture (50:50) between Axel Springer and **POLITICO**, a leading media brand for political journalism in Washington D.C. The objective of the new media company, with headquarters in Brussels, is to develop and market the European business of POLITICO. In January 2015 the joint venture took over **EUROPEAN VOICE** (EV), which is also headquartered in Brussels, as well as the **Development Institute International** (DII), France's leading event agency in the public affairs sector, headquartered in Paris. From early 2015, a website, newspaper, digital newsletter and conferences will be published and be managed under the POLITICO brand.

At the beginning of October 2014, Axel Springer significantly extended its partnership entered into in the first quarter with **OZY**, an English-language online magazine for news and culture from the Silicon Valley founded in 2013, increasing its share to about 17 % with an investment of US$ 20 million.

In November 2014 an agreement was finalized regarding acquisition of the majority (51 %) of **@Leisure**, a leading European operator of online brokerage portals for vacation home rentals. The company is headquartered in Amsterdam and also operates the portals belvilla.com and casamundo.com. Finalization of the transaction took place at the beginning of January 2015.

In December 2014, Axel Springer SE increased its share of **Axel Springer Digital Classifieds GmbH** from 70 % to 85 % for a cash payment of € 446 million, and finalized a binding agreement with General Atlantic for a purchase option for the remaining 15 %. As far as it is possible and allowed, General Atlantic shall receive Axel Springer shares in return if the option is exercised. The number of shares to be granted is calculated from the companies' valuation determined in accordance with the IDW S1 valuation standard. Authorized capital should be established at the next annual shareholders' meeting, which could be used for satisfying all requirements if the option is exercised. In case no Axel Springer shares can or must be granted, Axel Springer can acquire the remaining 15 % equity stake for a purchase price of an additional € 446 million plus interest. If Axel Springer does not exercise this option, then General Atlantic has the right to sell its remaining equity stake from January 1, 2018 onwards or to demand that Axel Springer Digital Classifieds GmbH enters the stock exchange from January 1, 2020. Alongside the context of agreement with these transactions, the Executive Board and Supervisory Board agreed in December to **prepare to change Axel Springer SE into a partnership limited by shares (KGaA)**. A final decision regarding the conversion will be made by the Executive Board and by the Supervisory Board after the as yet ongoing tax and legal audits are completed. As soon as the audits are complete with the desired results and the necessary preparatory work then the Executive Board and Supervisory Board intend to put the conversion to the vote at the annual shareholders' meeting. A decision is yet to be made regarding the exact point in time.

In December Ringier and Axel Springer also announced the plans for establishment of a further **joint venture in Switzerland** where both companies would have an equal equity stake. All Swiss-German and West Swiss newspaper titles from Ringier including their associated online portals as well as the West Swiss broadsheet Le Temps should be included, with Axel Springer Switzerland, which combines all business in Switzerland. Any transaction is subject to the approval of the Supervisory Boards of both companies and the relevant competition authorities.

Discontinued operations

The **sale of the Group's German regional newspapers, TV program guides, and women's magazines** to FUNKE Mediengruppe, which was contractually agreed in December 2013, was finalized on April 30, 2014, with economic effect as of January 1, 2014. The purchase price agreed before the contractually stipulated purchase price adjustment was € 920 million. A preliminary purchase price of € 874.8 million was established upon finalizing the purchase agreement. The purchase price adjustment reflected the circumstance, among others, that the buyer assumed net liabilities as part of the transaction. Of the provisional purchase price, an amount of € 634.1 million was paid in cash; for the balance, FUNKE Mediengruppe assumed a multi-year, subordinated loan obligation vis-à-vis Axel Springer SE in the amount of € 240.7 million. The tax payable in connection with the sale is expected to be € 248.3 million.

In order to fulfill a proviso imposed in connection with merger control law, FUNKE Mediengruppe sold some of the TV program guides acquired under the transaction, as well as some of its own TV program guides, to a company of Klambt Mediengruppe. To assist in the financing of this acquisition, Axel Springer SE guaranteed a bank loan taken out by this company of Klambt Mediengruppe, up to an amount of € 51.0 million. (consisting of € 43.1 million until December 31, 2014)

In connection with the conclusion of the purchase agreement, the parties also agreed to form joint ventures, for the marketing of print and digital offerings, and for retail distribution, to bundle the partners' activities, resources, and knowledge in these areas. Axel Springer will exercise managerial control over, and hold the majority of shares in, both these companies. Foundation of the joint venture requires approval by the relevant merger and cartel authorities; the foundation of the joint venture was registered with the German Federal Cartel Office for marketing in January 2015. Axel Springer and FUNKE Mediengruppe have already been cooperating in these areas since the finalization of the purchase agreement.

In addition, Ringier Axel Springer Media AG completed a contractual agreement on April 30, 2014 which was initially made in December 2013 to sell their **business activities and equity investments in the Czech Republic to two Czech entrepreneurs.** These activities include the leading mass-circulation daily BLESK and the leading news magazine REFLEX, as well as automotive magazines and women's magazines. The purchase price of € 196.5 million, which is based on a company value of € 170 million, additionally reflects the net liquidity transferred to the buyer, in particular.

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

The economic environment for media companies is strongly characterized by the trend towards digitization. Segments within the Axel Springer Group have therefore developed accordingly. The strongest increase in revenues was recorded with the two segments that have been fully digitized, namely Classified Ads and Marketing Models. The increase in revenues for Paid Models was somewhat lower in comparison due to the higher proportion of print business which declined due to structural changes. The course of business was also characterized by active portfolio management and the acquisition of digital business models. This development confirms our strategy for rigorously digitizing the company.

Financial performance, liquidity, and financial position

Financial performance of the Group (continuing operations)

The following presentation of the Group's financial performance refers exclusively to continuing operations.

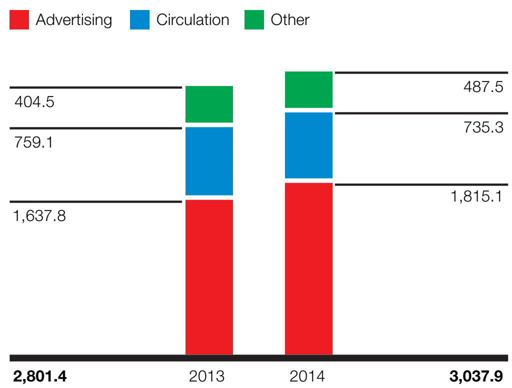
At € 3,037.9 million, the **total revenues** generated in financial year 2014 were considerably higher (8.4 %) than the prior-year figure (€ 2,801.4 million). All operating segments contributed to this revenue growth. Adjusted for consolidation and currency effects, total revenues were above the level of the prior-year figure (+ 2.8 %).

The **pro-forma revenues of digital media** activities increased to € 1,705.8 million (PY: € 1,568.6 million), reflecting organic growth of 8.7 %. Thus, the digital media share of the Group's pro-forma total revenues rose from 51.6 % in 2013 to 54.5 % in 2014. For the operative segments organic growth was 7.2 % for Paid Models, 8.9 % for Marketing Models, and 9.4 % for Classified Ads. The pro-forma revenues take into account the development of companies, which currently belong to the Axel Springer Group and hence also the companies acquired in 2013 and 2014 on the basis of unaudited financial data.

At € 1,309.3 million, **international revenues** rose from 1,164.4 million with 12.4 % compared to the prior-year figure and accounted for 43.1 % (PY: 41.6 %) of Axel Springer's total revenues. The increase resulted from the growing internationalization of the digital business.

Total Revenues

€ millions

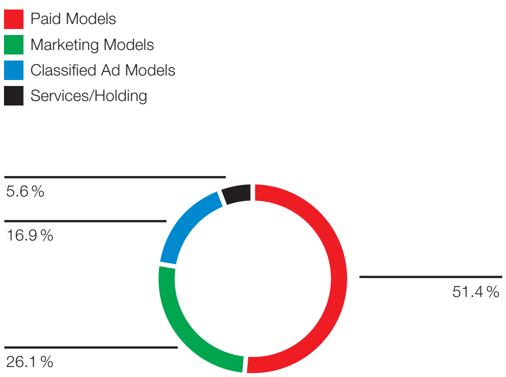


The increase in **advertising revenues** of 10.8 % to € 1,815.1 million (PY: € 1,637.8 million) was predominantly based on growth in the classified ads and marketing models, whilst advertising revenues from paid models only increased slightly. The share of total revenues represented by advertising revenues was 59.7 % (PY: 58.5 %). About three quarters (74.5 %) of total advertising revenues were generated in the Group's **digital activities**.

At € 735.3 million, the **circulation revenues** were 3.1 % less than the prior-year figure (€ 759.1 million). Primarily, consolidation effects had an impact. Adjusted for these effects, circulation revenues were only slightly less, by 1.3 %, than the prior-year comparison figure. Circulation revenues accounted for 24.2 % (PY: 27.1 %) of total revenues.

The **other revenues** of € 487.5 million were 20.5 % higher than the prior-year figure (PY: 404.5 € million), due to higher revenues in the Paid Models and Marketing Models segments. Consolidation effects have the major effect in this case. When adjusted for such effects the increase was 5.1 %. Thus, they accounted for 16.0 % (PY: 14.4 %) of total revenues.

Segment Revenues



The comparison of **segment revenues** reveals substantial growth in the Classified Ad Models and Marketing Models, and lower growth in Paid Models.

Total expenses rose compared to the prior-year figure by 10.3 % to € 2,977.3 million (PY: € 2,700.2 million).

The total of **purchased goods and services** rose by 6.9 % compared to the prior-year figure to € 990.0 million (PY: € 925.8 million). In particular, consolidation of N24 and My Little Paris and increases within performance-based marketing models are contrasted with circulation-related falls in our printing activities. The ratio of purchased goods and services to total revenues rose slightly to 32.6 % (PY: 33.0 %).

The rise in **personnel expenses** from € 52.8 million or 5.7 % to € 974.4 million (PY: € 921.6 million) resulted, above all, from the consolidation of newly acquired subsidiaries and increase in the number of employees within digital business models, which rose on average by 8.4 % on average during the year. At the same time, reduced expenses due to restructuring and revaluation of virtual stock option programs also had an effect.

Depreciation amounted to € 255.6 million, which was considerably higher than the prior-year value of € 155.1 million. This resulted, alongside higher depreciation on purchase price allocations, in particular from exceptional depreciation of € 33.0 million carried out as part of the evaluation of real estate held for sale and from exceptional depreciation on goodwill in the Marketing Models segment.

The € 19.4 million increase in **other operating income** to € 164.7 million (PY: € 145.3 million) resulted mainly from the recognition of income related to the Kirch insolvency, and from the revaluation of contingent purchase price liabilities. The **other operating expenses** of € 757.2 million which mainly arose as a consequence of consolidating newly acquired subsidiaries were above the prior-year figure of (PY: € 697.7 million). This figure also contains income and expenses from the settlement of intra-Group payments between continuing and discontinued operations.

Net investment income of € 81.4 million (PY: € 25.7 million during the reporting period was particularly impacted by the profit realized on the sale of our minority shareholding in iProperty (€ 55.1 million). In addition, as in the prior year, the profit realized on the sale of 2.6 % of our equity stake in Doğan TV was recorded. The operating net investment income included in the calculation of EBITDA amounted to € 10.7 million (PY: € 12.1 million).

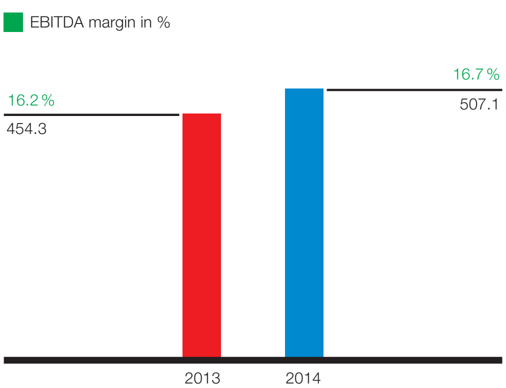
The **Group's financial result** improved, in particular due to the interest income generated from loans granted in the context of the sale of the domestic print activities, to € –21.1 million (PY: € –23.1 million). Increased expenses of contingent considerations had a partially compensating effect.

Income taxes amounted to € –78.9 million (PY: € – 88.1 million). The low tax rate for the reporting period of 25.1 % (PY: 33.0 %), in particular, resulted from largely tax-neutral income from the disposal of investments.

The earnings before interest, taxes, depreciation and amortization (**EBITDA**) increased, compared to the previous year, by 11.6 % to € 507.1 million (PY: € 454.3 million). The EBITDA margin therefore improved slightly to 16.7 % (PY: 16.2 %). The EBITDA of **digital activities** rose by 29.9 % from € 281.6 million to € 365.8 million. This meant that the share of digital business of EBITDA rose from 62.0 % to 72.1 %. As a result of the increase in depreciation the earnings before interest and taxes (**EBIT**) only rose, compared to the previous year, by 9.7 % to € 394.6 million (PY: € 359.7 million). Non-recurring effects such as e. g. gains or losses on the sale of business divisions and investments are not included in EBITDA and EBIT; furthermore write-downs from purchase price allocations and write-downs linked with the sale of real estate are not included in EBIT.

EBITDA

€ millions



Consolidated **net income** from continuing operations amounted to € 235.7 million (PY: € 178.6 million). Adjusted consolidated net income from continuing operations rose markedly to € 251.2 million (PY: € 229.8 million).

Consolidated Net Income (continuing operations)

€ millions	2014	2013
Consolidated net income (continuing operations)	**235.7**	**178.6**
Non-recurring effects	−45.0	10.4
Depreciation from purchase price allocations	103.9	59.4
Taxes attributable to these effects	−43.4	−18.7
Consolidated net income, adjusted (from continuing operations)	**251.2**	**229.8**
Attributable to non-controlling interest, adjusted	52.3	50.9
Adjusted consolidated net income from continuing operations attributable to shareholders of Axel Springer SE	**198.8**	**178.8**

Earnings per share from continuing operations (basic = diluted) amounted to € 1.71 (PY: € 1.34). Based on average weighted shares outstanding in 2014 (98.9 million), **adjusted earnings per share** from continuing operations (basic = diluted) rose from € 1.81 to € 2.01.

The adjusted consolidated net income and the adjusted diluted earnings per share are not defined under International Financial Reporting Standards and should therefore be regarded as supplementary information to the consolidated financial statements.

Financial performance of the operating segments (continuing operations)

Paid Models

The Paid Models segment comprises all business models that are predominantly used by paying readers. This segment is subdivided into national and international paid-content models.

Paid Models National

The net reach values of selected portals are presented in the table below. Because Internet usage via mobile devices is particularly important for some of our digital activities, mobile reach values are presented in addition to stationary Internet usage.

Unique Users

Millions (monthly average)	Unique Users stationary[1]	Change yoy	Unique Users mobile[2]	Change yoy[3]
Bild.de	16.9	20.7 %	5.8	-
welt.de	9.4	4.2 %	3.3	-
computerbild.de	4.9[4]	20.2 %	1.4	-
autobild.de	4.4	46.1 %	0.7	-
N24.de	3.3	-[3]	1.9	-
transfermarkt.de	1.5	−6.7 %	1.8	-
travelbook.de	1.4	-[3]	-	-
stylebook.de	1.1	−3.4 %	-	-
bz-berlin.de	1.1	−7.5 %	0.4	-

[1] Source: AGOF internet facts 2014-11, monthly average 2014 (Sep.–Nov.).
[2] Source: AGOF mobile facts 2014-III, monthly average 2014 (Jul.–Sep.).
[3] Comparison to prior-year figures not applicable.
[4] Source: AGOF internet facts 2014-11, Nov. 2014.

The focus of the national digital Paid Models remained to sign up paying subscribers, also in the area of stationary Internet. For this purpose, marketing campaigns with exclusive events were carried out, amongst others, particularly for subscribers of digital paid models from BILDplus and WELT. Both BILDplus and the corresponding offerings from WELT showed a clear increase in the number of subscribers to digital offers.

The circulation numbers of the print media in the segment Paid Models declined in financial year 2014, due to market trends, while the reach values increased in some cases.

Circulation, Digital Subscriptions, and Reach

Thousands	Circulation/ Digital Subs[1]	Change yoy	Reach[2]	Change[3]
Bild/B.Z.	2,384.0	−7.7 %	11,321.1	0.0 %
Bild am Sonntag	1,158.9	−7.5 %	8,818.7	−4.6 %
Bild digital	232.1	-[4]	16,892.0	20.7 %
Die Welt/ Welt Kompakt	206.4	−8.7 %	698.3	0.2 %
Welt am Sonntag/ Welt am Sonntag Kompakt	400.9	−0.1 %	902.3	−8.8 %
Welt digital	55.1	-[4]	9,424.0	4.2 %
Auto Bild	476.9	−7.9 %	2,835.3	1.8 %
Sport Bild	377.2	−6.8 %	4,152.5	−1.7 %
Computer Bild	357.1	−23.6 %	3,085.5	−9.0 %

[1] Source: IVW, average paid circulation 2014; For BILD digital and WELT digital: IVW, digital subscriptions (paid content), monthly average 2014 (May–Dec.).
[2] Source: ma 2015 Pressemedien I; Für BILD digital and WELT digital: unique users, AGOF internet facts 2014-11, monthly average 2014 (Sep.–Nov.).
[3] Compared to ma 2014 Pressemedien II.
[4] Comparison to prior-year figures not applicable.

During the reporting period BILD published two special editions, which each had a circulation of approximately 42 million and were distributed, free of charge, to almost all households in Germany. One issue was published on June 6, 2014, due to the World Cup, and the second issue was published on November 8, 2014, commemorating the 25th anniversary of the fall of the Berlin Wall. Both issues were successfully marketed to advertising customers.

Paid Models International

The net reach values of selected portals are presented in the table below.

Unique Visitors

Millions (monthly average)	Unique Visitors 2014[1]	Change yoy
onet.pl	16,463.6	−1.8 %
fakt.pl	3,624.4	12.5 %
forbes.ru	2,961.9	41.1 %
blic.rs	2,894.1	63.3 %
azet.sk	2,218.6	0.0 %
cas.sk	1,567.5	10.2 %

[1] Source: comScore Europa, monthly average 2014 (Jan.–Dec.).

The circulation and reach figures for the leading mass-circulation dailies within the countries of our joint venture Ringier Axel Springer Media are presented in the table below.

Circulation and Reach

Thousands	Circulation 2014	Change yoy	Reach 2014	Change yoy
Fakt[1]	324.7	−4.2 %	1,783.5	7.6 %
Blic[2]	106.6	−8.6 %	813.2	0.2 %
Novy Cas[3]	101.2	−8.0 %	747.6	−8.4 %
Alo![2]	91.4	−17.4 %	446.6	−10.4 %

[1] Poland. Circulation: ZKDP; Reach: PBC General.
[2] Serbia. Circulation: ABC; Reach: Ipsos Strategic Marketing.
[3] Slovakia. Circulation: ABC; Reach: Median.

The circulation numbers of our international newspapers and magazines declined, in line with market trends.

Key Figures Paid Models

€ millions	2014	2013	Change
External revenues	**1,561.4**	**1,521.5**	**2.6 %**
Advertising revenues	671.0	664.0	1.1 %
Circulation revenues	735.3	759.1	−3.1 %
Other revenues	155.0	98.5	57.5 %
National	**1,172.7**	**1,115.3**	**5.1 %**
Advertising revenues	497.7	480.5	3.6 %
Circulation revenues	576.9	577.5	−0.1 %
Other revenues	98.1	57.3	71.1 %
International	**388.7**	**406.2**	**– 4.3 %**
Advertising revenues	173.4	183.5	−5.5 %
Circulation revenues	158.3	181.6	– 12.8 %
Other revenues	57.0	41.1	38.5 %
EBITDA	**244.2**	**250.1**	**– 2.4 %**
National	190.9	195.9	−2.6 %
International	53.3	54.1	−1.6 %
EBITDA margin	**15.6 %**	**16.4 %**	
National	16.3 %	17.6 %	
International	13.7 %	13.3 %	

The total revenues of the segment Paid Models rose by 2.6 % to € 1,561.4 million (PY: € 1,521.5 million). Adjusted for consolidation effects, total revenues were 1.4 % less than the prior-year figure. Total advertising revenues of the segment Paid Models rose by 1.1 % to € 671.0 million (PY: € 664.0 million). Adjusted for consolidation effects, this meant a fall of 3.4 %. The consolidation effects predominantly affected the national advertising revenues. Adjusted for such effects, this meant a fall of 3.1 % here. The circulation revenues fell by 3.1 % to € 735.3 million (PY: € 759.1 million). In Germany, circulation revenues were nearly unchanged (–0.1 %). This development was influenced by the effects of price increases as well as higher digital circulation revenues. The 12.8 % drop in the international sector resulted mainly from consolidation effects related to the sale of the Group's women's magazines and TV program guides in France in the middle of last year. When adjusted for consolidation effects, the drop was 4.1 %. The considerable increase of other revenues in the Paid Models segment of 57.5 % to € 155.0 million (PY: € 98.5 million) was primarily due to consolidation. When adjusted for these effects, the other revenues rose by 8.4 % in the national segment and 16.4 % in the international segment.

At € 244.2 million, the EBITDA figure was 2.4 % lower than the prior-year figure (€ 250.1 million). The decline of the higher margin advertising and circulation revenues for the print titles could only be partly offset by the newly acquired business (N24) and growth in the other revenues. Restructuring expenses (€ 26.4 million, PY: € 37.4 million) and the launch costs for establishing new business models (€ 17.2 million as compared to PY: € 26.7 million) were below prior-year figures. The margin on the segment fell from 16.4 % in the previous year to 15.6 % in the current financial year.

EBIT in the Paid Models segment fell by 7.5 % from € 225.2 million to € 208.2 million. This was due to higher write-downs of 44.2 %, which, during the financial year, amounted to € 35.9 million (PY: € 24.9 million).

Marketing Models

The segment Marketing Models comprises all business models that generate revenues predominantly through sales to advertising customers of reach-based or performance-based marketing services.

Internet usage via mobile devices is particularly important for some of our digital activities. Accordingly, the mobile net reach values of selected portals (to the extent they are available) are presented in addition to stationary Internet usage, in the table below.

Unique Users

Millions (monthly average)	Unique Users stationary[1]	Change yoy	Unique Users mobile[2]	Change yoy[3]
aufeminin.com	38.4[4]	–16.6 %	-	-
idealo.de	9.6[5]	–7.2 %	-	-
kaufDA.de	3.4	–13.8 %	2.8	-
finanzen.net	2.7	16.5 %	0.3	-
hamburg.de	1.4	4.6 %	0.4	-

1) Source: AGOF internet facts 2014-11, monthly average 2014 (Sep.–Nov.).
2) Source: AGOF mobile facts 2014-III, monthly average 2014 (Jul.–Sep.).
3) Comparison to prior-year figures not applicable.
4) Source: comScore World, monthly average 2014 (Jan.–Dec.).
5) Source: AGOF internet facts 2014-11, Nov. 2014.

Under the local brand name retale.com kaufDA successfully continued its entry into the US-American market which started at the end of 2013, and has gained additional advertising clients.

Key Figures Marketing Models

€ millions	2014	2013	Change
External revenues	**794.1**	**716.5**	**10.8 %**
Advertising revenues	651.3	592.0	10.0 %
Other revenues	142.7	124.5	14.6 %
Reach Based Marketing	**279.3**	**239.9**	**16.5 %**
Performance Marketing	**514.7**	**476.7**	**8.0 %**
EBITDA[1]	**109.7**	**103.4**	**6.0 %**
Reach Based Marketing	90.8	87.2	4.1 %
Performance Marketing	23.7	20.1	17.9 %
EBITDA margin[1]	**13.8 %**	**14.4 %**	
Reach Based Marketing	32.5 %	36.3 %	
Performance Marketing	4.6 %	4.2 %	

1) Total EBITDA includes costs of € 4.8 million in 2014 and € 3.9 million in 2013, not allocated to the two pillars.

The total revenues of the Marketing Models segment were 10.8 % higher compared to prior-year figures at € 794.1 million (PY: € 716.5 million). When adjusted for consolidation effects, revenues rose markedly by 7.8 %. Most of the revenue growth resulted from the 10.0 % in advertising revenues to € 651.3 million (PY: € 592.0 million). This increase was mainly attributable to zanox Group in the area of Performance Marketing. Growth of other revenues by 14.6 % to € 142.7 million (PY: € 124.5 million) was predominantly due to consolidation of My Little Paris within the reach marketing segment; when adjusted for consolidation effects this increase was 1.5 %.

EBITDA in the segment rose by 6.0 % to € 109.7 million (PY: € 103.4 million). The lower increase in earnings compared to the rise in revenue is, on the one hand, linked to lower margins in high-turnover Performance marketing and also to higher expenses for establishing new business models (€ 12.8 million, compared to PY: € 7.1 million) as well as restructuring expenses to a lesser extent (€ 1.3 million, compared to PY: € 0.0 million). The EBITDA margin fell slightly from 14.4 % to 13.8 %.

EBIT in the Marketing Models segment fell slightly by 1.1 % from € 93.9 million to € 92.8 million. This was due to higher write-downs of 76.5 %, which, during the financial year, amounted to € 16.9 million (PY: € 9.6 million).

Classified Ad Models

All Business models which predominantly generate revenues in online classified advertising are summarized in the Classified Ad Models segment.

The segment is sub-divided into jobs, real estate, and general/other.

Key Figures Classified Ad Models

€ millions	2014	2013	Change
External revenues	**512.0**	**402.6**	**27.2 %**
Advertising revenues	492.7	381.9	29.0 %
Other revenues	19.3	20.8	−7.0 %
Jobs	**256.4**	**198.9**	**28.9 %**
Real Estate	**193.5**	**181.3**	**6.7 %**
General/Other	**62.1**	**22.4**	**>100 %**
EBITDA	**221.4**	**163.8**	**35.2 %**
Jobs	117.7	81.6	44.3 %
Real Estate	92.4	82.3	12.3 %
General/Other	14.9	2.8	>100 %
EBITDA margin	**43.2 %**	**40.7 %**	
Jobs	45.9 %	41.0 %	
Real Estate	47.8 %	45.4 %	
General/Other	23.9 %	12.6 %	

[1] Total EBITDA includes costs of € 3.5 million in 2014 and € 2.9 million in 2013, not allocated to the three pillars.

The segment Classified Ad Models registered the biggest revenue growth during the financial year with revenues of € 512.0 million and growth of 27.2 % compared to the previous year (€ 402.6 million). Alongside an improvement in operative results, consolidation effects due to the acquisitions of Saongroup, YourCareerGroup and of Jobsite within Jobs sector and of Yad2 and LaCentrale in the general/other ads sectors, amongst others, were also noted during the financial year. Adjusted for these effects, revenue growth came to 10.7 %. Similarly, the increase in advertising revenues by 29.0 % to € 492.7 million (PY: € 381.9 million) was largely attributable to consolidation effects. Adjusted for these effects, the increase came to 12.7 %.

Segment EBITDA rose considerably by 35.2 % to € 221.4 million (PY: € 163.8 million). As in the case of revenues, some of this increase can be attributed to consolidation effects. Adjusted for these effects, the increase came to 18.3 %. The margin increased from 40.7 % to 43.2 %.

EBIT in the Classified Ad Models segment rose by 35.3 % from € 149.6 million to € 202.3 million. This was due to higher write-downs of 34.3 %, which, during the financial year, amounted to € 19.1 million (PY: € 14.2 million).

Services/Holding

Service and holding functions are combined under the Services/Holding segment. This segment also comprises our centralized marketing unit Axel Springer Media Impact as well as all activities related to the production and distribution of the BILD Group and the company's magazines, including the Group's own three printing plants and the management of all logistical activities for Axel Springer.

Key Figures Services/Holding

€ millions	2014	2013	Change
External revenues	170.5	160.8	6.1 %
EBITDA	–68.2	–63.0	

External revenues in the Services/Holding segment were € 170.5 million, 6.1 % above the prior-year figure of (€ 160.8 million).

EBITDA was at € – 68.2 million, and as a consequence of lower reversals of provisions it was lower than the prior-year figure (€ – 63.0 million). Restructuring expenses were € 20.2 million, slightly below the prior-year figure of (€ 21.3 million).

The EBIT in the Services/Holding segment remained almost unchanged at € – 108.8 million (PY: € – 108.9 million). This was a result of depreciation being lower by 11.7 %, which stood at € – 40.6 million during the reporting period (PY: € 46.0 million).

Financial performance of discontinued operations

Discontinued operations include the German regional newspapers, TV program guides, and women's magazine that were purchased by FUNKE Mediengruppe as of April 30, 2014, as well as the business activities and equity investments of Ringier Axel Springer Media in the Czech Republic that were sold to two Czech entrepreneurs (see page 26). Discontinued operations also include the current results realized in the period from January 1 to April 30, 2014, and gains on disposal.

Discontinued Operations

€ millions	Jan.–Apr. 2014	2013
External revenues	181.3	572.6
EBITDA	29.3	116.6
EBITDA margin	16.2 %	20.4 %

Given the non-comparability of the periods covered in the present report, no commentary is offered on the year-on-year development of revenues and EBITDA from discontinued operations.

Consolidated net income from discontinued operations amounted to € 668.3 million (PY: € 65.1 million); this figure included the gains on disposal of the Group's German and international print activities as of April 30, 2014, in the amount of € 649.2 million (after taxes). Adjusted for non-recurring effects and amortization and impairments from purchase price allocations, consolidated net income from discontinued operations amounted to € 19.7 million (PY: € 80.6 million).

Earnings per share from discontinued operations (basic/diluted) amounted to € 6.37 (PY: € 0.65). Based on the average weighted shares outstanding in the reporting period (98.9 million), **adjusted earnings per share** from discontinued operations (basic/diluted) decreased by € 0.73 to € 0.17.

Adjusted consolidated net income and adjusted earnings per share are not defined under International Financial Reporting Standards, and should therefore be regarded as supplementary information to the consolidated financial statements.

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

Net Liquidity/Debt

€ millions	2014	2013
Cash and cash equivalents	383.1	248.6
Financial liabilities	1,050.9	719.8
Net liquidity/debt	**–667.8**	**–471.3**

The increase in the net debt presented as of December 31, 2014, in the amount of € 667.8 million (PY: € 471.3 million) resulted predominantly from cash outflows from finalized company acquisitions and increasing our holding in Axel Springer Digital Classifieds as part of our digitization and internationalization strategy. This was only partially offset by payments from the sale of domestic and international print activities, our 17.2 % non-controlling interests in iProperty and of 2.6 % of our share in Doğan TV.

Up until September 30, 2014, there was a Schuldschein (promissory note) with a nominal value of € 500.0 million and terms up to April 2016 (nominal value of € 269.5 million) and up to April 2018 (nominal value of € 230.5 million). In order to optimize our financing conditions, in October 2014, we improved the average rate of interest, increased the financing volume by € 137.0 million and extended the average term around two years through the partial termination, transformation and subscription of new Schuldschein volumes. From now on, new tranches of the Schuldschein have terms up to April 2016 (nominal value of € 56.5 million), up to April 2018 (nominal value of € 112.0 million), up to October 2018 (nominal value of € 220.0 million) and up to October 2020 (nominal value of € 248.5 million). Alongside the Schuldschein there is a credit facility of € 900.0 million, the repayment of which is due in September 2017. Both the Schuldschein and the credit facility may be used either for general business purposes and/or for financing acquisitions.

As of December 31, 2014 € 409.0 million of the existing credit facility has been used (December 31, 2013: € 150.0 million). The total available amount of unutilized short-term and long-term credit facilities was € 511.0 million (December 31, 2013: € 770.0 million).

Cash flows

The following presentation of cash flows also includes discontinued operations.

Consolidated Cash Flow Statement (Condensed)

€ millions	2014	2013
Cash flow from continuing operations	360.8	423.4
Cash flow from investing activities	92.7	–178.8
Cash flow from financing activities	–343.8	–210.9
Change in cash and cash equivalents	109.6	33.7
Cash and cash equivalents at December 31	383.1	248.6

The cash flow from operating activities amounted to € 360.8 million (PY: € 423.4 million). The decrease resulted mainly from the fact that the current figure only includes discontinued operations up until April 30, 2014. This figure included continuing operations in the amount of € 339.2 million (PY: € 338.9 million). This slightly positive development resulted from the improved set of operating results, which were affected by higher restructuring expenses in the previous year; during the reporting period they had a negative effect on cash flow due to the increased outgoings on structural measures.

The cash flow from investing activities amounted to € 92.7 million (PY: € –178.8 million). This figure included discontinued operations in the amount of € 533.5 million (PY: € –3.9 million); this largely comprises the receipt of the purchase price (less cash and cash equivalents given up) from the finalized sale of our print activities of € 792.4 million less tax prepayments of € 254.1 million. The cash flow from investing activities from continued activities in the amount of € –440.8 million (PY: € –174.9 million) was mainly characterized by payments (less cash equivalents acquired) from the acquisition of subsidiaries and financial investments of € 572.5 million in total, which particularly included the acquisitions of N24, My Little Paris, Yad2, LaCentrale, Jobsite, Project A and OZY. Furthermore, alongside ongoing investments in intangible assets, and property, plant, and equipment, full repayment of the purchase price claim from the sales of our regional newspaper investments in 2009 (€ 75.0 million; PY: € 25.0 million), payments from the sale of our 17.2 % non-controlling interest in iProperty (€ 74.3 million) and the sale of our 2.6 % share in Doğan TV (€ 62.5 million; PY: € 61.6 million). The cash outflow of € –181.7 million in the prior year was mainly influenced by the acquisitions of Saongroup and YourCareerGroup.

The cash flow from financing activities during the reporting period amounted to € –343.8 million (PY: € –210.9 million). It was solely included within continuing operations and was, in particular, characterized by the acquisition of a 15 % equity stake in Axel Springer Digital Classifieds from General Atlantic (€ 446.0 million) as well as new loans as financial liabilities. Furthermore, the current figure included payment of dividends to shareholders of Axel Springer SE and a special distribution of funds of € 90.7 million in connection with the completed sale of our print activities in the Czech Republic.

Financial position

The following presentation also includes the separately presented assets and liabilities attributable to discontinued operations.

Consolidated Balance Sheet (Condensed)

€ millions	12/31/2014	12/31/2013
Non-current assets	4,315.8	3,680.2
Current assets	1,241.9	1,093.6
Assets	**5,557.7**	**4,773.8**
Equity	2,354.9	2,244.0
Non-current liabilities	2,169.6	1,601.7
Current liabilities	1,033.2	928.1
Equity and liabilities	**5,557.7**	**4,773.8**

At € 5,557.7 million, the total assets presented in the consolidated statement of financial position were considerably higher than the corresponding figure at year-end 2013 (PY: € 4,773.8 million). This increase resulted mainly from the sale of national and international print activities, which was completed in late April. A profit on disposal (before taxes) of € 897.4 million was recognized, and purchase price proceeds (less cash and cash equivalents transferred to the buyer, and tax prepayments) of € 538.3 million were recognized in connection with this transaction.

Development of the long-term financial position resulted predominantly from the increase in intangible assets, which amounted to € 652.0 million after initial consolidation of My Little Paris, N24, Yad2, LaCentrale, and Jobsite took place. Furthermore, financial investments increased from € 433.9 million to € 633.2 million, which was primarily due to the long-term loan granted as part of the sale of our domestic print activities which was not paid in cash (€ 240.7 million) and the acquisition of Project A and OZY, and at the same time the sale of our 17.2 % equity investment in iProperty and the sale of 2.6 % of our holding in Doğan TV offset this.

In contrast, in connection with a planned sale of property that was previously held under property and equipment and also as an investment in assets held separately for sale at fair value less planned sales costs of € 95.9 million. In addition, the other long-term assets were reduced due to the premature and full repayment of the purchase price claim from the sale of our regional newspaper investments, which took place in 2009.

The increase in current assets from € 1,093.6 million to € 1,241.9 million predominantly resulted from an increase in the existing cash and cash equivalents, from the reclassification of long-term assets kept for sale (€ 95.9 million), and the increase in trade receivables. In addition, the other short-term assets increased, mainly due to initial consolidation of acquired companies, and granting a loan for immediate payment of a special distribution of funds in connection with the completed sale of print activities in the Czech Republic. By contrast, finalization of the sale of our domestic and international print activities allowed the assets held for sale from the previous year to be written off.

Equity amounted to € 2,354.9 million and was, despite the consolidated net income generated, only slightly above that of the end of 2013 (PY: € 2,244.0 million). Alongside the payments of dividends to the shareholders of Axel Springer SE and to minority partners, this could be traced back to the acquisition of 15 % of shares in Axel Springer Digital Classifieds, within the context of which the difference between the purchase price and the holdings of other partners was recorded within equity without affecting net income. The equity ratio fell to 42.4 % (PY: 47.0 %).

The increase in long-term outside capital was largely due to an increase in pension provisions, financial liabilities and other liabilities. The increase in pension provisions results from the current market level following adjustment of the discounting rate to 1.9 % (as of December 31, 2013: 3.6 %). Financial liabilities rose, in particular, due to utilization of our credit facility in connection with completed company acquisitions, and by restructuring and subscription of our Schuldschein (promissory note). The increase in other liabilities was primarily due to initial consolidation of acquired companies and in particular due to recognition of liabilities from option rights granted for acquisition of remaining non-controlling interests.

Current liabilities rose mainly due to consolidation-related increases of trade payables and other liabilities. In addition, we have also identified a long-term finance lease liability of € 62.0 million as being kept for sale as it consists of part of a building which was an asset held for sale as part of a finance lease as of December 31, 2014. In contrast, finalization of the sale of domestic and foreign print activities resulted in de-recognition of the liabilities that were held for sale.

Non-financial performance indicators

Employees

Axel Springer had an average of 13,917 (PY: 12,843) employees (excluding vocational trainees and journalism students/interns) in the reporting period. The 8.4 % increase over the prior-year figure resulted primarily from newly consolidated companies. Outside of Germany, Axel Springer had an average of 5,727 employees (PY: 5,281); this accounted for 41.2 % (PY: 41.1 %) of the workforce. On average, 5,847 of the Group's total workforce were women and 8,070 were men. The number of editors fell during the reporting period by 0.9 % to 2,771, however the number of employees - largely due to expansion of digital business activities and new equity stakes - rose by a total of 14.1 % to 10,457 employees.

Employees by Segments (continuing operations)

Average number per year	2014	2013	Change
Paid Models	5,951	5,882	1.2 %
Marketing Models	2,220	1,882	18.0 %
Classified Ad Models	2,580	1,826	41.3 %
Services/Holding	3,166	3,253	−2.7 %
Group	**13,917**	**12,843**	**8.4 %**

The small increase in the Paid Models segment was primarily due to initial consolidation of the N24 Group. In the Marketing Models segment, the increase resulted from the growth of reach-based marketing activities. The strongest growth occurred in the Classified Ad Models segment, mainly due to acquisitions, but also to organic growth.

Length of service and age structure

As of December 31, 2014, the average length of service with the Axel Springer Group was 10.5 (PY: 10.4) years; 42.5 % (PY: 46.3 %) of employees have worked for the company for longer than ten years. More than half of all employees are between 30 and 49 years of age. The proportion of severely disabled employees in German companies was, on average over the year, 3.8 % (PY: 3.7 %).

Equal opportunity and diversity

Axel Springer promotes the development of all its employees equally. Thus in 2010, Axel Springer launched a new, Group-wide project entitled “Chancen:gleich!” to increase the percentage of women in senior management positions, so as to achieve a better balance between women and men in the company’s management. The objective of this program is to increase the percentage of women on all management levels to more than 30 %, as a company-wide average. Instead of a uniform quota, we adopted individual targets for each area of the company. As of December 31, 2014, women held 27.8 % of management positions at Axel Springer’s companies in Germany.

Personnel development

The training and continuing education activities of Personnel Development have been closely aligned with the requirements of the digitization movement in prior years. More than one third of the continuing education program in 2014 consisted of newly developed training courses that cover various aspects of the digital transformation. Together with the formats and seminars that have already been successfully established, the new personnel development activities are clearly focused on digital content.

The “move” personnel development started in January 2014, which is an initiative which represents change and movement, and should drive and support the transformation process in the company. A variety of unconventional formats, measures and offers are part of "move"; these deal with future topics in the digital world and emphasize the networking aspect whilst simultaneously providing knowledge transfer. Around 70 “move” events took place during the year. The initiative won several awards.

Research and development

Axel Springer does not have a traditional research and development department of the kind that industrial enterprises maintain. All areas of the company constantly strive to optimize their existing products and introduce innovative new products to the market. Above all, we seek to continuously expand our portfolio with innovations in the digital sector, as well as new print formats, besides continuously improving our editorial content and upgrading our journalistic excellence. In that regard, we pay especially close attention to identifying changing media usage habits as early as possible.

Technology platform for paid content offerings

The existing platforms for paid content were also systematically expanded during the financial year. Improvements in the registration process (“Single Sign On”), integration of additional sales agreements and further developments in the area of content management systems were implemented on our platforms.

Further development of marketing services

In the Marketing Models, existing online offers were continuously developed and supplemented by new ones. Development of innovative product functionalities and marketing technologies for increasing reach and use of offers as well as monetization is a key priority for our investments. In addition, we also invest in new companies in an early stage of development, which develop new business models and technologies. This is either as a direct investment, or indirectly via investment companies such as the Project A-Ventures, where Axel Springer and the Otto Group are both involved, or Axel Springer Plug & Play Accelerator GmbH, a joint venture with Plug & Play Tech Center in Silicon Valley.

Further development of classified portals

The development of the forefront activities also applies to the Classified Ad Models segment.

For this reason, the StepStone Group also invested in its mobile offerings during 2014. A new Totaljobs app was launched in Great Britain, and a new app for recruiters was introduced in Germany which enables direct searching for candidates to be carried out on the move.

In the real estate models, Immonet has brought out an app for Android Wear, the smart watch operating system, which should make searching in real-time for real estate easier.

Sustainability and social responsibility

For Axel Springer, sustainability is the nexus between economic success and conduct that is both environmentally responsible and socially fair. These three criteria are firmly anchored in the company's business strategy. Therefore, sustainability is an integral part of all the company's business processes. The Sustainability Department supports all the company's activities in this area, ranging from resource efficiency measures to social responsibility initiatives. This department reports directly to the Executive Board Chairman. Through our sustainability strategy, we exercise responsibility for current and future generations and establish the foundation for long-term business success.

Since the mid-1990s Axel Springer has published environmental reports, and sustainability reports have been published since 2000. Since 2005 we have published a sustainability report on a biannual basis, which follows the full list of indicators of the Global Reporting Initiative (GRI), the internationally relevant format for sustainability reporting. The current sustainability report in "GRI+" format is also documented in the "Media Sector Supplement" (GRI+). This section provides additional indicators that are reflective of the specific issues encountered by journalism companies. At the same time, the report focuses on aspects of digitization which are relevant from a sustainability perspective. Axel Springer's sustainability reports are audited by independent auditors. The current sustainability report appeared in the middle of 2014 and can be found at www.sustainability.axelspringer.com. The next sustainability report will appear in the middle of 2016.

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

Axel Springer has systematically continued to follow the strategy of digital transformation in financial year 2014. We have driven digitization organically as well as via acquisitions. The most meaningful step in this context was the agreement with growth investor General Atlantic finalized at the end of 2014 regarding the acquisition of their 30 % equity share in our digital classified advertising business. Already during the first half of the year, the sale of domestic regional newspapers and the TV program guides and women's magazines to FUNKE Mediengruppe was successfully finalized. EBITDA, EBIT, and the adjusted earnings per share from continuing operations were all considerably higher than in the previous year. Considering the strong cash flow, the still exceedingly solid balance sheet structure, and the cost-effective financing options available to the company, Axel Springer finds itself in an excellent position to generate future growth, both through organic growth and through acquisitions.

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

Financial performance, liquidity, and financial position (continuing operations)

Group Key Figures (Selection, in € millions)	2014	2013	2012
Total revenues	3,037.9	2,801.4	2,737.3
EBITDA[1]	507.1	454.3	498.8
EBITDA margin[1]	*16.7 %*	*16.2 %*	*18.2 %*
EBIT[2]	394.6	359.7	413.6
Tax rate	*25.1 %*	*33.0 %*	*32.8 %*
Consolidated net income	235.7	178.6	190.7
Consolidated net income, adjusted[2]	251.2	229.8	258.6
Earnings per share, adjusted (in €)[2] [3]	2.01	1.81	2.20
Dividend per share (in €)[4]	1.80	1.80	1.70
Total dividends[4]	178.1	178.1	167.9
Net debt/liquidity	−667.8	−471.3	−449.6
Free cash flow[5]	244.1	246.1	297.3

1) Adjusted for non-recurring effects.
2) Adjusted for non-recurring effects and amortization and impairments from purchase price allocations.
3) For all years indicated herein, the adjusted basic/diluted earnings per share were calculated on the basis of weighted average shares outstanding in the given financial year (98.9 million).
4) Dividend proposal for financial year 2014.
5) Cash flow from operating activities, less capital expenditures, plus cash inflows on disposal of intangible assets and property, plant, and equipment.

Economic position of Axel Springer SE

€ millions	2014	2013	2012	2011	2010
Revenues	1,174.6	1,442.8	1,507.1	1,551.2	1,576.6
Net income	590.8	186.4	371.9	260.2	161.3
Transfers to retained earnings[1]	412.7	8.3	204.0	92.6	4.0
Total dividends[1]	178.1	178.1	167.9	167.6	157.3
Dividend per share (in €)[1] [2]	1.80	1.80	1.70	1.70	1.60

[1] The amount of the dividend for 2014 and the appropriation to retained earnings (after deduction of an advance appropriation of € 295.4 million) are subject to the condition of approval by the annual shareholders' meeting.
[2] The dividend per share for the year 2010 was adjusted to account for the share split conducted in 2011.

Introductory remarks

The management report of the parent company Axel Springer SE, Berlin, is combined with the management report of the Axel Springer Group. The following statements are based on the separate financial statements of Axel Springer SE, which were prepared in accordance with the regulations of the German Commercial Code and the German Stock Corporations Act. The separate financial statements and the management report will be announced in the Electronic Federal Gazette and published on the website of Axel Springer SE.

Business activity

Axel Springer SE is operationally active in the Paid Models segment and mainly publishes nationwide daily and weekly newspapers as well as automobile, computer, and sports magazines. Furthermore, Axel Springer SE, in its role as a parent company of the Axel Springer Group also exercises holding functions, monitors Group-wide liquidity management and performs other 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 22 et seq).

Financial performance

The financial performance of Axel Springer SE in the financial year 2014 was characterized by the sale of regional newspapers as well as TV program guides and women's magazines to FUNKE Mediengruppe, which was finalized at the end of April 2014. The profit on disposal due to Axel Springer SE amounted to € 797.8 million, and was recorded as extraordinary profit. As the income and expenses relating to the sold activities were no longer included from May 2014 onwards as a consequence of the sale, considerable falls were noted, particularly in revenues and also in purchased goods and services and personnel expenses.

Income Statement (Condensed)

€ millions	2014	2013
Revenues	1,174.6	1,442.8
Other operating income	125.3	133.4
Purchased goods and services	−290.4	−368.3
Personnel expenses	−382.1	−481.3
Amortization, depreciation, and impairments of intangible assets and property, plant and equipment	−45.7	−34.0
Other operating expenses	−532.1	−550.5
Net income from non-current financial assets	52.3	111.9
Net interest income	−32.2	−24.5
Profit from ordinary activities	**69.7**	**229.5**
Extraordinary profit	**797.8**	**0.0**
Taxes	−276.7	−43.1
Net income	**590.8**	**186.4**

Revenues fell by € 268.2 million or 18.6 %. There was also a fall in circulation and advertising revenues of € 197.8 million and € 78.9 million, respectively. In contrast, other revenues were 5.9 % above prior-year figures at € 153.7 million.

The cost of purchased goods and services was less than the prior-year figure, due to the lower expenses for paper, printing services, and fees, falling by € 77.9 million to € 290.4 million. At roughly 25 %, the ratio of purchased goods and services to total revenues was little changed from the prior year.

The personnel expenses of € 382.1 million remained 20.6 % lower than the prior-year figure. The cause of this was the lower number of employees in particular. The average number of employees declined by 21.4 %, from 4,282 in the prior year to 3,364 in financial year 2014.

Amortization, depreciation, and impairments of intangible assets and property, plant and equipment increased by € 11.7 million to € 45.7 million, mainly due to an impairment of one item of property.

Net income from non-current financial assets amounted to € 52.3 million. The fall of € 59.6 million resulted largely from a lower income from participating interests (€ 19.3 million; PY: € 105.2 million), which contained additional dividend payments in preparation for the sale of newspaper and magazine activities in the previous year. At the same time, profit and loss transfers as well as earnings from loans rose by € 8.6 million and € 9.1 million, respectively. Also, lower impairments of € 8.6 million of financial investments were recorded during the reporting period.

Net interest income (€ –32.2 million) fell by € 7.7 million. The reasons for this were mainly higher interest expenditure as part of Group-wide liquidity management and prepayments penalty in connection with the restructuring of the existing Schuldschein (promissory note).

Profit from ordinary activities amounted to € 69.7 million in financial year 2014 (PY: € 229.5 million). After taking the extraordinary profit into consideration and tax expenditures there was an annual surplus of € 590.8 million (PY: € 186.4 million).

Liquidity

Axel Springer SE restructured the existing Schuldschein during the financial year. Due to partial cancellation and conversion of existing tranches as well as subscription the average rate of interest was improved, the financing volume was increased by € 137.0 million to € 637.0 million and the average term was extended by two years (further details can be seen in Group Liquidity, page 35).

Alongside the promissory note there is a credit facility of € 900.0 million, the repayment of which is due in September 2017. Both the promissory note and the credit facility may be used either for general business purposes and/or for financing acquisitions.

Net debt (liabilities due to banks and promissory note less cash and cash equivalents) on December 31, 2014 amounted to € 946.1 million (PY: € 587.4 million). As of the reporting date unutilized short-term and long-term credit facilities amounted to € 511.0 million. (PY: € 770.0 million).

Financial position

Balance Sheet (Condensed)

€ millions	12/31/2014	12/31/2013
Intangible assets, and property, plant, and equipment	220.9	245.8
Non-current financial assets	4,284.7	3,231.9
Trade receivables	39.4	136.9
Receivables from affiliated companies	71.8	42.7
Cash and cash equivalents	99.9	62.6
Other assets	102.6	166.4
Total assets	**4,819.3**	**3,886.3**
Equity	1,965.1	1,552.4
Provisions	383.2	375.8
Liabilities due to banks and promissory note bonds	1,046.0	650.0
Liabilities to affiliated companies	1,328.7	1,160.1
Other liabilities	96.3	148.0
Total equity and liabilities	**4,819.3**	**3,886.3**

Total assets rose by € 933.0 million to € 4,819.3 million during the financial year. Non-current assets amounted to € 4,505.6 million (PY: € 3,477.7 million) and accounted for 93.5 % (PY: 89.5 %) of total assets. 43.6 % (PY: 44.6 % was covered by equity.

Non-current financial assets increased during the financial year by € 1,052.8 million to € 4,284.7 million. The increase mainly resulted from additional payments to capital reserves by subsidiaries for financing acquisitions as well as vendor loans granted to the amount of € 240.7 million as part of the sale of the German regional newspapers, TV program guides, and women's magazines.

A major factor in the reduction of trade receivables by € 97.5 million to € 39.4 million was the contribution of marketing and distribution activities into independent service companies. This resulted in contrary effects, especially in receivables from affiliated companies, which rose by € 29.1 million to € 71.8 million.

In other assets, the payment of the deferred purchase price for the sale of regional newspaper investments finalized in the 2009 financial year amounted to € 75.0 million.

Equity increased by € 412.7 million to € 1,965.1 million. The equity ratio increased to 40.8 % (PY: 39.9 %).

Provisions increased by € 7.4 million to € 383.2 million compared to the same time last year. The main reasons for the increase were provisions for guarantees granted in connection with the sold newspaper and magazine activities. Contrary effects arose from lower tax provisions.

In particular, lower subscription prepayments as a result of the sale of the German regional newspapers, TV program guides, and women's magazines led to a reduction of other liabilities.

Profit utilization proposal

The Supervisory Board and Executive Board propose that the company apply an amount of € 178.1 million (PY: € 178.1 million) from the distributable profit of € 295.4 million (PY: € 178.1 million) to pay a dividend of € 1.80 (PY: € 1.80) per qualifying share for financial year 2014, and to appropriate the remaining amount of €117.3 million (PY: € 0.0 million) to the other retained earnings.

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 € 1.80 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 (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."

Events after the reporting date

On February 11, 2015 we finalized an agreement with the shareholders of the real estate portal Immowelt regarding combining the Immowelt Group and the Immonet Group, belonging to Axel Springer Digital Classifieds. After finalization of various purchase and contribution agreements both real estate portals will be brought under the auspices of the new Immowelt Holding AG company, where we will have a majority shareholding of 55 % via Axel Springer Digital Classifieds. The remaining 45 % is kept by the current shareholders of Immowelt AG, and they have various options available for selling their holding. The transaction was based on a valuation of both companies totaling € 420 million. We will pay a total of approximately € 131 million as purchase price payments to the previous partners of Immowelt in connection with creating the new structure. The combining of both portals makes it possible to sustainably improve the competitive position within the German market segment for real estate portals. The transaction is still awaiting approval from the relevant cartel authorities.

At the beginning of January 2015 the acquisition of 51 % of shares in @Leisure Holding B.V., Amsterdam, the Netherlands, was completed (see page 25).

Report on risks and opportunities

Risk policy principles and risk strategy

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

Group-wide risk management system

In accordance with national and international requirements, we also continued the process of establishing the individual components of our internal monitoring system during the financial year (risk management, compliance management, internal control system, and internal audit), and adapted them to reflect the changed corporate environment as well as the ever-changing Group. An important focus lay on continued development and optimization of existing processes and structures, the integration of acquisitions into the existing risk management system, and continuous improvement of quality of risk inventory and corresponding countermeasures.

The general form of structures and processes in the risk management system are based on the internationally recognized "Enterprise Risk Management Framework", a framework developed by the Committee of Sponsoring Organizations of Treadway Commission (COSO). This integrates the risk management process into the internal control system. The use of this holistic, integrated approach should ensure that countermeasures and monitoring activities are systematically focused upon the strategic, operative, reporting-related and compliance-related objectives of Axel Springer and their risks.

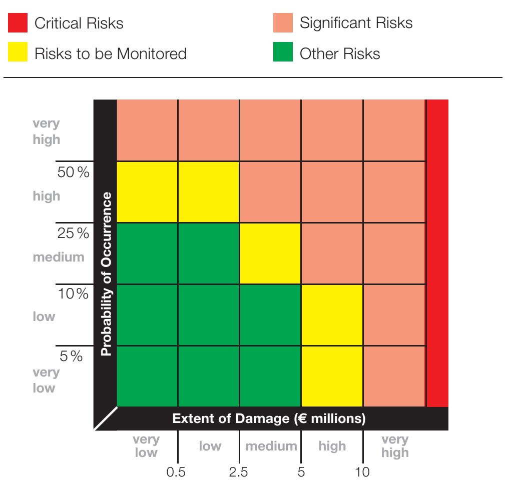
To ensure close interaction of individual subsystems in the long term which results in an appropriate, effective monitoring system for Axel Springer, group-wide coordination of systems and centralized reporting by means of risk management, compliance management and the internal control system by the Governance, Risk & Compliance central sector.

The risk management system at Axel Springer is focused on recognizing and evaluating all significant and existential risks as well as essential changes in the risk situation as promptly as possible. It should therefore be assured in accordance with risk policy principles and risk strategy that corresponding control and countermeasures can be used in time to react to such risks. This approach gives us the necessary maneuvering room and allows for the controlled and responsible management of risks.

The risks at Axel Springer are divided into strategic, operative, reporting-relevant, and compliance-relevant risks based on COSO (risk categories). The compliance-relevant risks arise from potential infringement of external and internal regulations and guidelines. Insofar it is sensible and applicable, risks are assessed quantitatively with reference to the parameters "loss amount" and "probability of occurrence". To achieve focus on the relevant issues, essential contents, a materiality limit is established based on EBITDA which is risk-oriented at a Group level, and further threshold values are determined from this. Currently, the materiality limit is € 10 million.

A theoretical threat to the company's survival as a going concern is assessed with reference to the possible gross loss amount and the resulting effect on the financial position and liquidity (excessive debts and insolvency) of the Group. Based on the classification scheme described above, risks are assigned to one of the following risks classes: existential risks, significant risks, risks to be monitored, and other risks.

Risk Matrix of Axel Springer SE



To ensure the greatest possible transparency in the presentation of Axel Springer's risk situation, and also for assessing existing weaknesses in monitoring and control if necessary, all identified risks are assessed both prior to the implementation of risk management measures (gross risk assessment - inherent risk), and after the corresponding measures are taken (net risk assessment - residual risk).

While overall responsibility for risk management lies with the whole Executive Board, the various divisions and affiliated companies of the Group are primarily responsible for the management of individual risks, including the early detection, identification, assessment, management, and documentation of risks, as well as the adoption and implementation of countermeasures and appropriate communications.

The senior managers of Axel Springer and the Group companies bear the responsibility for the content of the risk management system implemented within their division or company and the respective risks Alongside the systematic process for risk assessment and evaluation carried out annually and the updates carried out on a semi-annual basis, they are expected to observe their division or their company for any changes in the risk situation. Significant changes in the risk situation must be reported immediately to the Corporate Office of Governance, Risk & Compliance.

This decentralized risk inventory process is supplemented by a centralized risk inventory, which is conducted by means of a systematic procedure involving top managers, under the direction of the Group-wide Risk Manager. The goal of this procedure is to identify and assess risks that are not specific to operating divisions or processes, and so fill in any gaps in the risk inventory, by employing a specialized methodology.

The Corporate Risk Manager is assigned to the Corporate Office of Governance, Risk & Compliance. He supervises all necessary risk management activities, aggregates the risks on the Group level, judges the plausibility, and verifies the completeness of reported risks. He is also responsible for the constant optimization of the risk management system and the web-based data process solution employed on a Group-wide basis. The semi-annual and ad-hoc risk reports submitted to the Executive Board and Supervisory Board are focused primarily on existential risks and significant risks, along with the countermeasures adopted in every case, and suitable early warning indicators, to the extent they are available.

The risk management system, including the responsibilities for the various activities, is documented in a Corporate Guideline, which is reviewed at least once a year and adjusted when necessary by the Corporate Office of Governance, Risk & Compliance.

At present, we do not intend to survey and document entrepreneurial opportunities systematically in the context of our risk management system. Instead, business opportunities are taken up and documented as part of the strategy and budgeting process.

Internal audit system

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

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

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

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

Report on the financial reporting-related risk management system and internal control system pursuant to Section 289 (5) and Section 315 (2) (5) HGB

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

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

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

- Process-integrated controls (computer-aided controls and access restrictions, dual control principle, separation of functions, analytical controls).

- Standardized financial accounting processes, through the use of an internal, Group-wide Shared Services Center for most of the consolidated German companies of the Group.

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

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

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

- Centralized preparation of the consolidated financial statements, employing manual and computer-system controls in respect of financial reporting-specific connections and dependencies.

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

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

The effectiveness of the (consolidated) financial reporting-related risk management system and internal control system is systematically reviewed and assessed by means of periodic control tests; a Group-wide reporting system ensures that up-to-date information is provided on a regular basis to the division heads, Executive Board, and Supervisory Board.

Both the risk management system and the internal control system are continuously refined. For example, the financial reporting-related control system is being integrated, extending beyond the area of accounting, on a step-by-step basis into a comprehensive system of internal corporate monitoring. By that means, we synchronize and optimize our control elements on a cross-divisional basis, thereby enhancing the effectiveness and economic efficiency of the entire system.

Risk areas

If not stated elsewhere, all risks will be mentioned in the following which have a considerable negative effect on reaching our company-wide targets. Within the risk areas described below, risks are presented in the order of their priority for Axel Springer.

Provided that these are not strategic risks, then the risks are generally pertaining to the 2015 forecasting period.

Market and competition risks

Whilst economic growth is forecast for Germany despite geopolitical tensions, the euro zone in its entirety is recovering only slowly. The fact that individual countries are currently not able to correct their deficits and that the required structural reforms are only being implemented slowly is causing a growing economic chasm between euro zone countries. There is also considerable uncertainty pertaining to the future development of emerging countries such as Russia and China, as economic powers that still hold considerable importance for the global economy. A renewed economic downturn within EU member states and therefore our key markets could have a negative impact on economic growth generally and could lead to a significant deterioration of the revenue situation of our customers, and result in slower growth of the online market. In such a scenario, a more severe decline than expected of Axel Springer's print advertising revenues cannot be ruled out. Besides reducing advertising revenues in Germany, a negative development of the general market environment could also reduce the Group's advertising revenues in central and eastern Europe, and it therefore represents a risk for all the segments of Axel Springer SE.

Furthermore, the general market situation is still characterized by intense competition pressure. The entry of new competing titles and formats into the market exposes the Axel Springer Group to the risk of lost revenues and market shares in the online and print business. The loss of major advertising customers due to switching over to other advertising media such as TV, radio, and online or mobile advertising, could considerably reduce our print advertising revenues. Our print advertising revenues could also be reduced by the loss of major commercial customers, who are increasingly shifting their advertising budgets to radio and TV.

The above-mentioned market risks are exacerbated by changing consumption and reading habits, primarily due to demographic change. Another source of persistent uncertainty pertains to the intensified competition between traditional print media and the increased use of online and mobile media.

The above-mentioned general market risks are monitored and minimized primarily through management on the operational level and through continuous observation of the market and the competition. At the same time, the digitization of our products will be driven, our product portfolio will be expanded both nationally and internationally, and our journalistic and technological competences will be enhanced and optimized. Adjustments to evolving consumer and reader requirements also occurs via technical and product-specific innovations. This will be accompanied with pricing and product policy measures.

In addition, there is a risk of increasing price erosion within the online marketing sector, e.g. display advertising due to increased competition by global players with developed targeting products and a high number of users. We counter this risk by, amongst other things, consolidating and continuously building on our position in the competitive arena as well as innovative, target group-oriented marketing products.

The spread of ad blockers presents a risk for advertising revenues which must be taken seriously in the digital advertising sector. Specially pre-configured browsers and browser add-ons prevent ads from being displayed on visited web pages and the effects of said ads depending on how the add-ons were installed by the user. The continued spread of ad blockers could lead to substantial declines in advertising revenues, especially in our performance-oriented business models. As a means of minimizing this risk, we are currently conducting a joint information campaign with our advertising partners, to raise awareness of this problem within the advertising industry. We are also exploring legal and technological options for effectively addressing the problem of ad blockers.

Digital markets are subject to dynamic markets and competition with short innovation cycles. Our digital portals are therefore exposed to the risk that new portals and competitors aiming to break into the market, alongside changes in usage behavior, could jeopardize the existing market position in the long run. Increasing competition is a threat not only on the part of the world's leading Internet companies aiming to penetrate into new market segments, but also for new companies with innovative business concepts. Intensive observation of current happenings on the market, and continuous and adapted further developments of our portals are our counters to the stated risks.

Many of our digital offers are additionally confronted with the risk arising from the dominant position of major Internet search engines. If, for example, these search engines change their search algorithms or expand their business models that compete with our business sectors, this can have noticeable effects on the future revenue situation, especially with regards to our Marketing Models. Even small changes in visibility or in position on the results pages could lead to significant losses in turnover with certain business models.

We counter this risk by means of targeted ad placements on search engine pages/results pages, search engine optimization and management as well as the further expansion of the Group's activities in target-group relevant social media channels. Simultaneously, we are focusing on adequate measures to reinforce the brands and offerings of Axel Springer SE so that their usage will not be as dependent on services provided by third parties, particularly the visibility on search engines and social media networks. Through the constant further development and expansion of our apps for mobile use, we are continuously increasing the degree of digitization and implementing our strategy of becoming the leading digital publisher. By means of acquisitions, new company start-ups, and the expansion of existing digital media, we will strive to adapt to changes in the media world and further promote the cross-media networking and integration of our brands. (For more information on this subject, please refer to the report on the operating segments, beginning on page 12, and the report on the financial performance of the segments, starting on page 30).

Political and legal risks

The already pronounced concerns of the public, politicians, and consumer protection organizations in matters of data protection have become even more prominent. This development has been caused by two factors, the first being the public debate regarding the use of the personal data of German citizens by foreign intelligence services, and the second being the practice of social networks, search engines, and other online platforms to collect the data entered by users and use it for their own commercial purposes. Even where such actions fall within legally admissible limits, parts of the public and certain interest groups (including consumer protection organizations, among others) have successfully argued that consumers' right to privacy should always take precedence over commercial interests. For this reason, among others, consumer protection and data privacy proposals have gained significance in the legislative and executive bodies of the German states and the German Federal Government, and at European level as well. This trend is particularly worrisome for digital business models, because they are almost entirely reliant upon the use of data. This uncertainty has been exacerbated particularly by the as yet incomplete legislative process on the subject of a fundamental data privacy regulation at EU level. Specifically, such a regulation would affect the use of so-called "cookies" and similar technologies, the permissibility of generating user profiles (profiling and tracking), and other measures that necessitate the use of personal data without prior consent. Furthermore, recent regulatory proposals are potentially more advantageous for the providers of registration-required online services than for advertising-financed online services and advertising networks that do not maintain direct contacts with end customers, because the popular, registration-required online services already possess a large, personalized subscriber base, making it much easier for them to obtain permission from their users. Restrictions of the advertising and customer-retention possibilities associated with these technologies could result in substantial revenue losses for mobile and web-page-based business models.

The growing Internet activities of public-sector broadcasters currently pose another risk to our business. ARD in particular has intruded into the business sphere of the private-sector press and distorted the competition environment with a text-oriented news app for Tagesschau financed by license fees. Faced with competition from this cleverly designed “free offer”, it is naturally hard for publishing companies to successfully offer paid apps.

After conducting fruitless negotiations with ARD and NDR, Axel Springer SE and seven other publishing companies, with the full support of the newspaper publishers' association BDZV, filed a lawsuit against ARD and NDR in the Competition Division of the Cologne Regional Court. In September 2012, the court granted the claim in most respects. The defendants appealed this ruling and prevailed in the appellate instance before the Cologne Higher Regional Court. The plaintiffs have lodged an appeal against this ruling before the Federal Supreme Court.

Concurrently with the court proceeding, the publishing companies are conducting settlement negotiations with ARD, with the aim of establishing fundamental playing rules for the Internet. If no agreement can be reached and the publishing companies lose the case in the highest instance, it will be much more difficult for Axel Springer to successfully offer paid journalism content in the fast-growing mobile market.

Our business will continue to be exposed to the competition-distorting effects of state-owned media and the regulatory pressure of legislators on all relevant levels of government, despite the countermeasures we have taken.

Breaches of confidentiality agreements and violations of insider trading regulations, as well as the incorrect publication of data or the non-observance of data privacy laws, could lead to economic or legal consequences for Axel Springer. Moreover, the reputation of Axel Springer or its brands could be damaged by negative reporting or social media campaigns on this subject, even if no laws have been broken.

To minimize such risks, Axel Springer has adopted various control mechanisms and consultation rules and initiated extensive training programs, among other measures. The company intends to intensify such activities in the future.

IT risks

For Axel Springer, a Group with an increasingly high degree of digitization, there are numerous important risks for the Group regarding the availability of IT systems used, as well as the confidentiality and integrity of information.

Due to the high degree of integration of information technology within business processes, Axel Springer is reliant on high availability of IT components. Failure of IT infrastructure components can have considerable influence on the availability of a business process as well as the applications that are driven by said processes. Possible causes of such impairments are internal factors such as increasing complexity of systems and infrastructure which has grown over a prolonged period of time, but also include external factors such as, for example, computer criminality via DDoS attacks. At worst, these could cause interruptions in business activities along with far-reaching consequences regarding revenues and reputation.

Additional IT risks are classified as important if the confidentiality of information and data integrity is compromised as a consequence. In consideration of the growing importance of paid content offerings and services requiring authentication, and the related collection and storage of personal data, as well as the steadily growing threat of computer criminality, the careful handling and protection of the above-mentioned customer data are of great importance.

For this reason targeted measures have been undertaken to avoid or to limit the effects of criminal activities and the failure of IT components as far as is possible. Measures such as back-up systems, emergency data centers, firewalls, use of encryption, identity & access management, and hardening of systems are used to reduce risk. The stated measures are continuously analyzed and expanded or improved where necessary.

Reputation risks

As an internationally active and expanding enterprise, Axel Springer has adopted a catalog of social standards known as the International Social Policy, as a binding guideline for social integrity, applicable to all our companies throughout the world. Non-observance of the International Social Policy, especially in connection with the procurement of advertisements and product giveaways, as well as merchandising or the sale of title licenses, could potentially cause serious damage to the company's reputation.

One step that Axel Springer has taken to mitigate such risks has been to integrate the International Social Policy into the Group-wide Code of Conduct. In addition, all relevant corporate guidelines, particularly those applicable to procurement activities, contain a binding reference to the procurement-relevant standards of the International Social Policy. The Axel Springer Group has instituted a sustainability management program that meets international standards. The overly late detection of possible ecological or social conflicts relative to the procurement of resources along the value chain of wood, pulp, paper, and recycled materials could harm the Group's reputation. To minimize this risk effectively, we work closely together with experts in the wood, pulp, and paper industry and with environmental protection organizations. We also conduct monitoring measures across the value chain. Our internal and external communications on this subject are characterized by openness and transparency.

Strategic and other risks

Strategic risks arise primarily from the possibility that the Group would invest in new business models and segments that would unexpectedly prove not to be successful on a sustainable basis or would be forced out of the market by newer Internet business models, or that future profits could be sharply reduced by rising customer retention costs. This could lead to negative financial results, possibly resulting in the insolvency of a subsidiary in the worst case. The consequence of this could be unscheduled impairment losses when permanent impairment is expected in the context of the impairment test which is to be carried out. This risk could materialize in our activities in the Marketing Models, Classified Ad Models, and Paid Models operating segments.

In general, the business segments and models of our interests are, however, extremely heterogeneous, such that cluster risks are limited by means of diversification. Such risks are further diversified by means of preventative measures such as the clear investment criteria, in accordance with which we check new investments as part of our M&A activities, as well as active portfolio and investment management, the recruitment and retention of highly qualified managers, and the continuous monitoring of business and market developments.

Furthermore, we try to counter the stated strategic risks by constant innovation. Despite the partial use of paid content, the reach of BILD.de could generally be maintained at an extremely high level. Besides generating advertising and circulation revenues, paid content models support the strategy of building a sustainable subscriber base for paid digital journalism. In addition, Axel Springer continues to rigorously pursue a strategy of profitable growth, primarily in the area of digital business models. The online classified advertising business, and Ringier Axel Springer Media AG, founded as a joint venture with Ringier AG, form a key component in digitization and also internationalization.

Ringier Axel Springer Media and its subsidiaries are mainly exposed to market and financial risks. Declining circulation numbers, which in return reduce circulation revenues and potentially also advertising revenues in the medium term, represent a significant market risk. Above all, the advertising market in eastern Europe is exposed to significant market risks related to the structural shift from print to online. We rigorously manage market risks by marketing the combined and expanded product portfolio, with the objective of being able to offer even better, tailored solutions to customers in the market.

By virtue of the high degree of internationalization of Ringier Axel Springer Media AG, the relevant market risks are distributed over various countries, although that also gives rise to heightened foreign exchange risks (EUR, CHF, eastern European currencies). When required these foreign exchange risks have been countered by means of appropriate hedging activities.

With regard to our investment in Doğan TV Holding A.S., the potential risk of financial loss – associated with the risk of depreciation of the investment – arising from the existing contractual agreement regarding the sale, are fully hedged by bank guarantees.

In the previous reporting year Axel Springer has issued loans to business partners as part of the transaction with FUNKE Mediengruppe. The risk of default on loan claims is countered by gathering information on the economic and financial situation of the business partner, along with corresponding analysis and preparation of such data. We are able to quickly recognize default risks using this method. In addition, these business partners have granted us secondary security to their assets.

The loss of major clients, especially in the advertising sector, and the dependency of economic changes within the retail sector could have a negative impact on the business success of the Group and its activities. However, this risk is countered by customer retention measures as well as wide-ranging discussions with our clients and agency partners.

In the area of distribution, the sale of our women's magazines, TV program guides, and regional titles to FUNKE Mediengruppe (see page 26), and the associated drop in sales volumes and various economies of scale, entail the risk of cost increases. Since May 2014, there is a circulation cooperation with FUNKE Mediengruppe to handle distribution activities, which is meant to counter these cost increases in the area of retail sales.

A loss or termination of existing business partnerships of strategic importance, especially in the reach-based sector, would have considerable losses in revenue as a consequence. This risk is countered by active support of key customers.

The marked increase in the threat of terrorism is countered, amongst other things, with enhanced security standards, more stringent access regulations and controls, and comprehensive education and training of all security representatives.

Natural hazards such as fires, for example, still represent significant risks for Axel Springer. We counter these risks in two ways: First, we take structural and organizational measures to raise the Group's security standards even further, and second, we have maintained insurance to mitigate all financial consequences of terrorism.

Personnel risks

The individual skills, professional competence, and commitment of our employees contribute greatly to the success of the Axel Springer Group. As a consequence, the loss of specialist staff and management is a significant risk which we actively look to counter. A primary focus of human resource management is the targeted, progressive development of employees and motivation with the aid of focused and continuous training, attractive bonus schemes, flexible working time models and a better work/life balance. Age-related employee turnover is also acted upon at an early stage with systematic succession planning, ensuring that the transfer of valuable knowledge and experience takes place.

In addition, the increasingly difficult situation regarding the recruitment of possible junior staff also represents an ever-increasing risk. It is increasingly difficult to recruit qualified staff, and this is a result of demographic change, and also a matter of increasing competition on the human resources market. This risk, which is monitored from a Group standpoint, is countered with an employer marketing campaign which was started in 2011 and revised in 2014. The initiative aims to differentiate significantly from other companies, and portrays Axel Springer as an innovative, modern employer.

Financial risks and risks associated with the use of financial instruments

The financial risks especially relevant to the Axel Springer Group are interest rate risks and currency risks. Interest rate risks arise primarily from financial assets or liabilities with variable interest rates. Currency risks arise from expenses, revenues, investment income and expenses, and receivables and liabilities denominated in foreign currencies (transaction risk).

The risk of changing interest rates inherent in variable-interest assets or liabilities is minimized through the use of interest rate derivatives. Interest rate risks were countered by the agreement of fixed interest tranches for promissory note proceeds in 2012 as well as the partial cancellation, conversion, and subscription of the existing Schuldschein (promissory notes) in 2014.

The risk of value changes arising from exchange rate fluctuations are avoided primarily in that operating costs are incurred in the same countries in which we sell our products and services. Residual currency risks arising from cash flows denominated in foreign currencies are immaterial because we generate most of our earnings in the euro zone. Currency risks inherent in receivables and liabilities denominated in foreign currencies (excluding contingent purchase price liabilities) with net exposures of € 5 million or more per foreign currency are usually hedged by means of maturity-matched forward exchange deals.

Local-currency cash flows generated in non-euro zone countries are either reinvested to expand local business operations, or invested with Axel Springer SE and hedged by means of forward exchange deals or distributed in the form of dividends. Therefore, the liquidity risk arising from exchange rate changes affecting cash flows denominated in foreign currencies is limited.

Currency effects arising from the translation of financial statements denominated in foreign currencies (currency translation risk) are recognized directly in the equity item of other comprehensive income. Therefore, Axel Springer does not hedge such currency effects.

Significant financing risks resulting from the uncertain outlook for the financial sector are not evident for the Axel Springer Group at the present time because the credit line in the amount of € 0.9 billion (through 2017) obtained for liquidity assurance purposes has been committed by the participating banks with binding effect. The credit facility is contingent upon the observance of covenants that are based primarily on a certain ratio of net debt to the earnings indicators of the Axel Springer Group. Even if the credit facility were to be drawn down in full, we do not expect to breach any of the agreed covenants and therefore we consider the risk of acceleration of borrowed amounts to be minor. Based on our continuous observation of the money markets, capital markets, and credit markets, we have concluded that companies with outstanding creditworthiness and strong reputations can always raise funding at favorable conditions. Furthermore, Axel Springer can generate liquidity reliably, thanks to its broadly diversified customer base and the absence of significant payment delays and defaults.

Surplus cash not needed for operations is invested on the basis of criteria set out in a corporate guideline, which sets loss limits that may not be exceeded, as a means (among others) of limiting risks.

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

Overall risk assessment
In the preceding sections, we reported on significant individual risks.

The overall risk situation of the Axel Springer Group is composed of the individual risks in all risk categories of the consolidated subsidiaries and corporate divisions. In consideration of the interdependency of individual risks, no individual risks that could endanger the continued operation of the Axel Springer Group or significantly influence the Group's financial position, financial performance, and liquidity can be discerned, unless the economy within our markets were to worsen dramatically, leading to a significant deterioration of the Group's market position and financial performance. Furthermore, risk concentrations are being incrementally reduced by means of increasing diversification, internationalization, optimization of the brand and product portfolio, and digitization. The overall risk position has increased compared to the prior year due to, amongst other things, the additional acquisitions within the digital business models segment carried out in the course of the year, as well as the loans issued in connection with the transformation of the company.

Opportunities

Market opportunities
If the economy within our markets - as is currently forecast by leading economic institutes despite geopolitical tensions - continues to stabilize, then this could have a positive effect on our revenue development. Even a negative development of the overall economy could create opportunities. For example, competitors could pull out of the market, thereby strengthening our own market position on a long-term basis. Furthermore, there may be the option of acquiring companies at low valuations, then subsequently expanding their market share in existing markets and investing in new markets with growth potential.

Political opportunities
The ancillary copyright for news publishers that took effect on August 2013 can be expected to strengthen the protection of intellectual property rights in Germany.

Strategic opportunities
In a constantly changing environment we continue to develop our company so that we are able to face global challenges in the future with innovative solutions.

The digitization strategy offers especially promising opportunities for generating additional revenues via the positive development of revenues in the online advertising market. Axel Springer is taking advantage of this market trend through the swift and consistent combination of diverse media channels (print, TV, and online offerings), by investing in companies, entering into cooperation agreements and partnerships, and continually expanding its existing and newly acquired activities. N24 plays a major role in linking print, TV, and online offerings by means of: a joint editorial team will deliver the most comprehensive multimedia coverage in the German media landscape, spanning digital, print, video, and live TV, with an emphasis on quality journalism as the hallmark in all media channels. By this means, we will continuously draw closer to the goal of becoming the leading digital publisher.

In addition, the Group invested heavily in expanding Paid Models in the Internet and expanded its digital portfolio through additional acquisitions of Marketing and Classified Ad Models.

All divisions and companies work on continuous improvement of technologies and processes in order to maintain and expand their market position in the face of competition. This also includes an intensive, Group-wide exchange and transfer of business models, technologies, and processes. It is assumed that this exchange at the company headquarters in Berlin will be made simpler and also intensified due to spatial proximity in the planned Axel Springer Campus.

On the one hand, acquisition of equity stakes in attractive companies with 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, we also obtain access to co-investments, which could remain open, if necessary, for subsequent acquisition of a majority stake. In the event of substantial development of the associate companies, we can also profit from a significant appreciation in value.

We also see opportunities in the internationalization of successful business models. For example, introduction of the kaufDA business model into the USA offers considerable potential. We have an advantage over our competitors in that we have already attained strong market positions in many countries, and, indeed, leading positions.

Forecast report

Anticipated economic environment

General economic environment

Despite the momentum caused by the low oil price, the International Monetary Fund (IMF) lowered its growth forecast for the **world economy** in January 2015. The reason for this is the weak outlook for China, Russia, Japan and the euro zone.

According to the forecast, the world economy will expand in 2015 by 3.5 % in real terms. The IMF expects growth of 3.6 % for the USA in real terms. Lower energy costs are expected to lead to a considerable increase in consumer spending here. The IMF has slightly lowered its expectations for China and expects the Chinese economy to increase by 6.8 % in real terms during 2015. The IMF expects an increase in Gross Domestic Product of only 1.2 % for the euro area in real terms during 2015.

Clearance of the Swiss franc exchange rate is not assessed by the IMF. The major Swiss bank UBS has already altered its growth forecast for 2015 from 1.8 % to 0.5 %.

According to a forecast from the ifo Institute, the **German economy** will gradually become more dynamic after a period of stagnation in the summer half-year of 2014. Gross Domestic Product is expected to increase by 1.5 % in real terms during 2015.

The recovery is mainly driven by the domestic economy, which has profited from the drop in crude oil prices. In 2015, capital expenditures in new systems must grow by 2.0 % in real terms, as the increasing load on production capacity means that investments in new capacity are necessary. Construction investments will also rise by 1.7 % in real terms. With increasing real income, private consumption is also expected to expand by 1.7 %. According to the ifo Institute exports will increase by 5.2 % as the world economy is growing and price competitiveness of the German export economy to third markets increased due to the euro's fall against the US dollar. In conjunction with the expected improvement of the domestic economy, imports should rise even faster, by 5.8 %.

The ifo Institute expects the upward trend of prices to weaken further. According to the forecast, consumer prices should rise in 2015 only by 0.8 % overall. The working population will increase by an average of 190,000 people. The unemployment rate should fall slightly to 6.6 %.

The ifo Institute anticipates a slight deceleration in economic growth for **central and eastern Europe**. Economic weakness in the euro zone puts a strain on the exports sector. The fall in unemployment and low inflation rates should also continue to support the purchasing power of consumers. Furthermore, an easing of the government's austerity drive is expected.

Anticipated Economic Development[1] (Selection)

Change in gross domestic product compared to prior year (real)	2015
Germany	1.5 %
United Kingdom	2.6 %
France	0.4 %
Poland	3.0 %
Switzerland[2]	1.6 %
Hungary	2.5 %
Belgium	0.8 %
Slovakia	2.0 %
Netherlands	1.1 %
Serbia[2]	1.0 %
Austria	0.9 %
Ireland	2.5 %
Italy	−0.2 %
Spain	2.0 %
USA	3.3 %
Russia	0.0 %
Israel[2]	2.8 %
Brazil[2]	1.4 %
China	7.1 %

[1] Source: ifo Institut, December 2014.
[2] Source: IMF, October 2014.

Industry environment

According to the current advertising market forecast by ZenithOptimedia an increase of 4.9 % is expected for 2015 worldwide (nominally). ZenithOptimedia therefore corrected its forecast of + 5.3 % from September 2014 downwards.

Currently available forecasts for the **German** advertising industry predict mixed developments for the different types of media. ZenithOptimedia expects net advertising market revenue in Germany to increase by 1.3 % during 2015 (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 2.8 % (+ 1.5 % in real terms). This growth will be driven by digital (+ 7.1 %) and TV advertising (+ 2.8 %), outdoor advertising (+ 2.5 %) and radio advertising (+ 1.6 %). ZenithOptimedia is predicting a drop in net advertising revenues for newspapers (– 4.1 %) and magazines (– 1.1 %).

The forecast data also reflects the structural shift of advertising expenditures in favor of digital platforms. The proportion of total advertising expenditures targeted to online and mobile platforms will rise further.

According to ZenithOptimedia, social media and mobile devices are current drivers of the advertising market. Due to the continued spread of mobile devices, improvements in advertising forms and variety, and technical innovations in controlling multi-device campaigns, considerable growth in advertising expenditure is expected.

The German Advertising Association (ZAW) assumes in its forecast for 2015 that the advertising industry can generally pick up momentum with the outlook of an increase of real consumer spending by consumers. "Stable at least, with opportunities for more" was the summary of the industry by ZAW when looking at the 2015 advertising year.

ZenithOptimedia’s forecast (as of December 2014) for the **international markets** in which Axel Springer conducts business through its own subsidiaries paints a mixed picture.

According to the forecast by ZenithOptimedia in 2015, the net advertising volume on the online market in western Europe will increase by 11.4 % to US-$ 34.9 billion, based on the assumption of consistent exchange rates. The growth rates in eastern European markets are significantly higher in some cases.

Anticipated Advertising Activity 2015 (Selection)

Change in net ad revenues compared to prior year (nominal)	Online	Print
Germany	7.1 %	– 3.0 %
United Kingdom	16.8 %	– 5.8 %
France[1]	3.8 %	– 6.4 %
Poland[1]	11.8 %	– 16.7 %
Switzerland[2]	14.2 %	– 5.2 %
Hungary	7.0 %	1.0 %
Belgium[2]	15.0 %	1.4 %
Slovakia[1]	33.3 %	– 4.4 %
Netherlands	7.0 %	– 3.5 %
Serbia[1]	16.5 %	– 2.6 %
Austria[1]	15.3 %	– 4.9 %
Ireland	14.9 %	– 5.0 %
Italy[1]	7.0 %	– 3.9 %
Spain[1]	10.0 %	0.0 %
USA	18.2 %	– 5.2 %
Russia	10.0 %	– 10.0 %
Israel	3.3 %	– 0.7 %
Brazil	25.0 %	– 1.2 %

Source: ZenithOptimedia, Advertising Expenditure Forecast (December) 2014
1) Excluding classified ads
2) Gross advertising revenues (excluding classified ads). Gross advertising revenues do not adequately reflect the true development of advertising revenues.

Group

Strategic and organizational orientation

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

Comparison of forecast with actual performance

The forecast targets published in March 2014 were essentially attained.

Group

	Forecast	2014
Revenues	mid single-digit percentage increase	8.4 %
EBITDA	low double-digit percentage increase	11.6 %
Earnings per share, adjusted	low double-digit percentage increase	11.2 %

Segments

	Forecast	2014
Revenues		
Paid Models	low single-digit percentage increase	2.6 %
Marketing Models	low double-digit percentage increase	10.8 %
Classified Ad Models	low double-digit percentage increase	27.2 %
Services/Holding	mid single-digit percentage decline	6.1 %
EBITDA		
Paid Models	low to mid single-digit percentage increase	−2.4 %
Marketing Models	stable	6.0 %
Classified Ad Models	low double-digit percentage increase	35.2 %
Services/Holding	significant improvement	−8.3 %

For the Paid Models and Classified Ad Models segments an update of the forecast has been carried out during the year. In the case of Classified Ad Models growth expectations were adjusted upwards in August with the publication of the semi-annual report due to acquisition effects and slightly stronger organic growth. We expect a fall in EDITDA in the low double-digit percentage range due to planned investments into product quality and also into digitization. From then on a noticeable increase in revenues and EBITDA has been expected. Within the Paid Models segment the forecast was adjusted following the publication of the nine-month report in November for the development of advertising revenues from an increase to stable development over the course of the year. Accordingly, and also due to higher than expected restructuring expenses, the EBITDA of paid models has been expected to show a decline in the low to mid single-digit range. EBITDA of Marketing Models has developed slightly better than expected. In the Services/Holding segment revenue development has been better than expected, whilst EBITDA remained below expectations mainly due to restructuring expenses being higher than expected.

Anticipated business developments and financial performance of the Group

We anticipate in the Group that **total revenues** will be higher for the 2015 financial year than the prior-year figure by an amount in the low to mid single-digit percentage range. We assume that the planned increase in advertising revenues will more than compensate for the decline in circulation revenues and other revenues.

We expect **EBITDA** to rise by an amount in the high single-digit percentage range. In this case, a rise in EBITDA within the Classified Ad Models and Services/Holding is expected, whilst the Paid Models and the Marketing Models should achieve an EBITDA that is below that of the level of the previous year.

For **EBIT** we expect developments to be similar to those for EBITDA.

For the **adjusted earnings per share** we expect, due to a lower proportion of the adjusted consolidated net income that is due for minorities, an increase in the low double-digit percentage range compared to the prior-year figure.

Anticipated business developments and financial performance of the segments

In the **Paid Models** segment we expect a decline in total revenues in the low single-digit percentage range for the 2015 financial year. Due to structural shifts in the national and international print business we expect declining advertising and circulation revenues. We expect an increase in other revenues. We expect a decline in EDITDA in the low double-digit percentage range due to planned investments into product quality and also into digitization.

We expect the total revenues of the **Marketing Models** segment to increase by an amount in the low to mid single-digit percentage range, mainly based on the anticipated growth of other revenues. We also expect EBITDA to fall below the level of the previous year in a mid to high single-digit percentage range due to, amongst other things, planned structural adjustments within performance marketing, planned expenditure for increasing competitiveness, and internationalization of digital business models within the field of reach marketing.

The revenues of the **Classified Ad Models** segment are expected to rise considerably due to organic growth and consolidation effects. A marked increase is also expected for EBITDA.

Due to falling print revenues and lower revenues from services in connection with the sale of activities to FUNKE Mediengruppe we expect a considerable fall in revenues for the **Services/Holding** segment, which should result in considerably improved EBITDA figures due to lower expenses for structural adjustments and positive special items such as further payments as a result of the insolvency proceedings against the Kirch Group.

For EBIT we expect developments to be similar to those for EBITDA.

Anticipated liquidity and financial position

Based on the capital expenditure projects planned to date, investments in property, plant, and equipment, and intangible assets are likely to be higher than the corresponding prior-year figure with regards to the liquidity and financial position. Financing will be provided by operating cash flow.

Dividend policy

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

Anticipated development of the workforce

The average full-year number of employees in 2015 will be higher than in 2014, 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.

The forecasts for EBITDA, EBIT, and the adjusted earnings per share do not reflect any possible effects resulting from possible future acquisitions, divestitures, and capital measures as well as from unplanned restructuring expenses. Possible effects from the planned combination of the Immonet and Immowelt real estate portals into a joint venture have not been taken into account in the forecast

EBITDA, EBIT, and the adjusted earnings per share do not contain any non-recurring effects, any write-downs from purchase price allocations, nor any associated tax effects. Non-recurring effects are defined as effects resulting from the acquisition and sale of subsidiaries, divisions, and equity investments, as well as write-downs and write-ups of equity investments, effects resulting from the sale of real estate, impairments, and write-ups of real estate used for operational purposes. Purchase price allocation write-downs include the expenses of amortization, depreciation, and impairments of intangible assets, and property, plant, and equipment acquired in connection with the acquisition of companies and business divisions.

We consider EBITDA, EBIT, and adjusted earnings per share to be suitable indicators for measuring the operational profitability of Axel Springer, because these indicators ignore effects that do not reflect the fundamental business performance of Axel Springer.

EBITDA, EBIT, and adjusted earnings per share are not defined under International Financial Reporting Standards and should therefore be regarded as supplementary information.

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

This section contains the disclosures pursuant to Sections 289 (4), 315 (4) HGB, along with the explanatory report of the Executive Board pursuant to Section 176 (1) (1) AktG.

Composition of subscribed capital

The company's subscribed capital amounts to € 98,940,000. It is divided into 98,940,000 registered shares. The shares can only be transferred with the company's consent (registered shares of restricted transferability, see below). The company has only one class of shares.

All shares carry the same rights and obligations. Each share grants the right to cast one vote in the annual shareholders' meeting and represents the basis for determining the shareholder's entitlement to the company's net profit. By way of exception, treasury shares do not confer any rights to the company (cf. Section 71b AktG). (Please refer to page 64 for information on the company's treasury shares.)

Restrictions on voting rights or the transfer of shares

Transfer restrictions

By virtue of Article 5 para. 3 of the company's Articles of Incorporation, shares of Axel Springer SE and subscription rights can be transferred only with the company's consent. Such consent must be granted by the Executive Board, although internally, it is the Supervisory Board that adopts the resolution to grant such consent. According to the company's Articles of Incorporation, such consent can be refused without indication of reasons. However, the company will not arbitrarily refuse its consent to the transfer of company shares.

To the company's knowledge, transfer restrictions based on the German law of obligations (Schuldrecht) exist by virtue of the following agreements:

- A share transfer restriction agreement was concluded between Dr. Mathias Döpfner, Brilliant 310. GmbH, Axel Springer SE, and M.M. Warburg & Co. KGaA on July 31 / August 4, 2006. 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 Dr. Mathias Döpfner are made contingent on the prior consent of Axel Springer SE, in accordance with the company's Articles of Incorporation.

- 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 covers 52,826,967 voting shares of Axel Springer SE ("pool-bound shares"). Under the terms of the pool agreement, a pool member who wishes to transfer his pool-bound shares to a third party must first offer these shares for purchase by the other pool members (purchase right). The purchase right expires two weeks after the purchase offer. The purchase right does not apply in the case of transfers to certain persons who are related to the pool member.

Other transfer restrictions based on the German law of obligations exist in connection with the share ownership programs conducted in the 2012 and 2013 financial years, as well as the current financial year, for the employees of the Axel Springer Group. In general the shares acquired as part of the share ownership program in 2012, 2013, and 2014 are subject to a minimum holding period of four years (i.e. until May 31, 2016, May 31, 2017, and May 31, 2018). During the minimum holding period, employee shares are held in a blocked account with Deutsche Bank AG. The above-mentioned holding periods for the Share Ownership Programs 2012 and 2013 have been waived for those employees who have been transferred to FUNKE Mediengruppe when the sale of Axel Springer's regional newspapers, TV program guides, and women's magazines to that company was finalized. The employees that were transferred to FUNKE Mediengruppe no longer took part in the 2014 share ownership program as on the relevant reporting date, May 16, 2014, the transfer was already finalized and therefore the conditions for participation were not satisfied.

The minimum holding periods for shares issued under share ownership programs in earlier years have already expired.

In connection with the Virtual Stock Option Plan 2011 and 2014 for senior executives, the beneficiaries are required to personally invest 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 (see page 76 for information on the virtual stock option plan 2011 and 2014 for senior executives).

The same applies to the virtual stock option plans 2009, 2012, and 2014 for members of the Executive Board (see page 74 for information on the virtual stock option plans 2009, 2012, and 2014 for Executive Board members).

Voting right restrictions

Under the above-mentioned pool agreement between Dr. Mathias Döpfner, Dr. h.c. Friede Springer, and Friede Springer GmbH & Co. KG, the voting rights and other rights attached to the pool-bound shares are to be exercised in the annual shareholders' meeting of Axel Springer SE in accordance with the corresponding resolutions of the pool members, regardless of whether and how the respective pool member voted on the resolution of the pool. The voting rights of pool members in the meeting of pool members are based on their voting rights in the annual shareholders' meeting of Axel Springer SE, depending on the number of pool-bound voting shares held. To the extent that Friede Springer GmbH & Co. KG indirectly holds shares in Axel Springer SE, its voting rights are based on the imputed number of pool-bound voting shares indirectly held by Friede Springer GmbH & Co. KG.

Shareholdings that represent more than 10 % of voting rights

At the end of financial year 2014, the following direct and indirect shareholdings in the equity of Axel Springer SE represented more than 10 % of voting rights in the company: 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 amounts of the above-mentioned shareholdings may be found in the disclosures pertaining to voting rights notifications in the notes to the 2014 financial statements of Axel Springer SE, www.axelspringer.com/financialpublications, and in the section entitled "Voting rights notifications" of the company's website at www.axelspringer.com/votingrights.

Shares endowed with special rights that confer powers of control

There are no shares endowed with special rights that confer powers of control.

Manner of exercising voting rights when employees hold shares in the company's capital and do not directly exercise their rights of control

In connection with the bonus share and share ownership program for employees conducted in 2009 and the share ownership programs for the years 2011, 2012, 2013, and 2014, Deutsche Bank AG was initially entered into the share register as the third-party holder of the shares transferred to the employees. However, each employee is free to be registered personally as a shareholder in the share register.

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

The company's Articles of Incorporation provide that the Executive Board of Axel Springer SE must be composed of at least two persons. The Supervisory Board decides on the number of Executive Board members, and on the appointment and dismissal of Executive Board members. According to Article 46 para. 1 of the EU Regulation on European Companies (SE-VO), the maximum term of office for members of the Executive Board of a European company (Societas Europaea, SE) is six years; in the present instance, this maximum term is shortened to five years by virtue of Article 8 para. 2 sub-para. 1 of the Articles of Incorporation of Axel Springer SE – corresponding to the previous maximum term pursuant to Section 84 (1) (1) of the German Stock Corporations Act (AktG). The term of office can be renewed or extended for a period of no more than five years thereafter (for details, see Article 8 para. 2 of the company's Articles of Incorporation; Article 46 para. 1 and para. 2 SE-VO). If more than one person has been appointed to the Executive Board, the Supervisory Board is authorized to appoint one of those members as the Chairman (Article 8 para. 3 sub-para. 2 of the Articles of Incorporation of Axel Springer SE). If a required Executive Board member is lacking, the court is authorized, in urgent cases, to appoint the necessary member at the request of one involved party (Article 9 para. 1 letter c). ii) SE-VO in conjunction with Section 85 (1) (1) AktG). The Supervisory Board is authorized to revoke the appointment of an Executive Board member and the Executive Board Chairman for an important reason (for details, see Article 39 para. 2 sub-para. 1, Article 9 para. 1 letter c). ii) SE-VO, Section 84 (3) (1) and (2) AktG).

Insofar as obligatory laws or provisions of the Articles of Incorporation do not require a greater majority, amendments to the company's Articles of Incorporation require a resolution of the annual shareholders' meeting carried by a majority of the votes cast, or provided that at least one half of the company's share capital is represented, by a majority (see Article 21 para. 2 sub-para. 2 of the company's Articles of Incorporation in conjunction with Section 51 (1) of the European Company Implementing Act (SEAG), Article 59 para. 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 Article 8 para. 6 SE-VO (see Section 51 (1) SEAG, Article 59 para. 1 and 2 SE-VO). An amendment of the corporate governance principles set forth in Article 3 of the company's Articles of Incorporation requires a majority equal to at least four fifths of the votes cast represented in the adoption of the resolution (see Article 21 para. 3 of the Articles of Incorporation).

The Supervisory Board is authorized to resolve amendments to the Articles of Incorporation that only involve changes to the wording (Article 13 of the Articles of Incorporation).

Authority of the Executive Board to issue or buy back shares

Axel Springer SE has neither established authorized capital that would authorize the Executive Board to issue new shares, nor conditional capital.

By way of a resolution at the annual shareholders' meeting on April 14, 2011 (Agenda Item 7) the Executive Board was authorized with approval of the Supervisory Board until April 13, 2016 to acquire treasury shares of the company up to 10 % of the existing share capital on adoption of the resolution. In the context of the company being converted into an SE with effect of December 2, 2013, as a precautionary measure in case non-registrable resolutions would be held to not remain valid after the conversion, it was resolved at the annual shareholders' meeting of 16 April 2014 to authorize the Company again to acquire and use treasury shares, with a prolonged term until April 15, 2019, whilst revoking the previous authorization. Acquisition must only take place on the stock exchange or via a public offer directed at 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 Article 5 SE-VO in conjunction with Sections 71a ff. AktG, the shares purchased by virtue of the foregoing authorization may not at any time exceed 10 % of the company's capital stock. Details concerning this authorization are provided in the invitation to the annual shareholders' meeting of April 16, 2014, which is available on the website of Axel Springer SE (see Agenda Item 8 and the Executive Board's report on this subject).

At the end of financial year 2014, the company held no treasury shares.

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 credit facility and the Schuldschein stated in the following, as well as contractually entitled cancellation rights for part of Executive Board members in case of a change of control (for more information see page 64 (right-hand column) and page 75 of this Annual Report, the company has not made any major agreements that would take effect in the event of a change of control due to a takeover.

The company placed a Schuldschein with a nominal volume of € 500,000,000 on the capital market in April 2012; the financing volume was increased by € 137,000,000 for optimizing financing terms in October 2014 by partial cancellation, conversion, and subscription of the existing promissory note. The lender can demand, in the event of a change of control, that the receivables held can be partially or fully paid back early within a 90 day period. In September 2012, moreover, the company took out a new credit facility in the amount of € 900,000,000 ("credit facility 2012"); also in this case, the lender is entitled to call in the credit facility within a notice period of 30 days, in the event of a change of control.

Aside from specific exceptions that relate to the shareholders that currently control Axel Springer SE, a change of control is understood to mean, in the context of the credit facility 2012 and the promissory note loan, the acquisition of shares of Axel Springer SE representing more than 50 % of the capital stock and/or voting rights by one or more parties acting together.

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

Some Executive Board members have the right to terminate their employment contracts in the event of a change in control. A change in control within the meaning of these contracts would exist if the majority shareholder Dr. h. c. Friede Springer would cease to hold or control the majority of shares, indirectly or directly. In such a case, they will have the right to receive payment of their base salary for the most recently negotiated remaining contractual term, while some of the eligible Executive Board members will have the right to receive payment of an amount equal to at least one year's base salary. Furthermore, the company will pay the pro-rated percentage of the success-based compensation for the period of time served in the year of resignation. The employment contracts of the members of the Executive Board do not provide for any other compensation if the employment relationship is terminated as a result of a change in control.

There are no such indemnification agreements with other employees of the company.

Corporate Governance Report

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

Good corporate governance as a guiding principle

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

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

Management declaration pursuant to Section 289a HGB

Declaration of Conformity pursuant to Section 161 AktG

The Executive Board and Supervisory Board published the following Declaration of Conformity on Monday, November 10, 2014:

"In accordance with Section 161 of the German Stock Corporation Act ("AktG") the Executive Board and the Supervisory Board of Axel Springer SE declare the following:

I. Future-related Section

The Company fulfills the recommendations of the "German Corporate Governance Code" (the "Code") in the version of June 24, 2014, as published by the German Federal Ministry of Justice and for Consumer Protection in the official announcements section of the Federal Gazette of September 30, 2014, subject to the deviations set out and reasoned below:

1. Disclosure of the individual Executive Board compensation in tabular form as part of the remuneration report (Item 4.2.5 sentences 5 und 6 of the Code))

The disclosure of the Executive Board compensation is made in accordance with legal requirements taking into account the so-called "opt-out" resolution of the Shareholders' Meeting on April 16, 2014. Based on this resolution and in accordance with Section 286 para. 5 sentence 1 and Section 314 para. 2 sentence 2 of the German Commercial Code, no disclosure of the individual compensation of the members of the Executive Board is made in the Company's annual financial and annual consolidated financial statements for the fiscal years 2014 through 2018 (included). As long as a respective "opt-out" resolution of the Shareholders' Meeting is effective, the Company will not include in its remuneration report the individual information recommended by Item 4.2.5 sentences 5 and 6 of the Code.

2. Chairman of the Audit Committee (Item 5.3.2 sentence 3 of the Code)

The Audit Committee of the Supervisory Board is chaired by Mr Lothar Lanz, who is a former member of the Executive Board of the Company whose appointment ended less than two years ago.

The Supervisory Board is convinced that Mr Lanz' longstanding experience as CFO, his specialist knowledge and his personality make him an exceptionally suitable Chairman of the Audit Committee. Therefore, the Supervisory Board is of the opinion that Mr Lanz should chair the Audit Committee.

3. Disclosure in election recommendations of relations of candidates for the Supervisory Board with the company, its corporate bodies and with shareholders holding a material interest in the company (Item 5.4.1 sentences 6 to 8 of the Code)

In its election recommendations to the Shareholders' Meeting, the Supervisory Board will provide all statutory information with respect to the members of the Supervisory Board and, where possible, will introduce the candidates in the Shareholders' Meeting. Further, during the Shareholders' Meeting, shareholders are able to ask questions with respect to the candidates. The Supervisory Board is of the opinion that this constitutes a solid and sufficient basis of information for the shareholders' assessment of the recommendations regarding Supervisory Board candidates.

4. Individualized disclosure of the remuneration of the members of the Supervisory Board (Item 5.4.6 sentences 5 and 6 of the Code)

The remuneration granted to the members of the Supervisory Board as well as the payments made by the Company to members of the Supervisory Board for personally provided services are not disclosed in the notes or the management report in an individualized manner (Item 5.4.6 sentences 5 and 6 of the Code).

The information is not individualized because competitors of Axel Springer SE do not publish such remuneration either.

II. Past-related Section

Period between the last declaration of conformity on April 17, 2014, and the publication of the new version of the Code on September 30, 2014:

During the period between the last declaration of conformity on April 17, 2014, and the publication of the new version of the Code on September 30, 2014, the Company has fulfilled the Code in the version of May 13, 2013, as published by the German Federal Ministry of Justice in the official announcements section of the Federal Gazette of June 10, 2013 subject to the deviations set out and reasoned above under I. 2, I. 3. and I. 4.[1]

Period since publication of the new version of the Code on September 30, 2014:

The Company has fulfilled the Code in the version of June 24, 2014, as published by the German Federal Ministry of Justice and for Consumer Protection in the official announcements section of the Federal Gazette of September 30, 2014, in the period since the publication of the new version of the Code subject to the deviations set out and reasoned above under I. 2, I. 3. and I. 4.[1]

Berlin, November 10, 2014

Axel Springer SE
The Supervisory Board The Executive Board"

[1)] A past-related deviation from the recommendation of the Code mentioned under I. 1 above does not need to be declared because the corresponding recommendation applies only to remuneration reports for financial years starting after December 31, 2013.

The Declaration of Conformity for 2013 from November 5, 2013, was previously updated on April 17, 2014. The update became necessary as a result of election of the new Supervisory Board in the annual shareholders' meeting and the concomitant changes in the composition of the Supervisory Board and its committees.

The Declaration of Conformity from November 10, 2014 can, just like previous versions, also be seen along with the update of the 2013 Declaration of Conformity from April 2014 via the link www.axelspringer.com/-declarationofconformity.

Important management practices

Axel Springer is the only independent media company that has provided itself with a corporate constitution. This is anchored in Article 3 ("Principles of Corporate Governance") of the company's Articles of Incorporation and is thus a guiding principle for all employees. The five principles formulated therein form the basis for the company's journalistic practices. They express fundamental convictions of corporate social policy, but do not dictate personal opinions.

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

In addition, Axel Springer had already introduced guidelines for ensuring journalistic independence back in 2003. These guidelines substantiate and expand on the professional ethics of the press as set out by the German Press Council in conjunction with the press associations in the publishing principles (Press Code), and which Axel Springer voluntarily commits with regard to printed complaints (see Section 16 of the Press Code). They specifically delineate the boundaries between advertising and editorial copy, and between the editors' and reporters' private and business interests. They also preclude actions in pursuit of personal advantages and define the company's position with respect to the treatment of news sources. The guidelines thus represent the framework for independent and critical journalism in the editorial departments of all media belonging to the Group. The editors-in-chief are responsible for observing and implementing the guidelines in the company's day-to-day activities.

In addition, Axel Springer has developed a catalog of social standards applicable to all the company's activities. Known as the International Social Policy, it states the company's positions on matters of human rights, adherence to the rule of law, equal opportunities, the protection of children and young people, the treatment of employees, health and safety, and the compatibility of work and family, and other matters.

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

The management principles and guidelines of Axel Springer can be found at www.axelspringer.com/-corporateprinciples.

In addition, Axel Springer maintains a Corporate Governance, Risk & Compliance department. In this case, this supports subsidiaries and central divisions in responsibly handling risks via approaches and requirements, amongst other things, for a comprehensive risk management system, an internal control system, and a compliance management system. The division operates, amongst others, risk management, the internal control system and the compliance management system. As described in the Risk Report (see page 45), risk management and the internal control system seek to identify, analyze, and report on risks at Axel Springer and to systematically monitor the measures taken to minimize risks. At Axel Springer, compliance means the fulfillment of all laws, regulations, and guidelines, as well as the commitments undertaken voluntarily. Based on the foregoing, the goal of compliance management is to institute structures and processes to ensure that all directors and employees, and especially senior executives, conduct themselves in accordance with applicable laws and regulations. Another goal of compliance management is to prevent harm to the company's reputation and financial condition that could result from violations of laws and regulations.

As a further step for reinforcing good corporate governance and establishing a sensible compliance management system, Axel Springer published a Code of Conduct during the 2011 financial year. This summarizes existing corporate principles and values as well as essential Axel Springer regulations and guidelines, and also specifies ethical, moral, and legal requirements which should be adhered to by all employees. The Code of Conduct can be found at www.axelspringer.de/coc_en.

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

Cooperation between the Executive Board and Supervisory Board

Even after the change of form into a European company (Societas Europaea, SE), which took effect upon being entered in the Commercial Register on December 2, 2013, management and supervision of the company – as was the case with Axel Springer AG – are effected by means of a dual board system. The Executive Board manages the company under its own responsibility. The Supervisory Board appoints the members of the Executive Board, and monitors and advises the latter in the conduct of the business. The two boards work closely together in an atmosphere of trust and confidence to sustainably enhance the company's value. The two boards are strictly separated in terms of personnel and their areas of authority.

Procedures of the Executive Board

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

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

The members of the Executive Board are jointly responsible for the management, work together collegially, and keep each other informed of important measures and business transactions in their business divisions. Notwithstanding the general responsibility of all Executive Board members, each member of the Executive Board manages the business division assigned to him, under his own responsibility, with the exception of those decisions that are incumbent on the full Executive Board.

The Executive Board meets regularly in the form of Executive Board meetings, which are convened and chaired by the Executive Board Chairman, as a general rule. Furthermore, every Executive Board member and the Chairman of the Supervisory Board are entitled to convene a meeting. As a general rule, the full Executive Board adopts resolutions by a simple majority of the votes cast; in the case of resolutions adopted by a simple majority, the Chairman casts the deciding vote. A resolution adopted in spite of being opposed by the Executive Board Chairman is deemed to be invalid, also subject to the limits of the applicable laws.

The internal rules of procedure adopted by the Supervisory Board for the Executive Board provide more precise rules, including the following:

- The obligation to observe and comply with the corporate constitution and to anchor it throughout the Group
- The executive organization chart and the decisions to be made by the full Executive Board
- The duties of the Chairman of the Executive Board
- Transactions that require the approval of the Supervisory Board
- Rules concerning the regular, timely, and comprehensive provision of information to the Supervisory Board
- Rules concerning meetings and the adoption of resolutions
- Obligation to disclose conflicts of interest

With the appointment on January 1, 2014 of Dr. Julian Deutz to the Executive Board, the departure of Mr. Lothar Lanz as Chief Financial and Chief Operating Officer on April 16, 2014, and the departure of Mr. Ralph Büchi as President International which also took place in April, the Executive Board currently consists of four members:

- Dr. Mathias Döpfner, Chairman and Chief Executive Officer
- Jan Bayer, President BILD and WELT Group
- Dr. Julian Deutz, Chief Financial Officer.
- Dr. Andreas Wiele, President Marketing and Classified Ad Models

Procedures of the Supervisory Board

As per the company's Articles of Incorporation, the Supervisory Board of Axel Springer SE is composed of nine members, who are elected by the annual shareholders' meeting. The regular term of office of Supervisory Board members is five years; they are eligible for re-election at the end of their terms. The Supervisory Board elects its Chairman from among its own ranks; the term of office of the Supervisory Board Chairman is coincident with that of the Supervisory Board. The Supervisory Board advises the Executive Board and monitors the work of the Executive Board. It holds at least four meetings a year. In case of necessity, it meets without the Executive Board in attendance. Meetings may be held and resolutions adopted also by way of written correspondence, telephone calls, faxes, or electronic media. As a general rule, the Supervisory Board adopts resolutions by a simple majority of the members voting on the resolution; in case of a tie, the Chairman casts the deciding vote. The Supervisory Board deliberates on the company's business developments, planning, strategy, and significant capital expenditures at regular intervals. The Supervisory Board adopts the separate financial statements of Axel Springer SE and approves the consolidated financial statements of the Group. It regularly assesses the efficiency of its work by means of a questionnaire. Please refer to the report of the Supervisory Board (see page 79) for additional information on the specific activities of the Supervisory Board in financial year 2014.

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

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

After the end of the annual shareholders' meeting, which took place on April 16, 2014, the Supervisory Board consists of nine members. The members of the Supervisory Board are:

- Dr. Giuseppe Vita, Chairman
- Dr. h.c. Friede Springer, Vice Chairwoman
- Oliver Heine
- Rudolf Knepper (since April 16, 2014)
- Lothar Lanz (since April 16, 2014)
- Dr. Nicola Leibinger-Kammüller
- Prof. Dr. Wolf Lepenies
- Prof. Dr.-Ing. Wolfgang Reitzle (since April 16, 2014)
- Martin Varsavsky (since April 16, 2014)

The term of office of all current Supervisory Board members ends at the end of the annual shareholders' meeting in 2019. Long-term Supervisory Board members Dr. Gerhard Cromme, Klaus Krone, and Dr. Michael Otto have stepped down from the Supervisory Board after the end of the 2014 annual shareholders' meeting.

The requirements for expert knowledge and independence as defined by Article 100 para 5 AktG (financial expert) are satisfied amongst others by Dr. Giuseppe Vita, Chairman of the Supervisory Board, who was also Chairman of the Audit Committee until the end of the 2014 annual shareholders meeting, and Lothar Lanz, who has succeeded Dr. Vita as Chairman of the Audit Committee as of April 16, 2014.

Composition and procedures of committees

The Executive Board has not formed committees.

In accordance with its internal rules of procedure, the Supervisory Board has formed four committees to support the work of the full board: the Executive Committee, the Personnel Committee, the Nominating Committee, and the Audit Committee. In those matters stipulated in the internal rules of procedure of the Supervisory Board, the committees prepare the resolutions to be adopted and other matters to be addressed by the full board. Within the limits of applicable laws, the committees also adopt resolutions in lieu of the full board in those matters stipulated in the internal rules of procedure of the Supervisory Board. The internal rules of procedure of the Supervisory Board stipulate the procedures for meetings and resolutions adopted by the committees and define their areas of responsibility.

Please refer to the Report of the Supervisory Board (see page 79) for information on the areas of responsibility and composition of the committees.

By way of exception to the recommendation set out in Section 5.2 para 2 GCGC, the Chairman of the Supervisory Board, Dr. Giuseppe Vita, is also the Chairman of the Audit Committee of the Supervisory Board (see the stated exception in the Declaration of Conformity of November 5, 2013) until the end of the annual shareholders' meeting in 2014. He satisfies the requirements of expert knowledge and independence within the meaning of Article 9 para 1 letter c) ii) SE-VO in conjunction with Section 107 paras 4, 100 para 5 AktG (financial expert), and the requirements of the recommendations in Section 5.3.2 paras 2 and 3 GCGC. In the constituent meeting on April 16, 2014 of the newly-elected Supervisory Board which was elected by the annual shareholders' meeting, Mr. Lothar Lanz was elected as Chairman of the Audit Committee by way of exception to the recommendation set out in Section 5.3.2 para 3 sub-para 2 GCGC (see the stated exception in the Declaration of Conformity of November 5, 2013, which was updated on April 17, 2014 as well as in the Declaration of Conformity from November 10, 2014, see page 65). He satisfies the requirements of expert knowledge and independence in the sense of Article 9 para 1 letter c) ii) SE-VO in conjunction with Section 107 paras 4, 100 para 5 AktG (financial expert), and the requirements of the recommendations in Section 5.3.2 paras 2 and 3 sub-para 1 GCGC.

Further information on corporate governance

Goals for the composition of the Supervisory Board

The Supervisory Board of Axel Springer SE has decided on the following objectives for its composition with respect to Section 5.4.1 GCGC.

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

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

- At least two seats on the Supervisory Board should be held by persons who fulfill the criterion of internationality to a particular degree (for example, by reason of relevant experience in international business).

- Supervisory Board members should not hold any position on a board or perform any consulting work for important competitors of the company.

- The Supervisory Board should have an adequate proportion of women. Currently, two of the nine members (22.2 %) are women; the Supervisory Board considers this adequate in any event.

- In making nominations, due consideration should be given to the general rule that Supervisory Board members should not be older than 72 years; the Supervisory Board can approve exceptions to this policy. Furthermore, the Supervisory Board should observe the principle that as few members as possible should be subject to a potential conflict of interest, as in connection with an advisory role or board seat with significant customers, suppliers, creditors, or other significant business partners of Axel Springer. Furthermore, the Supervisory Board should give due consideration to the principle that its composition should meet the criterion of diversity.

- With respect to its composition, the Supervisory Board adopted the goal that at least two of its members will be independent according to the definition of the GCGC.

The foregoing principles have already been completely implemented with the current composition of the Supervisory Board of Axel Springer SE.

Goals for the composition of the Executive Board

The Supervisory Board has decided on the following objectives for the composition of the Executive Board of Axel Springer SE with respect to Section 5.1.2 GCGC.

- In making decisions concerning the composition of the Executive Board, the Supervisory Board should give due consideration to the principle of diversity and should strive in particular to give appropriate consideration to women.

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

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

In appointing the new Executive Board member Dr. Julian Deutz as of January 1, 2014, the Supervisory Board gave due consideration to the principles mentioned above and appointed the most qualified candidate, in its opinion.

Goals concerning the staffing of key functions

In view of the recommendation set out in Section 4.1.5 GCGC, reference is made to the description of personnel policies designed to assure equal opportunity and diversity on page 38 of the present Annual Report.

Shareholders and annual shareholders' meeting

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

The annual shareholders' meeting resolves specifically on the utilization of the distributable profit, the ratification of the actions of the Executive Board and Supervisory

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

Conflicts of interest

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

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

Also, every member of the Supervisory Board must inform the Supervisory Board immediately of any conflicts of interest that may arise. In the annual shareholders' meeting, the Supervisory Board reports on all conflicts of interest and how to treat them. No conflicts of interest arose in the Supervisory Board either, see the Report of the Supervisory Board, see page 79).

Memberships on other supervisory bodies

A summary of the seats held by the Executive Board and Supervisory Board members of Axel Springer SE on other legally prescribed supervisory boards or comparable boards in Germany and abroad can be found on page 158.

Transparency

Axel Springer is committed to always providing comprehensive and consistent information in a timely and simultaneous manner on the significant events and developments relevant to an evaluation of the company's present and future business performance to all capital market participants. Reporting on the business situation and Group results is presented in its annual report, at its annual financial statements press conference, and in its semi-annual financial report and quarterly financial reports. For this purpose, the company also uses Internet communication channels whenever possible. Axel Springer also regularly participates in conferences and roadshows in key international financial centers; additional information on this subject can be found on page 8 of the present Annual Report. To the extent required by law, the company also provides information in the form of ad-hoc announcements and press releases, and on the company's website.

In order to ensure equal treatment of all capital market participants, Axel Springer also publishes information relevant to the capital markets simultaneously in German and English on the company's website. Financial reporting dates are published in the financial calendar with sufficient advance notice. Immediately upon receiving the corresponding notices, the company publishes changes in the composition of the shareholder structure that are subject to the reporting obligation according to Section 26 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), and on the purchase and sale of shares by persons who exercise management duties at Axel Springer (directors' dealings), in accordance with Section 15a WpHG.

Shareholdings

The Executive Board members in office at the reporting date directly or indirectly held 3,148,581 shares of Axel Springer SE at the reporting date of December 31, 2014. Of that number, 3,024,495 shares were held directly by the Chairman of the Executive Board, Dr. Mathias Döpfner, and indirectly.

At the reporting date, the Supervisory Board members directly or indirectly held a total of 56,179,621 shares of Axel Springer SE. Dr. h. c. Friede Springer held 51,000,030 shares indirectly via Friede Springer GmbH & Co. KG and Axel Springer Gesellschaft für Publizistik GmbH & Co, and 5,104,341 shares directly.

Preparation and audit of the financial statements

The consolidated financial statements and interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as they are to be applied in the European Union. The consolidated financial statements also contain the disclosures prescribed by Section 315a (1) HGB.

The consolidated financial statements are prepared by the Executive Board of Axel Springer SE and audited by the independent auditor. Axel Springer publishes the consolidated financial statements within 90 days and the quarterly financial reports within 45 days of the respective period ending dates.

The notes to the consolidated financial statements also contain information on the company's relationships with shareholders who are to be classified as related parties according to the definitions of the applicable accounting regulations.

In accordance with the German Corporate Governance Code, it is agreed with the independent auditor in each financial year that the latter will inform the Chairman of the Supervisory Board or the Audit Committee without delay of any circumstances arising during the course of the audit that would constitute grounds for disqualification or partiality. It is also agreed that the independent auditor will immediately report any material issues, matters, and events arising during the course of the audit that fall within the purview of the Supervisory Board. It is further agreed that the independent auditor will inform the Supervisory Board or make an observation in the audit report if the independent auditor were to discover, during the course of the audit, any facts that contradict the Declaration of Conformity by the Executive Board and Supervisory Board according to Section 161 AktG.

Ongoing actions for nullification

The current state of ongoing legal actions is as follows:

On May 21, 2009, the shareholder Dr. Oliver Kraus filed an action to nullify the resolution of the annual shareholders' meeting of April 23, 2009 relating to Agenda Item 7 (Special authorization to purchase and use the company's own shares according to Section 71 (1) (8) AktG in connection with the Management Participation Program) and contested the election of Dr. h. c. Friede Springer and Brian Powers to the Supervisory Board of the company (Agenda Item 8). Moreover, Dr. Oliver Kraus petitioned for a finding that the company is obligated to provide him, in his capacity as a shareholder, with a transcript of those portions of the "stenographic minutes from its question recording and question answering system" that cover his questions and comments, as well as the information provided by the company in response. The shareholders SCI AG and Oliver Wiederhold joined the action on the side of the defendant. The Berlin Regional Court rejected the suit in its entirety by judgment dated June 10, 2010 (Case No. 95 O 52/09), that is, both with regard to the action to nullify, as well as the petition for a finding. Dr. Oliver Kraus filed an appeal against this decision before the Berlin Appellate Court; the appeal proceeding is being conducted under Case No. 23 U 125/10.

On May 21, 2010, Dr. Oliver Kraus filed an additional action to nullify the resolutions of the annual shareholders' meeting of April 23, 2010 relating to the ratification of the actions of the Executive Board and the Supervisory Board for financial year 2009 (Agenda Items 3 and 4), as well as the general authorization to purchase and use the company's own shares according to Section 71 (1) (8) AktG and to exclude the preemptive right, and the special authorization, to purchase and use the company's own shares according to Section 71 (1) (8) AktG in connection with the Management Participation Program and to exclude the right to tender and preemptive right (Agenda Items 6 and 7). The shareholders Frank Scheunert and Gastro Beteiligungs AG joined this action on the side of the defendant. In its ruling of March 7, 2012 (Case No. 105 O 53/10), the Berlin Regional Court partially granted the claim and nullified the resolutions of the annual shareholders' meeting adopted under Agenda Items 4, 6, and 7. The company has filed an appeal against this ruling with the Berlin Appellate Court. The appeal is pending under Case No. 23 U 92/12.

Compensation report

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

Executive Board

In accordance with the requirements of the German Stock Corporation Act and the recommendations of GCGC, the compensation of the Executive Board members consists of fixed and variable components. The variable compensation is composed of a cash component paid in the form of an annual bonus and a long-term, stock-based component. All components of compensation are appropriate, both individually and as a whole. The criteria used to determine appropriateness are the tasks of the individual Executive Board member, his personal performance, as well as the economic situation, profit, and the future prospects of Axel Springer.

Due consideration is also given to the industry environment. The Supervisory Board did not consult with outside compensation experts during the financial year.

The **fixed compensation** corresponds to the annual fixed salary; in addition, the Executive Board members receive a company car or company car allowance and security expenses as fringe benefits. The annual fixed salary is established for the entire term of an employment agreement and is disbursed in 12 monthly installments. It is set on the basis of the duties of the individual Executive Board member, the current economic situation, the profit, and the future prospects of the Group, among other considerations.

The **variable compensation** is in the form of an annual bonus as a cash component, and depends on individual performance with regards to individual objectives (relating to the quantitative divisional objectives and qualitative individual objectives, amongst others, based on the strategy of Axel Springer SE) as well as Group objectives; it is limited to double the sum payable for 100 % achievement of objectives. Group objective in the 2014 financial year was Group EBITDA (PY: Group EBITDA and EBITDA in the Digital Media segment). Individual objectives for measuring performance of individuals and Group objectives are decided upon by the Supervisory Board. Part of the variable cash component is based on achievement of Group objectives established for an assessment period of three years. Achievement of objectives is initially established by the Supervisory Board members and chairman with the relevant Executive Board member and then finalized by the Supervisory Board.

In addition, there is a **long-term variable compensation** component in the form of virtual stock option plans, the parameters of which are shown in the following:

Executive Board Program

	2009	2012	2014 I	2014 II
Grant date	07/01/2009	01/01/2012	01/01/2014	09/01/2014
Term in years	6	6	6	6
Vesting period in years	4	4	4	4
Stock options granted	1,125,000[1)]	450,000	205,313	675,000
Underlying (€)	20.29[1)]	30.53	44.06	44.56
Maximum payment (€)	40.57[1)]	61.06	88.12	89.12
Value at grant date (€)	4.22[1)]	5.26	6.69	6.26
Total value at grant date (€ millions)	4.7	2.4	1.4	4.2

1) Adjusted to account for the share split conducted in 2011.

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

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

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

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

The 2009 Executive Board Program was completed in 2013 as the remaining options were exercised. With regards to the Executive Board Programs that are granted, see the information in the notes to the consolidated financial statements under Section (12).

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

Some Executive Board members have the right to terminate their employment contracts in the event of a change in control. They will then have the right to receive payment of their base salary for the most recently negotiated remaining contractual term, while some of the eligible Executive Board members will have the right to receive payment of an amount equal to at least one year's base salary. Furthermore, the company will pay the pro-rated percentage of the success-based compensation for the period of time served in the year of resignation. The employment contracts of the members of the Executive Board do not provide for any other compensation if the employment relationship is terminated as a result of a change in control.

In the **2014 financial year** the total compensation paid to the Executive Board was € 17.8 million. (PY: € 20.1 million), plus € 5.6 million (PY: € 0.0 million) in the form of a long-term stock-based compensation component (virtual stock option plans 2014 I and 2014 II). The fixed components totaled € 8.9 million (PY: € 9.4 million); also containing the contributions for fringe benefits (company car or company car allowance and security expenses). The variable cash component came to a total of € 8.9 million (PY: € 10.7 million). According to this, the fixed compensation including fringe benefits in the financial year amounts to a proportion of 38 % of total compensation (including long-term stock-based compensation components) (PY: 47 %).

Guaranteed pension payments to members of the Executive Board resulted in a personnel expense of € 0.5 million in fiscal year 2014 (PY: € 0.5 million). The cash value of the guaranteed pension payments in pension provisions totaled € 11.4 million (PY: € 7.0 million). Credits or advance payments were not granted to members of the Executive Board in the 2014 financial year. In the case of guaranteed pension payments to Executive Board members, which became effective with the relevant recommendation in Section 4.2.3 sentence 10 GCGC on June 10, 2013, the Supervisory Board established the pension level desired in compliance with the previously stated Code recommendation and considered the annual and long-term expense for the company derived from this.

Axel Springer SE does not disclose the total compensation of individual Executive Board members by name, given that Sections 314 (2) and 286 (5) HGB expressly place the disclosure of Executive Board compensation by name under the reservation of a differing resolution of the annual shareholders' meeting with a qualified majority of the share capital represented upon the adoption of the resolution. The annual shareholders' meeting of Axel Springer SE held on April 16, 2014, adopted such a resolution with the requisite majority. The reason for this is that Axel Springer SE's competitors do not disclose itemized compensation either.

Supervisory Board

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

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

For **financial year 2014**, the Supervisory Board will receive total compensation of € 3.0 million (PY: € 3.0 million). In addition, the company reimburses all members of the Supervisory Board for their expenses and for the value-added tax payable on their compensation and on the reimbursement of their expenses. The company pays the premium for the D&O insurance taken out for members of the Supervisory Board. One member of the Supervisory Board is paid an annual salary of € 0.1 million for his services as an author.

Contrary to Section 5.4.6 sentences 5 and 6 of the German Corporate Governance Code, the compensation paid to members of the Supervisory Board, as well as the compensation paid by the company to them for services rendered personally, are not presented in the Corporate Governance Report, since Axel Springer SE's competitors do not disclose such information either.

Share-based compensation of senior executives

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

Senior Executive Program

	2011 I	2011 II	2014
Grant date	10/01/2011	10/01/2011	03/01/2014
Term in years	4	6	5
Vesting period in years	2	4	3
Stock options granted	472,500	472,500	60,000
Underlying (€)	30.00	35.00	46.80
Maximum payment (€)	60.00	70.00	93.60
Value at grant date (€)	2.74	2.31	8.14
Total value at grant date (€ millions)	1.3	1.1	0.5

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

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

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

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

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