Fundamentals of the Axel Springer Group

Segments

Business model

Measured by revenues in the digital classifieds and measured by the number of digital subscriptions, Axel Springer is a leading media and technology company focusing on digital classifieds and journalism. 73.3 % of revenues are generated through digital activities. Based on revenues, Axel Springer operates one of the world's largest portfolios of digital classified. From an economic point of view, these offers are the most important pillar in the Group, particularly those activities related to job and real estate listings. In addition, the offers in the News Media segment include a broad portfolio of successful brands such as the BILD and WELT Group in Germany or Insider Inc. in the USA. In the business year 2019 the Marketing Media segment comprised all business models that generate revenues predominantly through reach-based or performance-based forms of advertising.

Legal structure, locations

Axel Springer SE, as the holding company of the Axel Springer Group, is a listed stock corporation with its registered head office in Berlin. The Group also maintains offices at other locations in Germany. In addition, the Group comprises numerous companies in other countries. The consolidated shareholdings of the Group are listed in note (40) in the notes to the consolidated financial statements.

Segments of the Axel Springer Group

Axel Springer's business activities are bundled in three operating segments: Classifieds Media, News Media and Marketing Media. In addition, there is the Services/-Holding segment. For the description of the segments below, as well as the disclosure of the financial key figures, the segment allocation of the individual companies used in the 2019 financial year is decisive.

Already from the first half of 2019, reporting was reorganized in the Classifieds Media segment. In addition to the renaming of the Jobs subsegment in StepStone, we are essentially pooling all other digital classified transactions under the name of AVIV. These include the real estate sector and the companies Car&Boat Media and Yad2, which were formerly in the General/Other subsegment. With this adjustment, we followed the new operational and organizational structure for these online classifieds. The third subsegment Other includes the business of the @Leisure Group, whose sale was completed at the beginning of June 2019. As a result, Other only includes the development from January 2019 until the sale was closed. The prior-year figures for the subsegments AVIV and Other were adjusted accordingly.

In addition, the reporting system in all four segments will be adjusted at the beginning of the 2020 financial year in order to reflect the changes in internal management also in the reporting structure. This particularly affects the News Media, Marketing Media and Services/Holding segments.

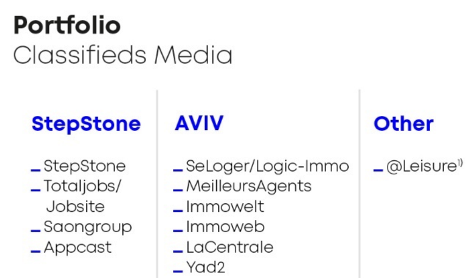
The most important adjustments include the allocation of the idealo Group (formerly in the Marketing Media segment) to the News Media National subsegment and, on the other hand, the consideration of Bonial, eprofessional and finanzen.net (previously each Marketing Media) in the News Media International subsegment. The Awin Group thus remains in the Marketing Media segment, in which there is no longer any differentiation according to subsegments, as an essential operational unit. In addition, the three domestic printing plants will be reassigned to the News Media National subsegment (formerly Services/Holding). With the exception of the IT area, which will also be included in the News Media National subsegment from January 2020, the main holding functions will continue to be consolidated in the non-operating Services/Holding segment in the future.

Classifieds Media

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

Portfolio and market position

Axel Springer has built up one of the world's largest portfolios of leading online classifieds portals in the last ten years. The activities of the Classifieds Media segment are divided into two operational units. The following graph gives an overview of the main brands in the Classifieds Media portfolio.



[1] Disposal completed in June 2019.

StepStone's activities are organized centrally; thus, creating synergies within the StepStone Group. Examples of this are new products and offers that are made available to all companies in the Group, as well as the coordination of development projects. At the same time, with the establishment of the AVIV Group in 2018, across the individual companies involved, we created the structures to pursue a long-term strategy for the development from portals that focus purely on advertisements to transaction-based marketplaces that additionally offer upstream and downstream services. In the implementation, this includes the joint development of new products as well as the improvement of efficiencies by e. g. the interchange of the existing technical components or algorithms.

StepStone, including its subsidiaries, is the leading company among the private-sector job boards in Germany, Ireland, Belgium and South Africa and holds very attractive market positions in other countries such as the UK or Austria. With its portals, which specialize in expert and executive personnel, according to the market research institute Kantar TNS, StepStone delivers little under just two times more applications per ad than its nearest competitor in Germany for example. In the UK, the alliance of Totaljobs and Jobsite, which alongside the general main brands, also include among others the specialist portals Caterer.com, CWJobs.co.uk, CityJobs.com and eMedcareers.com, delivers roughly the same number of applications per advertisement as the largest competitor and is therefore significantly ahead of the other competitors.

The **AVIV Group** is the leading provider of real estate portals with SeLoger, Logic-Immo and MeilleursAgents in France and with Immoweb in Belgium. After a general market consolidation in 2017 and 2018, in the course of which SeLoger completed the acquisition of Logic-Immo in early 2018, SeLoger and Logic-Immo were able to confirm their joint leadership position in the area of specialized real estate classifieds. This market position results from the non-overlapping number of real estate listings by professional agents (based on analysis from Autobiz, a specialist in data analysis). The merger of Logic-Immo and SeLoger was pushed ahead strongly in 2019. Since June 2019, SeLoger and Logic-Immo are offering a DUO offer, which enables agents to place their properties on both portals. This contract option will be gradually offered to all customers. The SeLoger’s and Logic-Immo’s portfolio also includes some highly specialized niche portals such as belles-demeures.com for luxury real estate and the sister offer lux-residence.com from Logic-Immo, which is marketed together with belles-demeures.com. Since September 2019, MeilleursAgents, the own-declared leading provider of online property valuation in France, has also been part of the portfolio (see page 26). In Belgium, Immoweb is the leading real estate portal in terms of its reach and intensity of use (according to Centre d'information sur les medias). AVIV also includes the German Immowelt Group, which was created from the merger of Immowelt and Immonet and, measured by revenues, is the clear number two of the German real estate portals. After the migration of customers to the DUO offer in 2018, which enables agents to place their properties on both portals, similar to France, in the same year and in the course of 2019, in a further step, we increasingly focused our marketing on customers with higher listing volumes. Car&Boat Media, based in Paris, also belongs to the AVIV Group. With LaCentrale, according to internal analyses, the company operates one of the leading specialist classified portals for used cars in France in terms of the number of listings, as well as other portals related to cars and boats. The YAD2 group, which also belongs to AVIV, is - when measured by reach - the leading general classified portal in Israel for real estate, car and classified ads as well as a job market (Drushim) that is well established in the market.

The third subsegment **Other** comprises exclusively the @Leisure Group, a provider of online intermediation for holiday homes. In May 2019, Axel Springer announced a sales agreement for its majority stake (51 %) with OYO Hotels & Homes. The transaction was completed at the beginning of June 2019 (see page 27).

Business model and key factors

The offerings in the Classifieds Media segment mainly generate revenues from the sale of classified ads. Companies pay a certain price per ad for placing job ads, estate agents for advertising real estate, or car dealerships for publishing car ads. In addition, revenues are generated through the supply of qualified contacts or prospects (lead generation), marketing of online advertising spaces and cooperation arrangements as well as through the provision of software functionalities for customers. Long-term growth drivers are, among others, the continuing shift of classified ads to the Internet, the acquisition of new customers, and the extension of the product offer beyond the pure listing business, e. g. in the field of lead generation. Price measures also contribute to revenue growth. Moreover, business developments are significantly determined by the economic environment in the respective market segments, the market position in the respective segment, and online usage behavior of advertisers and seekers.

In the **StepStone** subsegment, ads are sold to job providers, as well as access to the online CV databases of the respective portals, where the employers can actively search for suitable candidates. With the acquisition of Appcast, StepStone is expanding its portfolio in the area of programmatic job ads (see page 27). At AVIV, the specialized **real estate portals** generate their revenues primarily from the sale of advertising and display space to agents, project developers, housing associations or private individuals. At Car&Boat Media and Yad2, the revenues are oriented upon the customer focus of the respective portal. These include, among others, commercial automobile retailers, real estate agents and project developers. The portals are also partially aimed at private individuals who predominantly sell second-hand goods via this marketplace.

News Media

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

Portfolio and market position

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

Portfolio
News Media

National	International
– BILD-Group – WELT-Group	– Ringier Axel Springer Media – Insider Inc. – eMarketer – upday – Politico

The **digital portfolio** in the **News Media National** subsegment mainly comprises BILD.de and WELT.de including affiliated online portals such as Stylebook and Gründerszene, as well as the digital appearances of the magazines (among others Autobild.de). A TV news channel also belongs to the WELT group.

According to the German Association of Online Research (agof - Arbeitsgemeinschaft Online Forschung), in terms of reach BILD.de is one of the leading news and entertainment portals in Germany and reached an average of 5.6 million unique users per day and 25.6 million unique users per month in December 2019. BILD.de is represented on all digital devices with its offerings and is available via its apps for almost all smartphones, tablet PCs and smart TVs as well as for voice-based products on new mobile assistants. The digital offers of the BILD Group also include other theme-specific portals such as fitbook.de, stylebook.de, techbook.de and travelbook.de.

According to agof, with 20.8 million unique users per month in the segment of German quality media, the digital products of WELT are among the most successful offers on the Internet. The offer is also available on tablet PCs, smartphones and e-readers as well as a digital subscription. According to AGF Video Research (AGF Videoforschung), WELT Television again achieved a market share of 1.3 % in the advertising-relevant audience group of 14 to 49-year-olds in 2019, thus once again asserting its leading position among the private news and information offerings.

The readiness to pay for digital journalism is increasing. With BILDplus and WELTplus, the digital paid content offerings from Axel Springer reached approximately 568,000 subscribers in December 2019 (in December 2018 around 512,000 subscribers). According to the study “2019 Global Digital Subscription Snapshot” by FIPP and CeleraOne, BILDplus is also the largest journalistic paid content offering in Continental Europe and also one of the most popular offerings in this area on a global scale.

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

BILD is Europe's largest and, in terms of reach, greatest daily newspaper. According to internal analyses, with a share of 79.7 % of newsstand papers in the fourth quarter of 2019, it is by far the number one in Germany (all figures for German newspapers and magazines measured in terms of the number of copies sold according to the German Audit Bureau of Circulation (IVW – Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern) as of December 31, 2019). BILD am SONNTAG was Germany's best-selling national Sunday newspaper in 2019 with a market share of 52.7 %. The automotive, computer and sports media of the BILD brand family form a magazine portfolio around the core brands AUTO BILD, COMPUTER BILD and SPORT BILD.

In terms of circulation, WELT AM SONNTAG is the clear number one national quality Sunday newspapers. DIE WELT is the third-biggest quality daily newspaper in Germany (including WELT KOMPAKT and measured by paid circulation).

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

In Eastern Europe, Axel Springer is active with Ringier Axel Springer Media in the markets of Poland, Hungary, Serbia, Slovakia and, since 2017, also in the Baltic States. The portfolio includes leading digital and print offerings. With the brands of Ringier Axel Springer Poland, we reach around 76.0 % of the country's Internet users, making us one of the leading **digital providers**, according to Gemius, a specialist in data analysis. In Hungary, with profession.hu the leading job portal in terms of reach according to SimilarWeb belongs to the portfolio. **Print offers** include the largest Polish newspaper FAKT (Polish Association of Press Distribution Control, ZKDP), the leading tabloid BLIKK in Hungary, as well as other newspapers and magazines.

In the USA, Axel Springer is represented by Business Insider with one of the leading digital offers for business and financial news in terms of reach. In order to accommodate the growing and diverse brand group, the umbrella brand Insider Inc. was founded. Its portfolio includes Business Insider, Markets Insider, BI Intelligence and INSIDER, which together reach about 250 million readers and viewers worldwide. In cooperation with finanzen.net, Business Insider also runs the US-based portal Markets Insider, which provides information on stock exchange and financial issues in particular. Insider Inc. has also added digital B2C subscription offering BI Prime to its fee-based business customer product BI Intelligence.

eMarketer complements the portfolio of innovative paid digital offerings in English-speaking countries and strengthens Axel Springer's position in business news and information. Based in New York, the company is according to its own information a leading provider of analytics, studies and digital market data to companies and institutions. Insider Inc. and eMarketer were merged on January 1, 2020 under the management of the CEO of Insider Inc.

The mobile news aggregator upday, developed in partnership with Samsung and initially launched in four countries, is represented in 16 European countries since April 2017. Since then, upday, according to its own statement, has become the largest mobile news offering in Europe. The news service is preinstalled on most Samsung smartphones and on numerous other Samsung devices. According to its own information, upday aggregates content from more than 4,500 different sources. In addition to “Top News”, selected and summarized by journalists, news is displayed by algorithm that reflect the individual interests of the users in the section of “My News”.

The Europe joint venture with POLITICO in Brussels continued on its growth path in 2019. According to a study (ComRes/Burson-Marsteller, June 2018), POLITICO was voted the most influential publication on European affairs.

Business model and key factors

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

The marketing of News Media offers in Germany is mainly carried out centrally via Media Impact, according to Nielsen Media Research, one of the leading cross media marketeers (measured by gross market shares). The digital marketing portfolio also includes content produced by external companies. The cross-media approach to marketing enables optimal use of synergies, competencies and reach.

The print business continues to face the challenge of falling print circulations. For advertisers, in addition to the circulation development, the reach is particularly important. In particular, BILD continues to benefit from the fact that, with 8.6 million daily readers, it has by far the largest reach among daily newspapers in Germany.

We produce our newspapers, among others, in the three offset printing plants in Ahrensburg (near Hamburg), Essen-Kettwig and Berlin-Spandau. We therefore carry out all crucial steps in the value chain ourselves, from production to monitoring dispatch logistics. The print media are distributed nationally and internationally above all by press wholesale companies, station book trade and press import companies.

In the digital business, industry’s circulation revenues are still much smaller than in the print business, but are recording strong growth. According to a PwC study (German Entertainment & Media Outlook 2019-2023), advertising revenues in the digital business are still very competitive due to the reach-based market power of Facebook, Google and increasingly Amazon. A key driver of this development is the shift in user behavior from desktop to mobile. However, we see the secure brand environment that publishers can guarantee by editing content as a great opportunity. Due to often viral distribution of fake news, digital platforms came under increasing criticism to expose brands of advertising customers to a reputation-damaging environment.

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

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

Marketing Media

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

Portfolio and market position

In the business year 2019, the Marketing Media segment was divided into reach-based and performance-based offers. The principal activities are summarized in the graph below.

Until April 2018, aufeminin was included in the Reach Based Marketing subsegment.

Reach Based Marketing includes idealo.de, according to SimilarWeb Germany’s leading and in terms of reach strongest portal for product search and price comparisons. The idealo group is also represented internationally with numerous offers. The product comparison portal ladenzeile.de is also part of the Group.

kaufDA.de and MeinProspekt.de operate under the umbrella of the Bonial Holding Group as Germany's leading consumer information portals regarding local shopping, according to their own information. The offerings distribute digitized advertising retail leaflets at a regional level and predominantly via mobile Internet. The services are also offered under a local brand in France.

finanzen.net, according to agof one of the strongest financial portals in Germany in terms of reach, offers its users data on the latest developments in the financial markets on a daily basis. As part of its internationalization strategy, the portal is, among others, also represented with an offer in Switzerland, the US, Austria, and Russia. In addition, finanzen.net operates the Markets Insider portal in cooperation with Insider Inc., which primarily provides information on stock exchange and financial issues.

The **Performance Marketing** activities are bundled within the Awin Group. According to its own statement, the leading provider for Affiliate-Marketing in Europe, brings together advertising companies and publishers and thus enables its advertisers to efficiently market their products and services over the Internet.

Business model and key factors

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

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

Through **Performance Marketing**, advertisers can advertise their products and offers on publishers' websites using advertising materials such as text links, banner ads or online videos. The advertisers only pay a performance fee to the publishers if the advertising materials have actually been used and resulted in the desired transaction for the advertising customers. Our platforms provide the infrastructure for this efficient form of marketing, record data traffic and transactions in compliance with the GDPR and enable a variety of services for advertisers and publishers.

Services/Holding

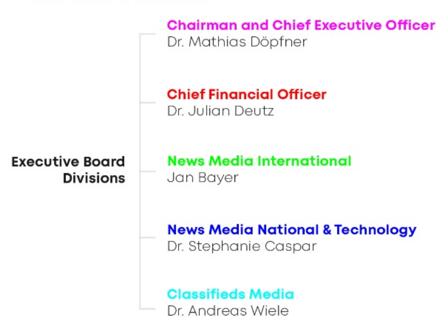
Group services, which in the business year 2019 also included the three domestic printing plants, as well as holding functions are reported in the Services/Holding segment. Group services are purchased by in-house customers at standard market prices.

Management and control

Executive Board divisions

The Executive Board of Axel Springer SE consists of five members. In October 2019, the company announced that Dr. Andreas Wiele will resign from the Executive Board at the end of May 31, 2020. As a result of his resignation, the Executive Board will be reduced in size and henceforth consist of four members. The Executive Board is advised and supervised by a Supervisory Board composed of nine members.

Executive Board Divisions



Executive Board responsibilities are divided as follows:

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

Dr. Julian Deutz is responsible for the Finance and Personnel Executive Board division. In addition to the commercial departments, his division includes, among others, People & Culture, Legal and Compliance, Group Procurement, Group Security and Corporate Audit & Risk Management. By June 1, 2020 at the latest, Dr. Julian Deutz will also be responsible for the Awin Group taking over the area of responsibility from Dr. Andreas Wiele.

Jan Bayer, as President of News Media International, is responsible for the Group's activities in the US (especially Insider Inc., eMarketer, Group Nine Media), Eastern Europe, Switzerland, as well as for the media brands in France, Spain, for the joint venture with POLITICO as well as for upday and WELT TV. His board division also includes finanzen.net and Bonial. By June 1, 2020, at the latest, Jan Bayer will also be responsible for StepStone taking over the responsibility from Dr. Andreas Wiele.

Dr. Stephanie Caspar, as President of News Media National & Technology, is responsible for the media brands of Axel Springer in Germany including marketing (Media Impact), sales (Sales Impact) and for the printing plants, as well as for idealo. In addition, she is responsible for the overall technology and data strategy of the Group. By June 1, 2020, at the latest, Dr. Stephanie Caspar will also take over the responsibility for the AVIV Group from the Classifieds Media division.

Dr. Andreas Wiele, as President Classifieds Media, is responsible for the classifieds and performance-based marketing offers until May 31, 2020, including the associated share holdings.

Corporate governance principles

Axel Springer's corporate governance principles are aligned with our core values of creativity, entrepreneurship, and integrity. In 2019, sustainability and empathy were also included in the set of values. There are also five principles, the "essentials", which are laid down in a separate Axel Springer corporate constitution. For more information on our internal rules, see the chapter "Important management practices" in the declaration of corporate governance law pursuant to Section 289f HGB (Commercial Law) on page 79 of this Annual Report.

Basic principles of the compensation system

The compensation of our employees, all the way up to senior management level, consists of a fixed and, for qualifying employees, an additional variable component. Axel Springer uses variable compensation on the basis of performance and success-orientated target agreements. In addition to the Group targets, individual area targets also become important. With regard to the Group targets for 2019, the variable compensation is essentially based on the Group's revenues and adjusted EBIT. A presentation of the remuneration of the Executive Board can be found in the chapter "Corporate Governance" under "Compensation Report" (from page 88). There we also provide information about the compensation of our Supervisory Board members (from page 91).

Goals and strategies

Axel Springer's goal is to become the global market leader in digital journalism and digital classifieds, after we have already met this requirement in Europe based on various indicators such as reach, revenue or profit. Strategic priorities lie particularly in the area of Classifieds Media and News Media. When implementing the strategy and increasing the value of the company, growth should be pursued more strongly than in recent years.

Segment strategies

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

In addition, early-stage activities were launched in the Classifieds Media segment and selected minority interests were acquired (see page 27), in order to identify innovative business models and providers at an early stage.

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

The Axel Springer publishing division is organized across brands according to print and digital. However, the editors work together brand-linked and cross-medially. In this way, the very different requirements in the publishing area of the print and digital business should be taken into account. The print area is about limiting the circulation decline and aligning our products even more consistently with the readers in order to consolidate the strong position of our titles. The digital sector, on the other hand, requires greater investments across the brands in technological innovations. With the digital brand subscriptions BILDplus and WELTplus, the basis of paying readers on the Internet is established and expanded. Business Insider also offers a subscription model in the digital sector with BI Prime. Another focus is the expansion of the video content in the digital offers of BILD and WELT. More investments will be made in the expansion of this offer in the coming years.

Via the central marketer Media Impact, the segment offers advertisers an attractive, cross-media and high-reach platform for advertising campaigns.

The strategy in the **Marketing Media** segment aims to successfully advance the integration of the activities bundled in the Awin Group by standardizing the technical platforms and expanding the services and publisher network.

Organic and acquisitions-driven growth

The segment-specific organic growth measures focusing on growing out of the existing portfolio and, among other things, increasing the income and earnings per user or reader through attractive product and pricing design or attracting new users to our offers or offering additional offers to our existing users by developing new business models. The entry of the strategic investor KKR created the prerequisites for investing even more than before in the growth potential contained therein. This is complemented by inorganic growth.

In all segments, Axel Springer uses the opportunity to expand the business model by investing in companies with innovative business ideas. Investments are also occasionally made in companies that are still in the early stages of company development. For this purpose, direct non-controlling investments are made selectively, but also indirect investments, for example, through the start-up accelerator APX founded together with Porsche or through our participation in the early-stage fund Project A Ventures.

Above all, however, established companies are acquired when opportunities arise. We select suitable participations primarily based on their appropriate strategic direction, the quality of the management, profitability and the scalability of the business model.

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

Internal management system

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

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

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

Financial performance indicators

Our central focus is to sustainably increase both the profitability and the value of our company. In terms of profitability, revenues, adjusted EBITDA and adjusted EBIT are the most important target and performance indicators. At the same time, the adjusted EBITDA and the adjusted EBIT are the basis for the performance-related compensation of the Executive Board and the executives (more about our compensation system can be found starting on page 88). These performance indicators and the adjusted EBITDA and EBIT margin are anchored in our internal planning and control system.

Financial Control Parameters

Selected financial control parameters on the Group level, € millions	2019	2018
Revenues	3,112.1	3,180.7
EBITDA, adjusted[1)]	630.6	737.9
EBITDA margin, adjusted[1)]	*20.3 %*	*23.2 %*
EBIT, adjusted[1)]	414.5	527.9
EBIT margin, adjusted[1)]	*13.3 %*	*16.6 %*

[1)] Explanations with respect to the relevant key performance indicators on page 38.

Non-financial performance indicators

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

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

Economic Report

General economic conditions and business development

General economic conditions

The International Monetary Fund (IMF) notes in its outlook published in January 2020 a slowdown in the **global economy**. In 2019, growth is likely to have been only 2.9 % in real terms, after having registered an increase of 3.6 % in real terms in 2018. A loosening of monetary and fiscal policy gave the industrialized countries an economic boost again in the fourth quarter.

According to calculations by the Federal Statistical Office, the **German economy** grew by 0.6 % in price-adjusted terms in 2019. Germany is thus in a growth phase that has been going on for ten years. However, growth has lost momentum. In 2018, the growth rate was still 1.5 % in real terms. Impulses for growth in 2019 came again mainly from the domestic market. Private consumption increased by 1.6 % in real terms and was thus stronger than in the prior year. Price-adjusted investments increased by 2.5 % compared to prior year. Above all, the strong construction activity had an impact here. On the other hand, German exports developed less dynamically. Adjusted for price, the German economy exported 0.9 % more goods and services than in 2018. To the contrary, imports increased by 1.9 % in real terms.

After months of downward phase, the ifo business climate index increased again significantly in the last months of 2019. In particular, business forecasts have recovered noticeably at the end of the year. According to GfK surveys, consumer confidence declined in the second half of 2019. The positive acquisition prospects of Germans continue to defy the falling economic expectations of consumers.

According to calculations by the Federal Statistical Office, consumer prices increased in 2019 compared to the previous year by 1.4 %. The German Federal Employment Agency counted 2.3 million unemployed on an annual average in 2019. This was 3.1 % less than the corresponding prior-year figure. The average annual unemployment rate in 2019 was 5.0 %.

The **British economy** owed its return to positive growth rates in the second half of 2019 largely to exports and private consumption. On the other hand, capital expenditures continued to decline and the high inventories that had been built up in the first half of the year as a precaution against a possible hard Brexit declined. British economic growth was 1.3 % in real terms in 2019.

For **France**, the German Institute for Economic Research (DIW) calculated price-adjusted economic growth of 1.3 % in real terms in 2019. The inflation rate was 1.2 % of the average inflation rate in the euro zone.

According to DIW, private consumption is the growth driver in most **countries in Central and Eastern Europe.** The employment situation in the region is good, while real incomes mostly continue to grow in view of moderate price developments. However, the economy in the countries of Central and Eastern Europe is developing inconsistently. Poland and Hungary saw a strong upward trend in 2019. In contrast, growth in the Czech Republic weakened significantly. Overall, the growth rate in Central and Eastern Europe in 2019 should have been 4.1 % adjusted for price.

According to the DIW analysis, one of the main pillars of growth in the **US economy** is private consumer demand, which is supported by solid developments in the labor market. For 2019, the DIW calculates real economic growth of 2.3 %.

Industry-specific environment

Advertising market

According to the latest advertising market forecast of ZenithOptimedia (“Advertising Expenditure Forecast”, December 2019), the advertising market in Germany in 2019 was 0.7 % (nominal) below the prior-year figure.

According to these surveys, net revenues of the **total advertising market** during the reporting period amounted to € 21.0 billion (including classified ads and brochure supplements, less discounts and agency commissions and without production costs).

In the German **Online** sector (display, keyword marketing and affiliate), net advertising revenues increased by 6.4 % to € 7.9 billion in 2019. The digital advertising expenditures thus represent a market share of total advertising expenditures of 37.7 %. Advertisers feel the pressure of a rapid transformation of their companies. Marketing communication is shifting rapidly to online channels in response to changes in consumer behavior.

In the print media, net advertising revenues of **newspapers** (newspapers, advertising papers and newspaper supplements) totaled € 3.9 billion in the reporting period, a 7.2 % decrease from the prior-year figure. **Magazines** (consumer magazines, directory magazines, directory media) also showed a decline compared to the prior year, with net advertising revenues falling by 8.3 % to € 2.7 billion.

Commercial television in Germany recorded a decline of 1.9 % to € 4.4 billion in 2019 and net advertising revenues on **radio** were € 792 million (+0.4 %) and slightly above the prior-year level. Net advertising revenues in **outdoor advertising** increased in 2019 by 1.7 % to € 1.2 billion.

According to ZenithOptimedia, the following digital advertising revenue development is expected in 2019 for selected countries:

Digital Advertising Activity 2019 (selection)

Change in net ad revenues compared to prior year (nominal)	Online
Germany	6.4 %
Central and Eastern Europe	12.2 %
USA	15.4 %
United Kingdom	6.2 %

Source: ZenithOptimedia, Advertising Expenditure Forecast, December 2019; preliminary estimates.

Press distribution market

More and more people use the Internet as the main medium for news consumption. There is an increasing willingness to pay for digital content in Germany. Economically successful offers such as the New York Times or Netflix but also our own paid content offers prove that media content can be monetized not only via reach-based models, but also via subscriptions. While digital newspaper distribution in 2019, (source: PwC study “German Entertainment and Media Outlook 2019–2023”) at € 409 million, is not nearly as big as print distribution (€ 4.5 billion), overall market growth in distribution will take place online over the next few years. The print market will continue to decline. On the other hand, the **online distribution market** is projected to grow on average by around 8 % each year until 2023. The Axel Springer products in this segment, BILDplus and WELTplus, pioneers with their respective founding years of 2013 and 2012, have been recording strong growth in subscriber numbers for years. Business Insider’s payment offer, BI Prime, launched in the United States at the end of 2017, has also attracted keen interest from users.

Continuing the trend of prior periods, the **German press distribution market** contracted somewhat further. The total paid circulation of newspapers and magazines was 6.0 % below the corresponding prior-year figure. Thanks to the price increases implemented in the past four quarters, however, circulation revenues declined by only 4.7 %.

The 327 IVW-registered daily and Sunday newspapers achieved total sales of 15.1 million copies per publication date. Compared to the prior-year figure, this corresponds to a decrease of 3.8 %. As in the prior year, newsstand sales (–9.1 %) suffered a much greater decline than subscription sales (–3.6 %). Demand in the segment of daily and Sunday newspapers within the press distribution market weakened by 4.2 %, weighted according to the respective frequency of publication.

Total sales of general-interest magazines, including membership and club magazines, was 81.2 million copies per publication date. Compared to the prior-year figure, this corresponds to a decline of 5.8 %. The number of IVW registered titles was 689 (–6.4 % compared to the previous year). The demand for general-interest magazines, weighted for their respective publication frequencies, declined by 11.9 %.

Business performance

KKR takeover offer

As part of the implementation of Axel Springer's long-term growth and investment strategy, the Executive Board examined options for the participation of a long-term oriented investor. For this purpose, the Executive Board talked with the US investment company KKR, among others, about a possible strategic investment in Axel Springer. On June 12, 2019, Axel Springer entered into an investor agreement with Traviata II S.à r.l. and Traviata B.V., each holding companies within the KKR Group. The investor agreement regulates the essential points of an equity stake by KKR in the form of a voluntary public takeover offer. Furthermore, the investor agreement sets the framework for future cooperation with the investor KKR, who will coordinate his approach to Axel Springer in a consortium with holding companies of Dr. h. c. Friede Springer and Dr. Mathias Döpfner, provided the takeover offer is completed. On July 5, 2019, Traviata II S.à r.l. made a voluntary public takeover offer for the shares of Axel Springer SE to the shareholders of Axel Springer at a price of € 63.00 per share. After careful and thorough examination of the offer document, the Executive Board and Supervisory Board of Axel Springer recommended the acceptance of the offer in their Joint Reasoned Statement of July 11, 2019. By the end of the acceptance period on August 2, 2019, the offer had been accepted for approximately 27.8 % of the share capital. As a result, the minimum acceptance threshold set by KKR of 20 % of Axel Springer's share capital was exceeded. The final acceptance quota, once the additional acceptance period ended, was 42.5 % according to the announcement by KKR on August 26, 2019. The offer was subject to the receipt of antitrust, foreign trade and media concentration law approvals and releases. After this was fulfilled, the transaction was closed on December 18, 2019. From this and from additional share purchases, in the meantime, KKR held 44.3 % of the share capital at the end of the reporting year. Through further share purchases after the end of the reporting year, KKR currently holds 45.0 % of Axel Springer shares (as of February 18, 2020). In the offer document dated July 5, 2019, KKR had already announced that it would propose to the other members of the consortium and the Executive Board of Axel Springer SE that after a successful takeover offer Axel Springer SE would delist from the stock exchange. On January 23, 2020, Axel Springer has published plans to withdraw from the stock exchange. In this context, a prior public delisting offer is required. According to an agreement concluded with Axel Springer SE, KKR announced such an offer with a cash offer price of € 63.00. More information is available on the website www.traviata-angebot.de/delisting.

Significant subsequent events and transactions

During the first half of 2019, StepStone continued to supplement its portfolio with acquisitions. With the Berlin e-learning startup **Studydrive**, in January 2019 StepStone took over, according to its own statement, the leading digital platform for students in Europe. More than 1 million students at over 100 universities and colleges use the platform to exchange ideas with fellow students and to support each other in their study progress. In addition, in March 2019, StepStone acquired a majority stake in gehalt.de (previously PersonalMarkt), and according to its own statement, one of Germany's largest compensation analysts. Gehalt.de operates online portals for both employees and employers: The portals gehalt.de and gehaltsvergleich.com offer detailed salary information and job offers. At the end of June 2019, StepStone took over 91.2 % (economically it corresponds to 85 % taking into consideration existing employee options) of **Appcast's** shares for € 71.6 million. Appcast is the leading technology provider for programmatic job advertisements in the United States. The company specializes in placing job ads on the Internet exactly where they can find suitable applicants. Through the acquisition, Axel Springer continues its growth strategy and further expands StepStone's portfolio of intelligent recruiting and matching technologies.

In the area of paid content technology, at the end of February 2019, Axel Springer took over **CeleraOne**, a leading company in Germany according to an analysis by the Boston Consulting Group. With the acquisition we are strengthening our IT competence in a strategic core area. At the same time, Axel Springer becomes a technology provider in the growth business of payment technology. CeleraOne is a specialist for real-time processing of large data volumes and with its solutions for paid content technology service providers for numerous German and Swiss publishers. At Axel Springer, CeleraOne has already been used in the payment offerings of WELT and BILD since its launch in 2012 and 2013 respectively.

At the beginning of June 2019, Axel Springer sold in full its majority interest (51 %) in the **@Leisure Group** for a total price of € 185.5 million. The offers of the @Leisure Group, an online platform for holiday real estates in Europe, include full-service providers Belvilla and DanCenter as well as the online holiday home marketplace Traum-Ferienwohnungen. The group generated an adjusted EBITDA of more than € 24 million in 2018. The @Leisure Gruppe's cash and cash equivalents at the time of the transaction were € 41.6 million. With the sale of @Leisure, Axel Springer's focus in the Classifieds Media segment is increasingly directed to the activities of StepStone and AVIV.

In June 2019, Axel Springer announced that the two US companies **Insider Inc.** and **eMarketer** will be merged in the year 2020 in order to expand their respective market positions and offer customers a comprehensive, analytical view of the digital transformation of different industries.

Also, in June 2019, we acquired a further 14.2 % of the shares in the British company **Purplebricks** for a total purchase price of € 49.2 million, increasing our share to approximately 26.6 %.

The AVIV Group, which combines our activities in the area of Real Estate Classifieds and General/Other, had signed an agreement at the beginning of August 2019 to acquire 100 % of the shares in **MeilleursAgents**. MeilleursAgents operates the portal MeilleursAgents.com, through which real estate owners in France can have their real estate valued and find real estate agents. The transaction was completed in September 2019 at a purchase price of € 201.1 million.

At the end of September 2019, Axel Springer announced that it would invest significantly in digital journalism and in growth projects at BILD and WELT over the next few years. At the same time, a corresponding **restructuring program** was announced in order to streamline the structures in the declining business activities in the News Media National area and generate sustainable cost savings.

In October 2019, Axel Springer also reached an agreement with the minority shareholders of the **Immowelt** Group, to take over their 45 % for € 357.9 million. The complete takeover is another step to accelerate the growth of Immowelt and to strengthen the cooperation between the real estate portals belonging to the AVIV Group.

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

Digitization continues to be the defining trend for the economic environment of media companies. This reflects the development of segments of the Axel Springer Group. Despite the challenging macroeconomic environment, our digital activities continued to grow organically. Business performance was also influenced by acquisitions in digital business models and by an active portfolio management. Thanks to the strategic partnership with KKR, which supports our growth strategy as a long-term investor, we are well positioned to leverage the further potential that we see in our business areas.

Financial performance, liquidity and financial position

Financial performance of the Group

In the reporting year, **revenues** of € 3,112.1 million were 2.2 % lower than the prior-year value (€ 3,180.7 million). Organically, i.e. adjusted for consolidation and currency effects, revenues were at the level of the prior year (+ 0.1 %). Overall, consolidation effects had a negative impact. The negative effects due to the deconsolidation of the @Leisure Group from June 2019, aufeminin from April 2018 as well as the print activities in Slovakia from July 2018, significantly exceeded the positive effects, especially due to the inclusion of Appcast from July 2019. Overall, currency effects had a slightly positive impact.

Revenues from digital activities increased from € 2,206.4 million by 1.9 % to € 2,247.9 million. The digital share of revenues relating to the operating business increased to 73.3 % (PY: 70.6 %).

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

Revenue Development Digital Media, organic

yoy	2019	2018
Digital Media	**4.8 %**	**9.6 %**
Classifieds Media	3.0 %	11.4 %
News Media	5.4 %	11.8 %
Marketing Media	9.3 %	2.1 %

While the growth rates in the Classifieds Media and News Media segments were lower in the reporting year compared to the prior year, the Marketing Media segment again showed increased growth (see page 34).

International revenues increased slightly by 0.7 % from € 1,406.5 million to € 1,416.2 million. Their share of Axel Springer's revenues increased to 45.5 % (PY: 44.2 %).

Advertising revenues slightly decreased by 1.5 % to € 2,126.3 million (PY: € 2,159.4 million). Here, too, the negative effects of deconsolidation of the @Leisure Group, aufeminin and the print business in Slovakia outperformed the positive effects that resulted particularly from the inclusion of Appcast, so that there was an overall negative impact. At the same time, the print activities in the News Media National area showed a clear negative development due to market conditions. Overall, currency effects had a slightly positive effect. The organic increase in advertising revenues from Axel Springer was overall at 1.5 %. The percentage of advertising revenues in total revenues was slightly higher than in the previous year at 68.3 % (PY: 67.9 %). Of the total advertising revenues 88.9 % (PY: 86.4 %) were generated by digital activities.

The decrease in **circulation revenues** by 5.1 % from € 591.7 million to € 561.4 million was mainly due to market conditions. Overall, the increase in digital revenues could not compensate for the decline in circulation revenues from printed publications. Consolidation effects also had an impact at Ringier Axel Springer Media in Slovakia. The organic decline in revenues was at 4.2 %. Circulation revenues slightly declined to 18.0 % of total revenue (PY: 18.6 %).

The **other revenues** of € 424.4 million were 1.2 % below the prior-year figure of € 429.6 million. Overall, consolidation effects had a slightly negative impact. Organically, there was a slight decrease in other revenues of 0.6 %. Overall, other revenues represented an almost unchanged share of 13.6 % (PY: 13.5 %) of the revenues.

Other operating income was at € 120.6 million (PY: € 169.5 million) and essentially comprised the profit from the disposal of the @Leisure Group (€ 67.9 million before sale-related costs). The prior-year figure was mainly influenced by the profit from the disposal of the aufeminin Group (€ 49.4 million before sale-related costs) and the income from the transfer of the Axel Springer high-rise building in Berlin to the Axel Springer Pensionstreuhandverein (€ 34.9 million).

Changes in inventories and other internal costs capitalized increased to € 98.2 million (PY: € 93.5 million) and, as in the prior year, were mainly related to IT development projects to develop and expand our digital business models.

Compared to the prior-year figure, **total expenses** increased by 2.5 % to € 3,078.8 million (PY: € 3,003.9 million).

Purchased goods and services decreased by 8.2 % to € 504.5 million (PY: € 549.7 million). The reason for the decline was the decrease in own and third-party printing costs in the News Media segment as well as consolidation-related effects. The ratio of purchased goods and services to total revenues decreased to 16.2 % (PY: 17.3 %).

Personnel expenses were at € 1,384.3 million (PY: € 1,224.4 million) and 13.1 % above the level of the prior year. The reason for this development was, for the most part, an increase in expenses for restructuring measures compared to the prior year, as well as increased expenses from the valuation of long-term incentive programs; as a result of the increased share price of Axel Springer, particularly in connection with the takeover offer by KKR, increased expenses were recorded as part of the valuation of the long-term incentive program of the Executive Board and selected executives for the reporting year. In addition, the increase is due to the increase in personnel in the digital business models. The Group's average number of employees decreased by 1.4 % to 16,120 in 2019, particularly due to consolidation effects.

The decrease in **depreciation, amortization, and impairments** to € 308.0 million (PY: 347.9 million) resulted in the prior year primarily from € 42.3 million (€ 13.4 million in the reporting year) impairment losses on goodwill in the Marketing Media segment.

The **other operating expenses** were € 882.0 million (PY: € 882.0 million). Decreases due to consolidation, lower expenses for advertising measures and lower shipping and logistics costs were offset, among other things, by deferred expenses in connection with the takeover offer made by KKR as well as expenses in connection with the introduction of the digital tax in France.

The **income from investments** was € –20.8 million (PY: € –62.2 million) and impacted, as in the prior year, by the revaluation of financial assets. In the reporting year, we particularly impaired our investment in Ringier Axel Springer Schweiz AG by € 29.0 million. On the other hand, we recognized a write-up for our investment in Purplebricks by € 11.6 million after we had impairment losses of € 82.9 million to the market capitalization as of December 31, 2018. The operating income from investments included in adjusted EBITDA amounted to € 3.8 million and was below the prior-year figure due to the recognition of negative pro rata results from investments accounted for using the equity method (PY: € 15.5 million).

The **net financial result** amounted to € –25.2 million (PY: € –21.1 million).

In line with the operating results, **income taxes** accounted for € –71.5 million in the reporting year (PY: € –147.9 million). The tax rate was 34.7 % (PY: 41.5 %) and was characterized in the reporting period and in the prior year in particular by the largely tax-neutral income in connection with the disposal of the @Leisure Group (prior year: aufeminin Group) and by tax-neutral impairments on financial assets.

Adjusted for non-recurring effects, **adjusted EBITDA** decreased significantly compared with the prior year by 14.5 % to € 630.6 million (PY: € 737.9 million). Part of the decline was due to consolidation effects. Currency effects did not play a significant role. Organically, i.e. after taking consolidation and currency effects into account, adjusted EBITDA was 11.0 % below the prior-year value. The main reasons for the decrease were the provisions that were recognized as a result of the announced substantial restructuring measures in the News Media National subsegment. The Group's margin fell accordingly to 20.3 % (PY: 23.2 %).

Due to the increase in depreciation, amortization and impairments, **adjusted EBIT** went down more than adjusted EBITDA and decreased by 21.5 % compared to the prior year to € 414.5 million (PY: € 527.9 million). Here, too, mainly consolidation effects had an impact while currency effects played a minor part. The organic decline was at 16.8 %. Similar to adjusted EBITDA, the organic decline was mainly caused by provisions for the announced restructuring measures. The margin was 13.3 % and hence below the prior-year level (16.6 %).

The **adjusted net income** decreased by 21.5 % to € 263.7 million (PY: € 335.7 million). Due to the increased share of non-controlling interests, **adjusted earnings per share** decreased by 25.9 %; organically, **adjusted earnings per share** were 20.8 % below the prior year.

Net income

€ millions	2019	2018	Change
Net income	**134.6**	**208.4**	**–35.4 %**
Non-recurring effects	91.3	12.5	–
Depreciation, amortization, and impairments of purchase price allocations	91.9	137.8	–33.3 %
Taxes attributable to these effects	–54.2	–23.1	–
Net income, adjusted[1]	**263.7**	**335.7**	**–21.5 %**
Attributable to non-controlling interest	45.2	41.0	10.3 %
Adjusted net income[1] attributable to shareholders of Axel Springer SE	**218.5**	**294.7**	**–25.9 %**
Earnings per share, adjusted (in €)[1) 2)]	2.02	2.73	–25.9 %
Earnings per share (in €)[2]	**0.92**	**1.68**	**–45.0 %**

1) Explanations regarding relevant key performance indicators on page 38.
2) Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 107.9 million).

The non-recurring effects in the reporting period, among others, related to income from the sale of business activities and real estate in the amount of € 64.3 million (PY: income from the sale of business activities and real estate amounting to € 74.4 million). In the reporting year, these were mainly related to the profit from the disposal of the @Leisure Group (€ 67.9 million before sale-related costs). In the previous year, this income mainly related to the disposal of our shares in the aufeminin Group (€ 49.4 million) and the transfer of the Axel Springer high-rise building in Berlin to the Axel Springer Pensionstreuhandverein (€ 34.9 million). In addition, valuation effects for investments of € –30.7 million were adjusted in the reporting year, in particular from the impairment of our investment in Ringier Axel Springer Schweiz AG (PY: € –76.9 million, mainly related to our investment in Purplebricks). The non-recurring effects also included effects from the subsequent valuation of liabilities for contingent considerations from options on non-controlling interests of € –29.1 million (PY: € –7.4 million) as well as other effects from first-time consolidations of € –34.1 million (PY: € –9.8 million), which resulted primarily from acquisition-related expenses and the effects of purchase price allocations and also included expenses in connection with the takeover bid made by KKR in the reporting year. Furthermore, the expenses from the valuation of the long-term incentive program of the Executive Board and selected executives were adjusted in the amount of € –61.7 million (PY: income of € 7.2 million).

Financial performance of the operating segments

Classifieds Media

In the Classifieds Media segment all business models are summarized, which generate their revenues mainly in online classifieds. Since July 2019, the segment has been divided into the areas StepStone, AVIV and Other (see page 13).

Key Figures Classifieds Media

€ millions	2019	2018	Change
Revenues	**1,213.8**	**1,212.5**	**0.1 %**
Advertising revenues	1,167.0	1,167.4	0.0 %
Other revenues	46.9	45.1	3.9 %
StepStone	647.1	602.6	7.4 %
AVIV[1]	506.3	476.8	6.2 %
Other[1]	60.3	133.1	–54.7 %
EBITDA, adjusted[2]	**468.4**	**487.2**	**–3.8 %**
StepStone	242.6	245.5	–1.2 %
AVIV[1]	221.6	227.7	–2.7 %
Sonstige[1]	16.6	24.8	–33.3 %
EBITDA margin, adjusted	***38.6 %***	***40.2 %***	
StepStone	37.5 %	40.7 %	
AVIV[1]	43.8 %	47.8 %	
Other[1]	27.5 %	18.7 %	
EBIT, adjusted[2]	**377.9**	**406.7**	**–7.1 %**
StepStone	187.4	197.5	–5.1 %
AVIV[1]	187.6	200.5	–6.4 %
Sonstige[1]	15.2	19.5	–22.0 %
EBIT margin, adjusted	***31.1 %***	***33.5 %***	
StepStone	29.0 %	32.8 %	
AVIV[1]	37.0 %	42.1 %	
Other[1]	25.2 %	14.6 %	

[1] Adjustment of the previous year's figures due to the reorganization of the subsegments in the segment Classifieds Media.
[2] Segment EBITDA/EBIT, adjusted include non-allocated costs of € 12.4 million (PY: € 10.9 million).

In a challenging macroeconomic environment, revenues in the Classifieds Media segment remained almost unchanged at € 1.213,8 million compared to the same period in the prior year (PY: € 1,212.5 million; + 0.1 %). Consolidation effects played a notable role, above all due to the deconsolidation of the @Leisure Group with opposing effects, in particular from the inclusion of Appcast and Universum in the StepStone subsegment, as well as MeilleursAgents and Logic-Immo in the area of real estate portals. The organic increase in revenue, i.e. adjusted for consolidation and currency effects was 3.0 %. The StepStone subsegment increased its revenues by 7.4 %, organically it increased it by 2.7 %. In addition to the positive consolidation effects mentioned above, business in continental Europe again contributed to growth, while activities in the UK were slightly below the level of the prior year due to the uncertainties surrounding the Brexit discussion during the course of the year. The activities reported in the AVIV subsegment achieved an increase in their revenues by 6.2 %. Among other things, consolidation effects contributed to the growth through the inclusion of MeilleursAgents and Logic-Immo. Organically, growth was at 2.8 %.

The segment 's adjusted EBITDA decreased by 3.8 % to € 468.4 million (PY: € 487.2 million). The development is almost entirely due to negative consolidation effects, which were caused, among other things, by the deconsolidation of the @Leisure Group, negative earnings contributions from acquired companies in the StepStone subsegment as well as AVIV's hybrid brokerage activities. Organically, i.e. adjusted for consolidation and currency effects, the value was almost at the prior- year level (+0.1 %). At 38.6 % the margin was below the prior-year value (40.2 %). StepStone's adjusted EBITDA was 1.2 % below the prior-year figure. Decisive factors for the weaker growth compared to the organic development (+1.5 %) were seasonal negative earnings contributions from the employer branding business (Universum) and the first-time consolidation of Appcast. AVIV recorded a decrease in adjusted EBITDA of 2.7 %. The positive operating results of the Immowelt Group were largely overcompensated by the negative earnings contributions from the hybrid brokerage activities, which were only partially consolidated in the prior year, as well as a decline in operating results of our activities in Israel (Yad2) and Belgium (Immoweb). Adjusted EBITDA declined organically in the subsegment by 1.5 %.

Adjusted EBIT in the Classifieds Media segment decreased by 7.1 % from € 406.7 million to € 377.9 million. Organically, a decline of 2.8 % was recorded. Depreciation, amortization and impairments increased by 12.5 % to € 90.6 million (PY: € 80.5 million).

News Media

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

Key Figures News Media

€ millions	2019	2018	Change
Revenues	**1,430.9**	**1,496.2**	**–4.4 %**
Advertising revenues	638.5	678.5	–5.9 %
Circulation revenues	561.4	592.0	–5.2 %
Other revenues	231.0	225.7	2.3 %
National	1,000.6	1,070.4	–6.5 %
Advertising revenues	384.5	432.4	–11.1 %
Circulation revenues	452.1	474.6	–4.7 %
Other revenues	164.1	163.4	0.4 %
International	430.2	425.7	1.1 %
Advertising revenues	254.0	246.1	3.2 %
Circulation revenues	109.3	117.4	–6.9 %
Other revenues	66.9	62.3	7.4 %
EBITDA, adjusted	**138.5**	**228.2**	**–39.3 %**
National	70.2	161.2	–56.4 %
International	68.3	67.0	1.9 %
EBITDA margin, adjusted	***9.7 %***	***15.3 %***	
National	*7.0 %*	*15.1 %*	
International	*15.9 %*	*15.7 %*	
EBIT, adjusted	**72.1**	**158.2**	**–54.4 %**
National	40.0	126.6	–68.4 %
International	32.1	31.5	1.7 %
EBIT margin, adjusted	***5.0 %***	***10.6 %***	
National	*4.0 %*	*11.8 %*	
International	*7.5 %*	*7.4 %*	

Revenues in the News Media segment of € 1,430.9 million, were 4.4 % below the prior-year figure (€ 1,496.2 million). The digital proportion of revenues was 42.8 % (PY: 38.5 %). Organically, i.e. adjusted for consolidation and currency effects, revenues were 3.9 % below the level of the prior year. At € 1,000.6 million, revenues in the News Media National were 6.5 % below the prior year (organically 6.7 % below the prior year). It should be noted here that ‘BILD für ALLE’ had made a significant contribution in revenues in the first half of 2018 and there was no such special edition in the 2019 financial year. The digital offers BILDplus and WELTplus had about 568,000 paying subscribers in December 2019. The digital share of revenues in the subsegment increased to 30.1 % (PY: 27.8 %). Revenues in News Media International increased slightly by 1.1 % to € 430.2 million. The organic increase was 3.3 %. The digital offerings from Insider Inc. and upday showed good operational development. This was countered by the negative consolidation effect from the sale of the print business in Slovakia in the prior year. The digital proportion of revenues for News Media International was 72.4 % (PY: 65.3 %).

Adjusted EBITDA of € 138.5 million was 39.3 % below the prior-year figure (€ 228.2 million). In addition to the decline in revenues, which was mainly in the print business, this decline was driven in particular by the provisions for the announced extensive restructuring measures in the News Media National subsegment. Consolidation and currency effects played a more minor role. Organically, i.e. adjusted for consolidation and currency effects, adjusted EBITDA was 37.7 % below the prior-year figure. At 9.7 %, the segment's margin was significantly below the prior-year value (15.3 %). Adjusted EBITDA in the News Media National subsegment was € 70.2 million and 56.4 % below the prior-year figure (€ 161.2 million), the organic decrease was 55.7 %. The provisions mentioned above are the main reason for this. In the international segment, the adjusted EBITDA increased slightly by 1.9 % to € 68.3 million (PY: € 67.0 million). A significant improvement in earnings at upday was offset by earnings below the level of the prior year at eMarketer. The organic increase was more positive at 8.5 % . The main reason for this was the sale of the print business in Slovakia in the prior year.

Adjusted EBIT in the News Media segment decreased by 54.4 % from € 158.2 million to € 72.1 million The clear decline in adjusted EBIT compared to the decline in adjusted EBITDA is mainly due to scheduled depreciation, the decrease by 5.2 % to € 66.4 million (PY: € 70.0 million) was disproportionately low. The organic decline in EBIT was 52.4 %.

Marketing Media

In the Marketing Media segment, reach-based marketing primarily includes idealo, Bonial and finanzen.net. The previous year's figures also take into account aufeminin until the sale at the end of April 2018. The performance-based marketing consists of the Awin Group.

Key Figures Marketing Media

€ millions	2019	2018	Change
Revenues	**421.5**	**418.3**	**0.8 %**
Advertising revenues	320.8	313.4	2.3 %
Other revenues	100.7	104.8	−4.0 %
Reach Based Marketing	227.8	235.2	−3.2 %
Performance Marketing	193.7	183.1	5.8 %
EBITDA, adjusted[1)]	**107.8**	**89.6**	**20.3 %**
Reach Based Marketing	72.3	66.7	8.3 %
Performance Marketing	43.5	31.2	39.4 %
EBITDA margin, adjusted	***25.6 %***	***21.4 %***	
Reach Based Marketing	*31.7 %*	*28.4 %*	
Performance Marketing	*22.5 %*	*17.0 %*	
EBIT, adjusted[1)]	**83.3**	**66.0**	**26.1 %**
Reach Based Marketing	60.4	55.6	8.6 %
Performance Marketing	30.8	18.7	64.8 %
EBIT margin, adjusted	***19.8 %***	***15.8 %***	
Reach Based Marketing	*26.5 %*	*23.7 %*	
Performance Marketing	*15.9 %*	*10.2 %*	

[1)] Segment EBITDA/EBIT, adjusted include non-allocated costs of € 8.0 million (PY: € 8.3 million).

Revenues in the News Media segment of € 421.5 million were slightly above the level of the prior year (€ 418.3 million; + 0.8 %). Declines due to the sale of aufeminin in April 2018 contrasted with noticeable increases at idealo and Awin. Organically, i.e. adjusted for consolidation and currency effects, the segment recorded an increase in revenue of 9.3 %. Revenues in reach-based marketing declined by 3.2 % to € 227.8 million. Adjusted for consolidation and currency effects, which resulted in particular from the sale of aufeminin, an increase of 13.3 % was achieved. This development was largely driven by the very positive development of revenues in the idealo Group. Revenues in performance marketing increased by 5.8 % to € 193.7 million. Organic growth was somewhat lower at 5.0 % due to currency effects.

The adjusted EBITDA of € 107.8 million in the segment was 20.3 % above the prior-year value (€ 89.6 million). Organically, i.e. adjusted for consolidation and currency effects, the recorded increase was 26.1 %. Due to the lower revenue increases, the margin on the segment increased to 25.6 % (PY: 21.4 %). Adjusted EBITDA in reach-based marketing was € 72.3 million, 8.3 % above the prior year's figure of € 66.7 million. Organically, the subsegment showed an increase in earnings of 16.8 %, which was mainly due to improvements in earnings in the idealo Group and at Bonial. Adjusted EBITDA in the Performance Marketing sub-segment increased by 39.4 %. Organically the increase was 36.3 %. This strong growth is due in particular to the higher integration costs incurred in the previous year for the merger of Awin and affilinet, which had impacted the adjusted EBITDA.

Adjusted EBIT in the Marketing Media segment increased by 26.1 % from € 66.0 million to € 83.3 million; organic growth was 34.4 %. The depreciation, amortization and impairments increased by 4.0 % to € 24.5 million in the reporting year (PY: € 23.6 million).

Services/Holding

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

Key Figures Services/Holding

€ millions	2019	2018	Change
Revenues	46.0	53.7	– 14.4 %
EBITDA, adjusted	– 84.1	– 67.0	
EBIT, adjusted	– 118.6	– 103.0	

Revenues in the Services/Holding segment decreased compared to the comparable prior-year period by 14.4 % and were € 46.0 million (PY: € 53.7 million). One of the main factors here was the market-related decline in the print products business.

Adjusted EBITDA decreased from € – 67.0 million to € – 84.1 million. This decrease resulted from the loss of one-off income, lower revenues and higher project expenditure.

The adjusted EBIT in the Services/Holding segment was at € – 118.6 million (PY: € – 103.0 million). The depreciation, amortization and impairments of € 34.5 million were below the level of the prior year (€ 36.0 million).

Liquidity

Financial management

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

Net Liquidity/Debt

€ millions	2019	2018
Cash and cash equivalents	286.1	281.5
Financial liabilities	2,239.1	1,530.8
Net Liquidity/Debt[1) 2)]	**–1,953.0**	**–1,249.2**

[1)] Explanations regarding relevant key performance indicators on page 38.
[2)] Incl. leasing liabilities in the amount of € 373.4 million (31. December 2018: € 379.6 million).

At the beginning of July 2019, we extended the term of our credit lines by another year. We can continue to draw on long-term credit lines in the amount of € 1,500.0 which are due for payment in July 2024 (previously: July 2023). As of December 31, 2019, € 1,160.5 million (December 31, 2018: € 453.0 million) of the existing long-term credit lines (€ 1,500.0 million) had been utilized. For interest-optimizing satisfaction of short-term capital requirements we are able to issue certain forms of short-term bearer bonds (commercial paper) with a maximum volume of € 750.0 million and a term of up to one year. As of the reporting date, no commercial paper had been issued. In addition, there were Schuldscheindarlehen (promissory note) totaling € 704.5 million (December 31, 2018: € 704.5 million) with a term until October 2020 (€ 69.0 million), May 2021 (€ 11.5 million), May 2022 (€ 158.0 million), May 2023 (€ 72.0 million) and May 2024 (€ 394.0 million). The credit lines, the short-term commercial paper program and the promissory notes may be used either for general business purposes or for financing acquisitions.

Cashflow development

Consolidated Cash Flow Statement (Condensed)

€ millions	2019	2018
Cash flow from continuing operations	465.5	565.7
Cash flow from investing activities	–530.3	–120.7
Cash flow from financing activities	65.1	–395.0
Change in cash and cash equivalents	0.3	50.0
Cash and cash equivalents as of December 31	286.1	281.5

Cash flow from operating activities was € 465.5 million and thereby 17.7 % below the value of the same period last year (€ 565.7 million). In addition to the development of trade receivables and trade liabilities, the development resulted in particular from cut-off date-related payment effects as of December 31, 2018, which led to postponements of payments in the first half of 2019. The previous year also included payments from Pensionssicherungsverein in connection with the transfer of the Axel Springer high-rise building in Berlin. This was offset by slightly lower net tax payments.

Cash flow from investing activities amounted to € –530.3 million (PY: € –120.7 million). Capital expenditures of intangible assets and property, plant, and equipment increased in particular as a result of the new building in Berlin (total investment volume of around € 315.0 million, of which € 265.5 million has been called up). The sale of the new Axel Springer building in Berlin (sales price of € 425 million (before tax payments of around € 30 million)) is expected to be completed in the first half of 2020. Payments (less cash acquired) for acquisitions made in the reporting year mainly related to the acquisition of 100 % of the shares in MeilleursAgents (€ 197.1 million) and 91.2 % of the shares in Appcast (€ 65.9 million) as well as with € 49.2 million the payment for the increase in our investment in Purplebricks. This was offset by the proceeds of € 185.5 million less cash and cash equivalents of € 41.6 million from the disposal of our shares in the @Leisure Group. The prior year was particularly characterized by payments (less cash acquired) for the acquisition of 100 % of the shares in Concept Multimédia (Logic-Immo) and Universum

(€ 92.8 million and € 39.5 million respectively) as well as € 153.7 million for the acquisition of a non-controlling share in Purplebricks. On the other hand, this was offset by proceeds from the disposal of our shares in the aufeminin Group (€ 291.5 million less cash and cash equivalents of € 72.0 million), the sale of the print business in Slovakia (€ 60.5 million) and the early exercise of option rights to sell all remaining shares in Doğan TV (€ 160.0 million).

The cash flow from financing activities of € 65.1 million (PY: € –395.0 million) was, as in the previous year, characterized by the payment of the dividend to the shareholders of Axel Springer SE as well as the repayment portion of rental and lease payments. In addition, payments for the acquisition of the outstanding 45 % non-controlling interests in the Immowelt Group of € 336.3 million were included in the reporting year. This was countered by net increase of financial liabilities (repayment in the previous year) of financial liabilities.

Financial position

Consolidated Balance Sheet (Condensed)

€ millions	12/31/2019	12/31/2018
Non-current assets	5,550.8	5,267.7
Current assets	1,300.6	1,211.2
Assets	**6,851.5**	**6,479.0**
Equity	2,483.1	2,884.2
Non-current liabilities	2,880.8	2,190.3
Current liabilities	1,487.6	1,404.4
Equity and liabilities	**6,851.5**	**6,479.0**

The development of non-current assets was primarily characterized by the recognition of intangible assets as part of the first-time consolidation of the acquisitions completed in the reporting year, in particular MeilleursAgents and Appcast. The disposal of the @Leisure Group, which was completed in early June, had here a partially compensating effect. In addition, property, plant, and equipment in connection with the new Axel Springer building in Berlin and non-current financial assets increased mainly due to the increase in our investment in Purplebricks.

Current assets increased primarily due to the development of trade receivables, which rose despite the reducing effects from the first-time and deconsolidations of the reporting year. This resulted from the positive operating development of our business units, cut-off date-related payment and settlement effects as well as isolated changes in contractual payment terms.

Equity amounted to € 2,483.1 million and was thus below the level as of December 31, 2018 (€ 2,884.2 million). At the beginning of November 2019, our shares in the Immowelt Group were increased by 45 % to 100 %. The share of non-controlling interests in equity were reduced by € 89.1 million and the difference of € 268.7 to the acquisition costs (€ 357.9 million) offset against and reduced accumulated retained earnings of shareholders of Axel Springer SE. Previously liabilities from existing put options for 10 % of Immowelt Group's non-controlling interests lapsed in the reporting period due to non-exercise and were derecognized income-neutral increasing equity (€ 52.2 million). In addition, the decrease in equity resulted in particular from the dividend distributions to shareholders of Axel Springer SE, the derecognition of existing non-controlling interests in connection with the disposal of the @Leisure Group and the recognition of actuarial losses by the reduction of the discount rate for pension accounting (taking into account corresponding tax effects). The consolidated net income generated for 2019 and effects from the currency translation of financial statements consolidated had an increasing effect. The equity ratio decreased as a result of the reduction in equity while our credit lines were increasingly used at the same time to 36.2 % (PY: 44.5 %).

The increase in non-current liabilities is essentially related to the increased use of our credit lines shown in financial liabilities. In addition, the provisions for structural measures and for long-term compensation programs increased, as well as liabilities for contingent considerations, which were granted as part of the acquisitions made in the reporting year. The decrease in deferred tax liabilities mainly resulted from the tax effects from the valuation of the long-term incentive program of the Executive Board and selected executives as well as the adjustment of the discount rate for pension accounting.

The development of current liabilities was conditioned in particular by the increased use of our credit lines shown in financial liabilities as well as increased provisions for structural measures. The portion of the revaluation of the long-term incentive program attributable to the Executive Board led to the increased reporting of liabilities due to related parties. The decrease in trade payables was mainly related to the disposal of the @Leisure Group. In particular, due to the expiry of the put options for 10 % of the non-controlling interests in the Immowelt Group in the reporting year, the disclosure of other current liabilities decreased.

Explanations with respect to the relevant key performance indicators

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

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

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

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

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

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

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

Non-financial performance indicators

Employees

Axel Springer had an average of 16,120 (PY: 16,350) employees in the reporting year (excluding vocational trainees and journalism students/interns). An average of 7,639 of the employees were employed abroad (PY: 7,835); this corresponds to a share of 47.4 % (PY: 47.9 %). The Group employed an average of 7,049 women and 9,070 men. The proportion of women was 43.7 % and therefore slightly under the prior-year level (PY: 44.4 %). The number of editorial staff fell slightly in the reporting period by 3.5 % to 2,676. The number of employees decreased slightly by 0.4 % to 13,040 employees.

Employees by Segments

Average number per year	2019	2018	Change
Classifieds Media	5,216	5,203	0.3 %
News Media	7,078	7,006	1.0 %
Marketing Media	2,431	2,641	–8.0 %
Services/Holding	1,395	1,500	–7.0 %
Group	**16,120**	**16,350**	**–1.4 %**

In the Classifieds Media segment, employees were built up particularly at StepStone. The sale of the @Leisure Group had an opposite effect. The slight increase in the News Media segment is primarily the result of organic growth at Insider Inc. In the Marketing Media segment, the number of employees fell, mainly due to the sale of the aufeminin Group in the prior year. The decline in the Services/Holding segment is primarily due to the reduction in the number of employees in offset printing plants and a decrease in the number of employees at our catering and event service (PACE) in Hamburg.

Length of service and age structure

At the reporting date of 2019, the average length of service with Axel Springer was 9.9 (PY: 10.0) years; 37.2 % (PY: 37.2 %) of the workforce belonged to the Group for more than ten years. More than half of all employees are between 30 and 49 years old. The proportion of severely disabled employees in the German companies averaged 3.5 % for the year (PY: 3.7 %).

Equal opportunities and diversity

In 2010, Axel Springer launched the initiative "Chancen: gleich!". The aim was to increase the diversity and balance of women and men in leadership positions. At the end of 2016, a first milestone was reached: The proportion of women in management positions of 16 % 2010 was almost doubled to 32 %. As of March 1, 2018, the Supervisory Board member Stephanie Caspar has been appointed to the Executive Board so that since then the proportion of women in the company's Executive Board has been 20.0 %. In order to improve further the share of women in leading positions, the following topics are in focus: Creating the best possible conditions for reconciling family life and work, promoting the potential of young women, as well as promoting women in management positions and developing a modern and attractive corporate culture. From this, concrete measures were derived, among others, systematic talent development with modules such as succession planning, talent development programs, (cross-company) mentoring and coaching.

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

Human resources development

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

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

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

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

Research and development

Axel Springer does not have a traditional research and development department of the kind that industrial enterprises maintain. All divisions of the company are optimizing existing offerings and working to establish innovative products in the market. Above all, this means that we are continually expanding our range of services through innovations in the digital business, developing editorial content and expanding our journalistic excellence. In doing so, we attach great importance to the early consideration of the changing use of media.

In addition to our investments in companies in the early stage of development, in the reporting year we have capitalized internal costs of € 98.4 (PY: € 93.2 million) million in connection with IT development projects in order to improve and expand our digital business model, as well as reported € 76.1 million (PY: € 64.5 million) as planned depreciation, amortization and impairments on software and technologies that were developed in-house.

Further development of Classifieds Media

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

StepStone continuously invests in the Search&Match algorithm. This is the core technology of job search platform and enables users to view even more suitable and relevant jobs. In this way, the increasingly strong and individual use and preferences of users can be taken into account. StepStone has developed mobile application technologies that take into account changing user behavior. It makes it even easier for the user to apply on the go. Among other things, candidates can apply with the CV stored at StepStone from their smartphones. StepStone has also made investments on the employers' side. The appearance of the employer area for the German-speaking market has been updated. Employers can manage the applications, which they receive via job ads at StepStone, and thus get in touch with the candidate even faster and easier. This also involves investing in a new e-commerce process. Employers can buy job ads online more easily and design them themselves using a new editor

With the acquisition of Appcast, StepStone has also taken the first step into the field of performance-based job ads in the American market. Appcast is an e-recruitment provider for programmatic display of job advertisements within a partner network across career and consumer pages, which provides its customers with candidates for open job positions. The partner network comprises, according to their own statement, over 10,000 job boards and other websites and enables Appcast to achieve a wide reach and find the right candidate for a job position.

StepStone has also expanded its offer to salary information with the Salary Planner product by acquiring gehalt.de. The offer enables StepStone users to find out more and more information about current salaries and salary ranges for detailed job profiles in various industries, which is becoming increasingly important for job searches, or to compare the current salary with the respective profile average. Employers also have access to this salary data and can e. g. make a market comparison of the salaries paid in the respective company. Gehalt.de thus covers employee and employer-specific needs in salary matters.

The Aviv Group, founded in 2018 (see page 13) also offers various approaches to jointly develop innovative products. In 2018, SeLoger introduced an offer that real estate owners can use to obtain an indicative real estate valuation online and to contact suitable real estate agents in the event of a desired sale. This gives agents, especially in tense real estate markets, the opportunity to increase their inventory, which is crucial for them to earn their commissions. The underlying evaluation algorithm was prepared within the AVIV Group for the introduction in Belgium and Israel. In this context, the acquisition of MeilleursAgents in France (see page 26) was an important step. In addition, work began on developing backend components that can be shared in the future.

Further development of News Media

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

In digital, we continued to invest in product and technology in 2019. For example, we have expanded our own content management system and pushed ahead with website optimization. The takeover of CeleraOne (see page 26) made it possible to transfer all processes relevant to the payment processes to the acquired technology and platform. Overall, the activities in the area of payment offers were intensified and the number of subscribers was successfully increased. In addition, there was a strong focus on expanding the range of moving images. For example, BILD launched a weekday news program that can be accessed via Facebook Watch, among other channels.

Important innovations for the group have also taken place in the News Media International subsector. upday has launched a podcast aggregator called earliAudio. The philosophy is similar to that of the upday news platform: Journalistic curation is combined with machine-generated recommendations. With earliNews there is also a news app that can be used outside of Samsung devices. In 2019, Politico in particular linked the Pro Intelligence data platform more closely to the journalistic offering and integrated polling data from European countries into the offering through the acquisition of Poll of Poll. In eastern Europe, Ringer Axel Springer Media has rolled out its cross-border platform “RING” for writing and publishing journalistic content (content management system). In Poland, Onet successfully expanded its content commerce platform, “Moneteasy”, with partners. In the USA, eMarketer has, among other things, expanded the personalizability of content.

Further development of Marketing Media

In Marketing Media, the online offerings of the existing investments are being continuously developed. The development of innovative product functionalities and marketing technologies to increase reach and use of offers and their monetization have a high priority for our investments.

The affiliate marketing platform Awin makes sustained investments in the development of a SaaS self-service solution for small and medium-sized corporate customers, which enables them to independently coordinate and play out campaigns. This offer is intended to establish Awin as a technology leader in the market and reduce the costs of campaign coordination in the mid term.

The Bonial Group is working to supplement the classic display of brochures with reach offerings for the advertisers and thus to increase their added value. For this purpose, tracking and attribution capabilities are being continuously improved.

Sustainability and social responsibility

For Axel Springer, sustainability means connecting economic success with ecologically and socially responsible action. These three criteria are an integral part of the corporate strategy. Hence, sustainability is integrated into the business processes. In 2019, sustainability, along with empathy, was firmly anchored as an independent corporate value alongside the three previous values of integrity, creativity and entrepreneurship.

The Sustainability department accompanies respective activities throughout the company – from measures to improve resource efficiency to social engagement initiatives. This department reports directly to the Chairman and CEO. With our sustainability strategy, we take responsibility for present and future generations and secure the basis for long-term business success.

Axel Springer already started publishing environmental reports in the mid-1990s. Since 2005, we have published a sustainability report every two years, most recently for the years 2016/2017, which is based on recognized standards for sustainability reporting. In order to better meet the increased requirements for activities in the area of sustainability in the future and to report even more focused and transparently based on key figures, the year 2020 will be used for a fundamental revision of the strategy and the reporting approach. In this course, new or even more comprehensive key figures will be collected. In addition to the Report, additional report formats are to be examined and introduced.

Separate combined non-financial report

Pursuant to the Section 289b and Section 315b of the German commercial Code (HGB), both Axel Springer SE and the Axel Springer Group are obliged to extend the management report by a non-financial statement and a non-financial Group statement for the 2019 financial year. We make use of our option to publish a combined separate non-financial report outside the combined management report, rather than expanding the combined management report to include the non-financial statement and non-financial Group statement. The separate report is available for download on our website at go.axelspringer.com/NonfinancialReport.

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

The financial year 2019 was from a macroeconomic view characterized by deteriorating developments and prospects. In the midst of this environment, our digital activities have nevertheless maintained organic growth of 4.8 %; revenues were at the prior-year level. At the same time, we have pursued selective growth initiatives in the belief that there is still significant growth potential, particularly in the area of digital classifieds and digital journalism. These steps were again accompanied by acquisitions and an active portfolio management. Thanks to KKR's investment and the support of a strategic and financially strong investor who fully supports the chosen strategy, we were able to take various measures even more quickly in the course of the year. This included, for example, the announcement and implementation of a restructuring program in the News Media National segment. Adjusted EBITDA, adjusted EBIT and adjusted earnings per share from continuing operations were also lower than in the prior year due to the related provisions. Net debt increased, among other things, due to the acquisitions made. With cash flow still very strong, a solid balance sheet structure and the cheap financing options available to us, we are still in a good position to make the necessary capital expenditures to realize future growth. The support of a long-term strategic investor gives us additional confidence that we can approach the announced growth investments.

Financial performance, liquidity, and financial position

Selected Group Key Figures (in € millions)	**2019**	**2018**
Revenues	3,112.1	3,180.7
EBITDA, adjusted[1]	630.6	737.9
EBITDA margin adjusted[1]	*20.3 %*	*23.2 %*
EBIT, adjusted[1]	414.5	527.9
Tax rate	*34.7 %*	*41.5 %*
Net income	134.6	208.4
Net income, adjusted[1]	263.7	335.7
Earnings per share, adjusted (in €)[1] [2]	2.02	2.73
Dividend per share (in €)[3]	1.16	2.10
Total dividends[3]	125.2	226.6
Net debt/liquidity[1] [4]	– 1,953.0	– 1,249.2
Free cash flow[1]	214.6	346.9

[1] Explanations regarding relevant key performance indicators on page 38.
[2] Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 107.9 million).
[3] The dividend for the financial year 2019 is subjedt to the condition of approval by the annual sharelders´ meeting.
[4] As of December 31, 2019, and December 31, 2018, respectively.

Economic position of Axel Springer SE

€ millions	2019	2018	2017	2016	2015
Revenues	806.8	851.1	823.2	833.1	925.9
Net income	132.7	124.3	271.9	296.4	213.5
Transfer to / withdrawal from retained earnings	7.5	−102.3	56.1	91.4	19.3
Total dividends[1]	125.2	226.6	215.8	205.0	194.2
Dividend per share (in €)[1]	1.16	2.10	2.00	1.90	1.80

[1] The dividend for the financial year 2019 is subject to the condition of approval by the annual shareholders' meeting.

Introductory remarks

Axel Springer SE is the parent company of the Axel Springer Group. Due to its subsidiaries, which Axel Springer SE controls directly or indirectly, the business developments is subject to the same risks and opportunities as the entire Group. These are presented in the Report on risks and opportunities (see page 48 et seqq.). Also, the anticipations regarding the development of Axel Springer SE correspond to the essential expectations described in the forecast report (see page 69 et seqq.).

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

Business activity

Axel Springer SE is operationally active in the News Media National segment and publishes in particular national daily and weekly newspapers. In addition, the operating business activity includes offers from the digital portfolio of newspapers as well as car, computer and sports magazines. Furthermore, Axel Springer SE, as the parent company of the Axel Springer Group, caries out holding functions, manages group-wide liquidity management and provides additional services to Group companies. The general economic conditions of Axel Springer SE correspond essentially to those of the Group and are described in the economic report (see page 24 et seqq.).

Financial performance

Income statement (Condensed)

€ millions	2019	2018
Revenues	806.8	851.1
Other operating income	11.2	190.3
Purchased goods and services	−204.3	−221.6
Personnel expenses	−303.8	−210.0
Amortization, depreciation and impairments of intangible assets and property, plant and equipment	−7.8	−10.0
Other operating expenses	−485.5	−467.3
Net income from non-current financial assets	338.1	68.2
Net interest income	4.2	−22.3
Income taxes	−26.0	−54.1
Net income	**132.7**	**124.3**

Revenues decreased by € 44.3 million, i.e. 5.2 % in the reporting year, mainly due to market-related declines in the print business. Circulation revenues decreased by € 19.8 million, i.e. 5.1 % to € 372.0 million, advertising revenues decreased by € 26.5 million, i.e. 8.5 % to € 283.8 million. Other revenues remained at the prior-year level at € 151.0 million.

The other operating income (€ 11.2 million) remained at € 179.2 million below the value of the prior year. The previous year's income included in particular a profit of € 148.3 million from the transfer of the Axel Springer high-rise (main building) in Berlin to Axel Springer Pensionstreuhand e.V. to further secure pension obligations.

The purchased goods and services decreased by € 17.3 million, i.e. 7.8 % to € 204.3 million, mainly due to lower expenses for printing services.

The personnel expenses increased by € 93.8 million, i.e. 44.7 % to € 303.8 million. Higher expenses resulted in particular from restructuring measures and the valuation of share-based incentive programs. The average number of employees fell by 1.4 % from 1,341 in the prior year to 1,323 in the reporting year.

The amortization, depreciation and impairments of intangible assets and property, plant and equipment declined in the reporting year by € 2.2 million to € 7.8 million.

The increase in other operating expenses to € 485.5 million (PY: € 467.3 million) resulted in particular from consulting expenses in connection with the strategic investment of the US affiliate KKR in Axel Springer.

The net income from non-current financial assets (€ 338.1 million; PY: € 68.2 million) included in particular the profit transfers from subsidiaries, which amounted to € 259.2 million, which is € 47.9 million higher than in the prior year. The valuation of investments and loans resulted in impairments of € 37.7 million (PY: € 177.8 million) and write-ups of € 106.3 million (PY: € 13.3 million) and thus led to an overall result that was € 233.1 million higher than in the prior year.

The net interest income in the reporting year was € 4.2 million (PY: € −22.3 million) and mainly comprised interest expenses from utilized revolving credit facility, the promissory note loan and short-term commercial paper issues as well as from the valuation of pension obligations. The positive development of the net interest income compared to the prior year resulted mainly from higher income from plan assets to cover pension obligations.

Income taxes amounted to € 26.0 million (PY: € 54.1 million). The decrease compared to the previous year is particularly related to a higher, non-taxable result from the valuation of financial assets.

The 2019 financial year ended with a net income of € 132.7 million (PY: € 124.3 million).

Liquidity

The net debt (liabilities due to banks and promissory note less cash and cash equivalents) amounted to € 1,795.5 million as of December 31, 2019 (December 31, 2018: € 1,097.4 million).

The long-term revolving credit facilities (€ 1,500.0 million), of which the term was extended by another year in July 2019 to July 2024, had been utilized in the amount of € 1,160.5 million as of the reporting date (December 31, 2018: € 453.0 million). Furthermore, there were liabilities from promissory notes of € 704.5 million (December 31, 2018: € 704.5 million).

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

Financial position

Balance Sheet (Condensed)

€ millions	12/31/2019	12/31/2018
Intangible assets and property, plant and equipment	316.6	218.7
Non-current financial assets	6,467.5	5,781.2
Receivables from affiliated companies	159.2	124.5
Cash and cash equivalents	72.9	61.2
Other assets	67.1	49.7
Total assets	**7,083.3**	**6,235.3**
Equity	2,447.3	2,541.2
Provisions	264.7	168.6
Liabilities due to banks and promissory note	1,868.4	1,158.6
Liabilities to affiliated companies	2,436.9	2,286.1
Other liabilities	66.0	80.8
Total equity and liabilities	**7,083.3**	**6,235.3**

The balance sheet total increased by € 848.0 million to € 7,083.3 million in the reporting year. Non-current assets amounted to € 6,784.1 million. (December 31, 2018: € 5,999.9 million) and represented 95.8 % (December 31, 2018: 96.2 %) of total assets. 36.1 % of total assets (December 31, 2018: 42.4 %) were covered by equity.

The increase in intangible assets and property, plant and equipment by € 97.9 million to € 316.6 million as of December 31, 2019 is in particular attributable to the construction of the new Axel Springer building in Berlin.

Non-current financial assets increased by € 686.3 million to € 6,467.5 million in the reporting year. This increase was mainly due to additional payments in capital reserves of subsidiaries and loans granted to finance company acquisitions as well as write-ups in the context of the valuation of financial assets.

Receivables from affiliated companies (€ 159.2 million; December 31, 2018: € 124.5 million) and liabilities to affiliated companies (€ 2,436.9 million; December 31, 2018: € 2,286.1 million) resulted mainly from Group-wide liquidity management.

The equity as of December 31, 2019 decreased by € 93.9 million compared to the prior year's reporting date and amounted to € 2,447.3 million (December 31, 2018: € 2,541.2 million). The net income for the reporting year (€ 132.7 million) only partially compensated for the reduction in equity due to the dividend payment for the past financial year (€ 226.6 million). The equity ratio decreased to 34.5 % as of the reporting date (December 31, 2018: 40.8 %).

The provisions increased compared to the previous year's reporting date by € 96.1 million to € 264.7 million. (December 31, 2018: € 168.6 million). The main reason for the increase was an increase in obligations from share-based incentive programs and provisions for restructuring measures.

Liabilities due to banks and promissory note loans increased by € 709.8 million to € 1,868.4 million in the reporting year. The funds were used in particular for investments in financial assets and the financing of the new Axel Springer building.

Profit utilization proposal

The Supervisory Board and Executive Board propose that the company applies the full amount of the distributable profit of € 125.2 million (PY: € 226.6 million) to pay a dividend of € 1.16 (PY: € 2.10) per qualifying share for the 2019 financial year.

The company does not currently hold any treasury shares, so that all the company's shares qualify for dividends. However, the number of shares qualifying for dividends may be reduced in the time remaining before the annual shareholders' meeting. In that case, an adjusted profit utilization proposal will be submitted to the annual shareholders' meeting, without changing the target dividend of € 1.16 per qualifying share.

Dependency report

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

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

Report on risks and opportunities

As an internationally operating group, Axel Springer is exposed to a variety of internal and external influences that can have a significant effect on the achievement of our goals. We define risks as the possibility of a negative deviation of the company's development from our goals, while opportunities represent the possibility of a deviation in a positive sense. Based on this, upcoming opportunities to increase our return and our enterprise value shall be used whereas risks shall only be taken in case they seem acceptable and appropriate for the company. Thus, risks should be limited to a level deemed acceptable by taking appropriate measures, be transferred to third parties in full or in part, or, in those cases where risk mitigation is not considered advisable, be avoided or monitored closely.

Risk management system

The risk management process is aligned to identify and assess all material risks and risks that are potentially existence threatening as early as possible in order to be able to take appropriate countermeasures. The general form of structures and processes in the risk management system at Axel Springer are based on the internationally recognized "Enterprise Risk Management Framework", a framework developed by the Committee of Sponsoring Organizations of Treadway Commission (COSO).

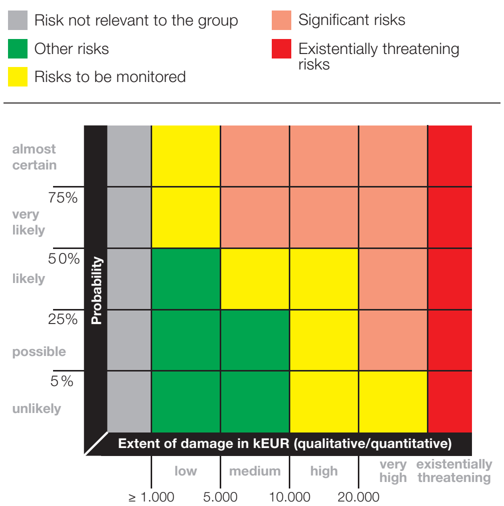
The overall responsibility for an effective risk management lies with the Executive Board of Axel Springer SE, the operational management of the individual risks falls primarily within the area of responsibility of the respective company divisions or holdings of Axel Springer. This includes the early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

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

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

Risks shall be assessed where appropriate and quantifiable on the basis of the parameters "extent of loss" (impact) and "probability of occurrence", either quantitatively or on the basis of qualitative criteria. A qualitative assessment of the potential damage is based on criteria such as operational effects, impact on our reputation or legal consequences. The risk is assessed taking counter measures or risk reduction measures into account (net view). The net risk determined in this way is assessed in terms of its probability of occurrence. The subsequent classification of the risks takes place in an ordinal-scaled risk matrix.

Risk Matrix of Axel Springer SE



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

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

Opportunity management system

Axel Springer pursues the goal of sustainably securing entrepreneurial success. Potential opportunities arising from positive developments in the course of business activities should be identified and exploited at an early stage. As part of the management, strategy and planning processes, potential internal and external opportunities are identified and analyzed for the business units and shareholdings of Axel Springer. External opportunities arise, for example, as a result of changing market structures or customer requirements; internal opportunities arise from product innovations or quality improvements. Basis for the opportunity identification are e. g. market and competition monitoring, analysis and regular dialog with experts. In considering the risks involved, identified opportunities are fundamental to corporate decision-making and the introduction of corresponding measures, such as measures regarding investments in new markets or technologies. The management of opportunities throughout the Group is the responsibility of the Executive Board and is decentralized by the operational divisions and their management or divisional heads.

Internal audit system

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

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

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

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

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

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

An integral part of the internal monitoring system of Axel Springer SE is the financial reporting-related risk management system and the connected internal control system, which is also based on the COSO framework (see page 48). The effective interaction of these systems should ensure the regularity, completeness and reliability of accounting and financial reporting. The financial reporting is therefore intended to ensure that the Group's financial reports convey a true and fair view of the financial position, liquidity, and financial performance of Axel Springer SE and the Axel Springer Group, in compliance with all relevant laws, and standards. The financial reporting-related risk management and the internal control system include all organizational regulations and measures aimed at the detection and management of risks related to accounting and financial reporting. However, even an effective and therefore adequate and functional risk management system and internal control system does not provide absolute certainty to prevent or detect any irregularities or inaccuracies.

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

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

The effectiveness of the (Group) accounting-related risk management system and the internal control system will be monitored through the process integrated controls. As a process-independent authority, Corporate Audit will inspect at regular intervals randomly selected elements of the financial reporting-related internal control system set up at central level and in the Group companies, in order to uncover weaknesses and thus contribute towards improving the legal conformity with rules and regulations (compliance). In addition, the Audit Committee of the Supervisory Board monitors the financial reporting processes and the effectiveness of the financial reporting-related internal control system and risk management system.

Risks and opportunities

Unless otherwise stated, risks and opportunities that could have a significant impact on the achievement of our corporate goals are explained below. Within the segments described below, risks and opportunities are typically presented in the order of their priority for the Group. In order to avoid repetition and in interest of readability it was deviated from it, if necessary.

The risks and opportunities indicated at the reporting date and illustrated below are primarily based on the 2020 forecast period, unless they relate to long-term objectives.

Market and competition risks

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

Details of the economic development and growth assumptions in 2020, especially for our relevant sales markets, are described in detail in the “Forecast report” section of the management report. According to details stipulated there, the following risks may occur.

In 2020, the ongoing trade conflicts and uncertainties from Brexit could have negative effects on economic activities in Europe and the markets in which we operate.

These ongoing political tensions can have a not inconsiderable impact on the business climate and investment activity in the German core market. In addition, digitization and the transformation to low-emission production pose structural changes for Germany, the short and long-term consequences of which are difficult to assess.

The development of the general macroeconomic conditions will continue to be critically observed 2020 due to the identified economic-political risks.

Classifieds Media & Marketing Media

The Classifieds Media and Marketing Media and News Media segments (see page 13 et seqq.) continue to be exposed to high market and competitive dynamics, particularly as a result of digitization, which could lead to a loss of market share for our business models and thus to a decline in revenues and earnings. Especially the competition by the global Internet corporations Google, Apple, Facebook and Amazon, called GAFA for short, is steadily increasing. These companies not only pool specialized knowledge in their groups, but also set the course worldwide in the course of digitized globalization, enter new market segments and sometimes compete with our activities.

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

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

In addition, new business models are continuously being tested and our product portfolio is constantly being expanded.

Many of our Classifieds Media and Marketing Media, as well as News Media (see page 13) offerings continue to be constantly faced with the risk of a sudden loss of visibility resulting in particular from the dominance of large internet search engines. The ever-changing and sometimes non-transparent criteria of the search algorithms lead to unexpected loss of visibility and can therefore have a significant impact on the current and future revenue situation. Even small increases and decreases in the visibility or placement on the results pages can lead to significant traffic loss and a corresponding decline in traffic-related revenues for certain business models.

We counter this risk through professional search engine marketing, the improvement of the online page structure and the capital expenditures in alternative traffic sources. At the same time, the focus is on continuously improving the attractiveness of our offers and increasing the level of awareness of Axel Springer's brands and offerings.

Stagnating or declining economic expectations can lead to a decline in advertisements and the associated revenues for our job portals, as fewer people are in demand on the job market. The targeted observation of market indicators and continuous cost discipline enable this development to be recognized at an early stage and, if necessary and sensible, appropriate countermeasures to be taken.

News Media

The ongoing change in reading behavior towards digital offers continues to lead to a significant drop in revenues from printed publications, which so far has not been offset by the proceeds from digital offers. Unpredictable market developments can further increase the already factored in decrease due to the structural change. Enterprises from other industries are entering the market faster than ever with innovative and disruptive technologies or business models, posing potential threats to our existing products and services.
The clear separation of the national publishing activities in print and digital enables us to react and focus even more individually to the different market requirements. In addition, we compensate for the decline in print revenues as far as possible by structural measures that have already been initiated to reduce our cost base.

In addition, our advertising revenues in the print and online sectors are exposed to the risk that annual contracts with major media agencies will not be concluded, or only at a lower volume. The loss of large advertisements and advertising customers due to legal advertising restrictions or the switch of major retail customers to other advertising formats such as television, radio or other online media continue to pose a serious risk.

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

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

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

The marketing of audiovisual content also confronts risks. A deterioration of the performance of these offers could result in the program becoming less attractive to viewers. This could lead to a decline in revenues and a loss of relevance as an advertising medium.

Market and competition opportunities

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

In the area of news media, the consistent realignment of the media brands BILD and WELT offers great opportunities. In particular, BILD is to become the most attractive live platform for news, entertainment and sports and, as Germany's largest media brand, is to expand its moving image offerings to the TV market. In addition, the cross-editorial sports competence center can open up new target groups and business models and thus generate additional revenues. By editing content, Axel Springer can also benefit from the growing distrust of the viral distribution of “fake news” on the large digital platforms. The secure brand environment and the associated reputation could thus strengthen the fee-based journalistic payment offers and generate higher circulation revenues.

The media market in the USA is still in a state of change. This gives our journalistic offerings the chance to expand their market position. Our US subsidiary Insider Inc. already offers Business Insider, one of the largest websites for business news and analysis in the United States. It is now represented in 23 countries with its own portals and offers tailor-made information in real time for the digital generation. Insider Inc. could thus emerge as one of the winners of the changes in the media market.

In the Classifieds Media segment, transaction-based digital real estate platforms are increasingly gaining market share and are offering great growth potential. They combine the expertise of classic agents such as the personal support of customers on site, with efficiency-enhancing software solutions and the latest advertising and communication technologies. The resulting efficiency advantages mean that professional real estate marketing can be offered at significantly more favorable terms.

In order to continue to participate in this rapidly growing business model, we have increased our minority share in Purplebricks (see page 26).

In addition, through the acquisition of MeilleursAgents (see page 27) we are expanding the range of our French real estate portals, developing real estate search and brokerage, and thus advancing the digitization of the market. In particular, we can support agents to identify owners who are willing to sell and thus generate additional business.

Intelligent matching and recruiting technologies are rapidly gaining in importance. The acquisition of Appcast, by their own account a leading provider of programmatic job ads in the USA, opens up additional opportunities for us to participate in this fast-growing market and to continue our growth strategy by StepStone.

Strategic risks

Significant strategic risks at Axel Springer result primarily from decisions to invest in new business fields and models as well as companies that develop differently than planned over the long term or that cannot assert themselves on the market or are displaced by new business models. Also, a possible insufficient diversification holds a high-risk potential. Unscheduled write-off in the case of expected permanent impairment in the context of the impairment tests to be performed would be the result. This risk affects activities in all three operating segments.

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

In addition to the aforementioned risks, the dependency on strategically significant cooperation partners is also subject to risks. Active key account management, legal support in the negotiation and renegotiation of contracts and continuous monitoring of the business activities of our cooperation partners contribute to reducing this risk.

Strategic opportunities

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

Axel Springer's strategy, which aims to further expand business along the existing core competencies, continues to offer good opportunities due to the very positive development of the digital markets. Axel Springer exploits these developments by strategic capital expenditures in new or future-oriented technologies, entering into new forms of cooperation, the ongoing digital transformation and monetization of journalistic offerings.

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

Information security risks

Due to the high degree of integration of information technologies into business processes and business models, Axel Springer relies on a high availability of IT components, to avoid interruption of business with far-reaching consequences for revenue and reputation. External factors in the form of cybercrime represent an increasing risk for the company. Examples of this are infiltrated malware that prevents access to company data through encryption (ransomware), targeted overload attacks (DDoS attacks) and CEO fraud (fraud attempts).

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

Political and legal risks

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

For 2020, there are still risks, particularly from two European laws. On the one hand, this is the European General Data Protection Regulation (GDPR), which has been applied since 2018. In addition to numerous substantive tightening of data protection (including consent, information to those affected, the processing of large amounts of data in the context of “Big Data” and the requirements for IT security) brought the GDPR two fundamental changes, which increase significantly the risks for data processing companies: There is a corporate accountability under which the data processor must be able to demonstrate compliance with the GDPR. In addition, the fines will be drastically increased in case of breaches. Fines of up to 4 % of group-wide annual turnover are possible, based on antitrust law. The Berlin representative for data protection and freedom of information recently fined a company from another industry in the amount of € 14.5 million. With regard to the entry into force of the GDPR, we already took numerous measures across the Group in 2017. These include, among other things, the definition of responsibilities regarding data protection, the implementation of training courses and the introduction of a new directive. For the measures taken by Axel Springer in the area of IT security, please refer to the section “Information security risks”.

The second European legislation is the draft of ePrivacy Regulation. Among other things, this should regulate the setting of cookies, which is very relevant for Axel Springer and the creation of pseudonyms for user profiles on the Internet. In contrast to the GDPR, the ePrivacy Regulation has not yet been decided. Also, a concrete date of entry into force and any transition periods are not finalized yet (status: December 2019). Axel Springer deals with possible consequences and possible measures at an early stage. This includes internal projects, such as workshops and the programming of a so-called “Opt-In-Layer” (OIL), as well as equity stake in the Transparency & Consent Framework of IAB Europe, but in a broader sense also participation as a founding partner in Verimi, a provider for digital identity management.

In addition, Axel Springer is informed about these developments at an early stage – also through the associations representing us. The stakeholders in the publishing and media industries throughout Europe are making an effort to explain to political decision-makers the business models and risks that exist among members, so that they are properly reflected in the democratic legislative process. Axel Springer also takes further measures in relation to changes in the law to identify the changes relevant to Axel Springer at an early stage and to appropriately implement the resulting organizational and legal requirements as part of a risk-based prioritization.

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

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

For Axel Springer, further possible risks and uncertainties arise from our business activities in Eastern Europe. These activities are combined in Ringier Axel Springer Media and form part of the News Media segment. The political situation in individual countries, especially the Polish and Hungarian media scene, is decisively influenced by the political influence of the national-conservative government; currently already on public media, but also by possible future attempts of influencing private media. For example, government-influenced companies could reduce or even stop their advertising activities in our products, which would lead to a significant decline in our advertising revenues. We counter this risk with targeted cost-saving measures and income security programs.

Political and legal opportunities

In the political and legal environment, the implementation of the European Copyright Directive into national law represents a great opportunity for publishers. In 2019, the European Union had agreed to reform European copyright law. As a result, license fees may be charged for the Internet use of publisher content by aggregators and search engine providers, provided that they are not “single words” or “very short extracts”. This strengthens Axel Springer's legal position for its publishing products in the EU. As a guideline, however, the regulation still requires the respective implementation in national law in order to effectively strengthen the protection of intellectual property.

Google, as the market leader among search engine providers, has so far refused to pay publishers. A revocable free consent currently applies in Germany, which the publishers have granted Google to use their text excerpts in the search results. In France, too, Google recently tried to ask publishers for free licenses after the European copyright directive had been implemented or to make them less visible. This is a symbolic example of how the large platforms, due to their outstanding market power, are trying to put pressure on their “suppliers” and partners in order to secure special advantages.

Reputation risks

In addition to the reputation risks mentioned above, additional secondary risks or secondary effects may arise in connection with a primary risk. For example, a violation of law and order can cause high attention and damage our reputation due to Axel Springer's prominent position and its contribution to social opinion making. Further potential reputation risks may arise, for example, from the violation of journalistic independence if the journalistic work is endangered due to personal advantage, inadequate research, incomplete information or lack of care in dealing with sources. Violation of country-specific laws and regulations, as well as non-compliance with equal treatment and opportunity programs can also damage reputation.

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

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

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

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

Furthermore, our International Social Policy, a catalog of social standards, counteracts potential reputational risks. The International Social Policy defines the attitude of the company and others on questions of legal compliance, the protection of children and young people, dealing with employees and health and safety.

Personnel risks

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

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

Financial risks and risks associated with the use of financial instruments

Due to the degree of internationalization of Axel Springer, the Group is exposed to a number of market price risks. These include, in particular, changes in interest rates risks and currency risks. These risks are essentially controlled by the Group Finance division on the basis of the guidelines laid down by the Axel Springer Executive Board. Derivative financial instruments are used exclusively for hedging purposes. Currency risks are largely avoided by raising operating costs in the countries in which we sell our products and services. Residual currency risks from foreign currency cash flows (transaction risks) are rather insignificant, as we generate most of our results in the euro currency area. Currency risks from open net positions of € 5 million or more per foreign currency are discussed in a Treasury Committee. Currency effects arising from the translation of financial statements denominated in foreign currencies (translation risk) are recognized directly in the equity item of comprehensive income. Therefore, Axel Springer generally does not hedge against such currency risks. The existing interest rate risk results primarily from financial assets or liabilities with variable interest rates. However, this risk is limited due to well-defined financing principles and regular monitoring of the variable interest component, or, if necessary, minimized through the use of interest rate derivatives.

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

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

The risks arising from financial instruments and hedging activities are explained in detail in note (33) of the explanatory notes to the consolidated financial statements.

Overall, the financial risks are considered to be low.

Other risks

In order to support the cultural change to the leading digital publisher, work is proceeding at full speed on the construction of the new building of Axel Springer SE, which should enable employees to work together more closely and exchange knowledge more effectively.
The building is nearing final completion, so the risks particularly concern the flawless, timely handover to the ultimate owner, a company of the Norwegian state fund Norges, and then the risks from moving into the building with more than 3,000 employees. To reduce the aforementioned risks, a corresponding general contractor agreement was concluded, professional project controlling, and reporting structures were established.

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

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

Operational and other opportunities

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

Overall view on the risk and opportunity situation

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

The overall risk of the Axel Springer Group increased slightly compared to the previous year. However, no risks are currently evident that could endanger the continued existence of the Axel Springer Group or that could have a significant impact on the net assets, earnings and liquidity. This applies to the condition that there is no significant deterioration of the economy in our markets and the media industry and, consequently, a significant deterioration in the financial performance of the Group. In addition, risk concentrations are reduced through continuous diversification, internationalization, optimization of the brand and product portfolio, and digitization.

Forecast report

Anticipated economic environment

General economic environment

The International Monetary Fund (IMF) in its January 2020 outlook expects the **global economy** to recover and forecasts global economic growth of 3.3 % in real terms for 2020. This expresses above all a stronger growth dynamic in the industrialized countries, which the IMF attributes to a relaxed monetary policy and an increasing domestic demand. These predictions do not yet reflect the possible negative effects, which are not yet precisely quantifiable, which will result for the global economy as a result of the corona virus that occurred around the turn of 2019/2020.

The German Institute for Economic Research (DIW) in fact still sees the **German economy** in a weak phase. In 2020, however, Germany is likely to grow more strongly again. The growth rate should then be at 1.2 % adjusted for price. Rising wages and pensions should lead to an increase in private consumption of 1.7 % in real terms. In view of improved business expectations, the DIW expects higher capacity utilization and consequently an increase in price-adjusted equipment investments of 2.9 % in 2020. After a weaker growth in foreign demand, economic researchers forecast an export growth of 3.0 % in real terms again in 2020. This is likely to be offset by an even stronger increase in imports of 3.9 % in real terms. The DIW expects consumer prices to slightly increase by 1.5 % in 2020. Given sustained strong private consumption, companies should at least partially pass on wage increases to consumers.

The number of persons in employment is expected to increase by around 160,000 to an annual average of 45.4 million number of people increasing. The unemployment rate is likely to remain at 5.0 % given the slowdown in the labor market.

Anticipated Economic Development (selection)

Change in gross domestic product compared to prior year (real)	2020
Germany	1.2 %
United Kingdom	1.2 %
France	1.3 %
Central and Eastern Europe	3.6 %
USA	1.9 %

Source: DIW, December 2019.

According to a forcast by the DIW, the Brexit uncertainty has been weighing on the **UK** for so long that it threatens to affect the previously robust domestic expansion forces. For 2020, the DIW forecasts a further slowdown in the overall economic expansion to 1.2 % in real terms.

For **France**, the institute forecasts a real growth rate of 1.3 % in 2020. The unemployment rate should reduce to 8.2 %. The DIW expects only a modest price increase of 1.3 %.

Due to a somewhat weaker external environment, the DIW expects the economic situation in **Central and Eastern Europe** to deteriorate slightly. Private consumption should continue to have a supportive effect. Growth in Central and Eastern Europe is forecast to reach 3.6 % in real terms in 2020.

According to the DIW forecast, a more expansionary monetary policy will continue to support the **US** economy in 2020. The Federal Reserve has reduced its key interest rates several times since July 2019 in view of somewhat lower growth prospects and low inflationary pressure. The growth rate is expected to be 1.9 % in real terms in 2020.

Industry environment

According to the current advertising market forecast of ZenithOptimedia, a worldwide increase of 4.2 % (nominal) is expected for the year 2020. The shift of advertising budgets to the internet continues with undiminished speed. According to ZenithOptimedia's current forecast, almost half (49.5 %) of global advertising expenditure will flow into online advertising by the end of 2020.

The forecasts for **Germany** available to date show a largely similar picture for the individual media genres. ZenithOptimedia expects the net advertising market (marketing revenues net of discounts and agents' commissions) to slightly increase by 0.5 % (nominal) in 2020 in Germany. Companies are currently acting cautiously as economic uncertainties such as trade conflicts and Brexit can have a negative impact on the cost structure of companies. The development of the global advertising market is therefore below the growth of the general economic environment, which according to the ifo Institute should be at a nominal plus of 3.2 % (+1.1 % in real terms).

ZenithOptimedia is forecasting a decline in net advertising revenues for newspapers (– 6.8 %) and magazines (– 7.6 %) and for linear TV (– 1.5 %). Increases in the advertising market are expected from Digital (+ 7.7 %), Outdoor (+ 1.8 %) and Radio (+ 1.0 %).

The forecast data continue to reflect the structural redistribution of advertising expenditure in favor of digital offers. In 2020, the share of on-line and mobile in Germany should rise to 40.5 %. This puts Germany below the global average (49.5 %). ZenithOptimedia says publishers are unlikely to benefit from the additional on-line ad revenue. The reason for this is the dominance of the big tech companies from the USA.

One reason for the rapid growth of digital advertising, according to ZenithOptimedia, is above all newly created opportunities for small businesses such as retailers or restaurants that can place ads themselves on Google and Facebook. With their self-service tools, the large platforms have only made the digital advertising market accessible to these companies. Advertising for small businesses thus increases from a low base to a share in the advertising market that better reflects their actual contribution to the economy.

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

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

One of the big trends in the advertising industry is the use of artificial intelligence for mass communication. Self-learning technologies predict customer behavior and are the key to a personalized customer approach.

Since the organic growth is difficult in the print market and tech companies from the USA dominate in the growing digital sector, it is expected that the market should form even more in mergers and partnerships. It can be assumed that the pace of digital transformation and the speed of the process of changing in the advertising market will continue to increase. Last but not least, the ability of companies to adapt and innovate will determine how successful the companies will be in the market.

The **digital foreign markets** in which Axel Springer engages with its own corporate activities will develop differently according to the prognosis of ZenithOptimedia: In the on-line market in Western Europe, net advertising volume will increase by 8.0 % to USD 56.0 billion in 2020, based on the assumption of constant exchange rates. While digital advertising spending in the UK (+6.9 %) is expected to grow almost as strongly as in Germany, the USA (+12.4 %) and France (+11.4 %) are expected to achieve higher growth.

Anticipated digital advertising activity 2020 (selection)

Change in net ad revenues compared to prior year (nominal)	Online
Germany	7.7 %
Central and Eastern Europe	10.3 %
USA	12.4 %
United Kingdom	6.9 %

Source: ZenithOptimedia, Advertising Expenditure Forecast, December 2019.

Group

Strategic and organizational orientation

Axel Springer's goal is to become the global market leader for digital journalism and classified ads. To this end, we are constantly developing our offerings and expanding our business organically and, where possible and reasonable, through targeted acquisitions. Together with KKR, we want to consistently continue on the growth path we have embarked on and thereby achieve long-term growth in company value.

Comparison of forecast with actual performance

The forecast published on March 7, 2019 on the occasion of the publication of the 2018 Annual Report for the control-relevant key figures at group and segment level was partially adjusted several times in the course of the year

The forecast for the Group and the Classifieds Media segment was changed for the first time in May 2019. The reason for this was the sale of the 51 % in the @Leisure Group announced in May 2019 and completed in June 2019 (see page 26).

In June 2019, we again adjusted the forecast at Group level and in the Classifieds Media segment. The reason for this was the decision of the Executive Board of Axel Springer SE to continue to hold on to the capital expenditures planned for the implementation of its growth strategy for the 2019 financial year, despite the fact that, due to the overall economic development, revenues are becoming weaker than planned, particularly in the Job Classifieds segment. This and the digital tax that has meanwhile been adopted in France resulted in a partial adjustment of the expected revenues and operating results development for 2019.

In September 2019, the Executive Board has decided on extensive restructuring measures for the News Media National division. In particular due to these measures as well as below-expected revenues development in the activities in the News Media and Classifieds Media segments, it was necessary to adjust expectations both at Group and segment level.

If our forecast refers to the double-digit percentage range, this refers to the range of at least 10 % and at most 20 % based on the English term “teens”. On the other hand, “significantly below the prior year” or “significantly above the prior year” means deviations from the prior year of more than 20 %.

Group forecast with adjustments during the year

	reported	organic
Revenues		
March 7, 2019	Low single-digit percentage growth	Low to mid single-digit percentage growth
May 7, 2019	On prior-year level	(no adjustment)
June 12, 2019	Low single-digit percentage decline	Low single-digit percentage growth
September 30, 2019	Low to mid single-digit percentage decline	On prior-year level
Achieved development 2019	–2.2 %	+0.1 %
EBITDA, adjusted		
March 7, 2019	On prior-year level	Low to mid single-digit percentage growth
May 7, 2019	(no adjustment)	(no adjustment)
June 12, 2019	Mid single-digit percentage decline	On prior-year level
September 30, 2019	Mid teens percentage decline	Low to mid teens percentage decline
Achieved development 2019	–14.5 %	–11.0 %
EBIT, adjusted		
March 7, 2019	Low single-digit percentage decline	Low single-digit percentage growth
May 7, 2019	Low to mid single-digit percentage decline	(no adjustment)
June 12, 2019	High single-digit percentage decline	Low single-digit percentage decline
September 30, 2019	Significantly below prior-year level	High teens percentage decline to significantly below prior-year level
Achieved development 2019	–21.5 %	–16.8 %
Earnings per share, adjusted		
March 7, 2019	Stable to low single-digit percentage decline	Single-digit percentage growth
May 7, 2019	Low single-digit percentage decline	(no adjustment)
June 12, 2019	High single-digit to low double-digit percentage decline	Low to mid single-digit percentage decline
September 30, 2019	Significantly below prior-year level	Significantly below prior-year level
Achieved development 2019	–25.9 %	–20.8 %

The expectations last adjusted in September 2019 at Group level were met (reported and organically) in terms of revenues, adjusted EBITDA, adjusted EBIT and adjusted earnings per share.

Forecast for the Classifieds Media segment with adjustments during the year

	reported	organic
Revenues		
March 7, 2019	High single-digit to low double-digit percentage growth	High single-digit to low double-digit percentage growth
May 7, 2019	Mid single-digit percentage growth	(no adjustment)
June 12, 2019	On prior-year level to low single-digit percentage growth	Mid to high single-digit percentage growth
September 30, 2019	On prior-year level to low single-digit percentage decline	Low single-digit percentage growth
Achieved development 2019	+ 0.1 %	+ 3.0 %
EBITDA, adjusted		
March 7, 2019	Low to mid single-digit percentage growth	Mid single-digit percentage growth
May 7, 2019	On prior-year level	(no adjustment)
June 12, 2019	Mid single-digit percentage decline	On prior-year level
September 30, 2019	Mid to high single-digit percentage decline	Low to mid single-digit percentage decline
Achieved development 2019	– 3.8 %	+ 0.1 %
EBIT, adjusted		
March 7, 2019	On prior-year level	Low to mid single-digit percentage growth
May 7, 2019	Low single-digit percentage decline	(no adjustment)
June 12, 2019	High single-digit to low double-digit percentage decline	Mid single-digit percentage decline
September 30, 2019	Low double-digit percentage decline	Mid to high single-digit percentage decline
Achieved development 2019	– 7.1 %	– 2.8 %

Business developments in the Classifieds Media segment in terms of revenues (reported and organic) and adjusted EBITDA (reported) was at the upper end of the expectations last corrected in September 2019. We were able to exceed the most recently published expectations for both organic development of adjusted EBITDA and adjusted EBIT (reported and organic). This means that the extent of the expected reductions was lower than forecast

Forecast for the News Media segment with adjustments during the year

(On May 7, 2019 and June 12, 2019 the forecast for the News Media segment remained unchanged.)

	reported	organic
Revenues		
March 7, 2019	Low to mid single-digit percentage decline	Low single-digit percentage decline
September 30, 2019	Mid single-digit percentage decline	Mid single-digit percentage decline
Achieved development 2019	−4.4 %	−3.9 %
EBITDA, adjusted		
March 7, 2019	On prior-year level	On prior-year level
September 30, 2019	Significantly below the prior-year level	Significantly below the prior-year level
Achieved development 2019	−39.3 %	−37.7 %
EBIT, adjusted		
March 7, 2019	Low single-digit percentage decline	On prior-year level
September 30, 2019	Significantly below the prior-year level	Significantly below the prior-year level
Achieved development 2019	−54.4 %	−52.4 %

In the News Media segment, all expectations adjusted in September 2019 were met; in terms of organic revenues development, we were even at the upper edge.

Forecast for the Marketing Media segment with adjustments during the year

(On May 7, 2019 and June 12, 2019 the forecast for the Marketing Media segment remained unchanged.)

	reported	organic
Revenues		
March 7, 2019	Low single-digit percentage decline	High single-digit percentage growth
September 30, 2019	On prior-year level	(no adjustment)
Achieved development 2019	+ 0.8 %	+ 9.3 %
EBITDA, adjusted		
March 7, 2019	Low to mid single-digit percentage growth	High single-digit to low double-digit percentage growth
September 30, 2019	Mid teens percentage growth	Significantly above the prior-year level
Achieved development 2019	+ 20.3 %	+ 26.1 %
EBIT, adjusted		
March 7, 2019	Low single-digit percentage decline	High single-digit percentage growth
September 30, 2019	High teens percentage growth	Significantly above the prior-year level
Achieved development 2019	+ 26.1 %	+ 34.4 %

In the Marketing Media segment, we were able to meet the adjusted forecast on the revenues side (reported and organic) and were at the top of the reported revenues trend. Adjusted EBITDA and adjusted EBIT exceeded the expectations for the reported values corrected in September 2019. The organic development of both indicators in turn confirmed the adjusted expectations.

Forecast for the Services/Holding segment with adjustments during the year

(On May 7, 2019 and June 12, 2019 the forecast for the Services/Holding segment remained unchanged.)

	reported	organic
Revenues		
March 7, 2019	Low double-digit percentage decline	Low double-digit percentage decline
September 30, 2019	Mid to high teens percentage decline	Mid to high teens percentage declin
Achieved development 2019	– 14.4 %	– 14.4 %
EBITDA, adjusted		
March 7, 2019	Double-digit percentage decline	Double-digit percentage decline
September 30, 2019	Mid teens percentage decline	Mid teens percentage decline
Achieved development 2019	– 25.5 %	– 25.5 %
EBIT, adjusted		
March 7, 2019	High single-digit to low double-digit percentage deline	High single-digit to low double-digit percentage decline
September 30, 2019	(no adjustment)	(no adjustment)
Achieved development 2019	– 15.2 %	– 15.2 %

In the Services/Holding segment, revenue development was at the upper end of the most recently forecast expectations (reported and organic), whereas the developments in adjusted EBITDA and in adjusted EBIT failed to meet the forecasts and were therefore worse than previously expected. This was caused by additional unplanned project costs as well as costs in connection with changes in the Executive Board.

Anticipated business developments and financial performance of the Group

The forecast for the 2020 financial year takes into account the consolidation effects from the transactions for the 2019 financial year. Essentially, this involves the deconsolidation of the @Leisure Gruppe from June 2019, various acquisitions at StepStone, in particular the acquisition of Appcast from July 2019, and the first-time inclusion of MeilleursAgents in the AVIV Group from October 2019. The new allocation of individual companies within the segments (see page 14) that is valid from January 1, 2020 was taken into account when preparing the forecast. This results in the following, adjusted base values for the segments in the 2019 financial year:

Adjusted base values 2019

€ millions	Revenues	EBITDA, adjusted	EBIT, adjusted
Classifieds Media	1,214.2	466.7	375.8
News Media	1,761.6	210.5	99.9
Marketing Media	129.6	35.6	23.6
Services/Holding	6.7	−82.1	−84.7

For the 2020 financial year, we expect the **revenues** of the Group to be on the prior-year level. For the **adjusted EBITDA**, we expect a decrease in the low to mid double-digit percentage range due to increased investments in future growth. For **adjusted EBIT** we expect a significant decline compared to the prior year due to higher depreciation, amortization and impairment.

Anticipated business developments and financial performance of the segments

Revenues in the **Classifieds Media** segment are expected to show growth in the low to mid single-digit percentage range. Consolidation effects, in particular from the initial consolidation of Appcast from July 2019 and MeilleursAgents from October 2019, are primarily opposed to the deconsolidation effect due to the sale of the @Leisure Group from June 2019. Adjusted EBITDA is expected to decline in the high double-digit percentage range due to increased investments in future growth. With regard to adjusted EBIT, we expect earnings to be significantly lower than in the prior year due to increased amortization, depreciation and impairments.

In the **News Media** segment, we expect revenues to decrease in the low single-digit percentage range for the financial year 2020, mainly due to market conditions. We expect the adjusted EBITDA to be at the prior-year level, whereas we expect EBIT to decrease in the mid single-digit percentage range due to increased amortization, depreciation and impairments.

In the **Marketing Media** segment, we expect revenues to increase in the low to mid single-digit percentage range. We expect adjusted EBITDA to be on the prior-year level. We expect adjusted EBIT to decline in the low single-digit percentage range.

For the **Services/Holding** segment we expect a decrease in revenues in the high single-digit percentage range. We expect adjusted EBITDA to be on the prior-year level. We expect adjusted EBIT to increase (improvement) in the mid single-digit percentage range.

Anticipated liquidity and financial position

With regard to liquidity and financial position, investments in property, plant and equipment and intangible assets are expected to be at the prior-year level. Investments in the new building in Berlin continue to play a role here, albeit at a lower level than in the previous year. The sale of the new building is expected to be completed during 2020. Without the investments for the new building, the investments are expected to be significantly higher than in the previous year. Financing comes from operating cash flow.

Dividend policy

Regarding the future dividend proposals to the Annual General Meeting, the state of the implementation of the intended growth strategy and the financial means required in this aspect will be taken into account.

Anticipated development of the workforce

The average number of employees in the Group in 2020 is expected to be higher than in the previous year. The main reason for this is, in particular, the acquisition-related as well as organically determined employee buildup in the course of the further transformation of the company.

Planning asumptions

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

In particular, the forecast is based on the assumption that there is no significant deterioration in our stated expectations with regard to the economic environment and that the actual exchange rates do not differ significantly from the forecast exchange rates used.

The forecasts for revenues, adjusted EBITDA and adjusted EBIT include the expected effects from known acquisitions and divestments (see above) and planned restructuring expenses when preparing the annual financial statements.

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

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

Composition of subscribed capital

As of December 31, 2019, the subscribed capital of the company was € 107,895,311.00 and is divided into 107,895,311 registered shares. The shares may only be transferred with the company's consent (so-called registered shares with restricted transferability, see below).

Different classes of shares do not exist. All shares have the same rights and obligations. Each share grants one vote at the Annual Shareholders' Meeting and is decisive for the share of the shareholders in the profits of the company. This does not apply to treasury shares held by the company (see page 76), from which the company has no rights (see Sect. 71b of the German Stock Corporation Act).

Restrictions on voting rights or the transfer of shares

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

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

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

- The transfer restrictions that still existed previously (minimum holding period) in connection with the share participation programs for employees of Axel Springer implemented in the 2015, 2017, 2018 and 2019 financial years were canceled in the reporting year.

- Under the virtual Executive Board stock option plan 2018, Dr. Stephanie Caspar is obliged to make a personal investment in shares of Axel Springer SE. These shares are not subject to any restrictions on disposal, but any disposition of these shares would cause the corresponding virtual stock option rights to lapse without replacement or compensation (for the virtual Executive Board Stock Option Plan 2018 see page 90).

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

- 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.

- On December 17, 2019, the pool agreement was updated by means of an agreement between Dr. h. c. Friede Springer, the Axel Springer Gesellschaft für Publizistik GmbH; Co, Friede Springer GmbH; Co. KG, Dr. Mathias Döpfner and Epiktet GmbH; Co. KG. The Axel Springer Gesellschaft für Publizistik GmbH; Co and Epiktet GmbH; Co. KG have joined the pool agreement. Dr. h. c. Friede Springer and Dr. Mathias Döpfner have joined the pool agreement with their shares that have not yet been pool-linked. Dr. Mathias Döpfner thereby also declares accession with the shares of Axel Springer SE currently held by Brilliant 310. GmbH. All shares currently held directly and indirectly by the pool members (49,036,081 shares) are pool-linked. The purchase right of pool members that previously existed under the pooling agreement has been abolished with regard to the rights of first offer and joint sale rights under the Letter Agreement and the shareholder agreement (see below).

- On June 12, 2019, Dr. h. c. Friede Springer and Dr. Mathias Döpfner (acting for themselves and where relevant, for the companies controlled by them, the Axel Springer Gesellschaft für Publizistik GmbH & Co, Friede Springer GmbH & Co. KG and Epiktet GmbH & Co. KG (these companies together the Existing Shareholder Companies)) have concluded a so-called Letter Agreement with Traviata II S.à rl and Traviata B.V. (Traviata II S.à r.l. and Traviata B.V. together the Investor). As part of this Letter Agreement, the existing shareholder companies and the investor have, subject to the completion of one offer of Traviata II S.à r.l. to acquire all outstanding shares of Axel Springer SE (takeover offer) undertake an obligation, among other things, not to sell any shares in the company to third parties until five years after the completion of the takeover offer (holding period). After the holding period, both the Investor and the Existing Shareholder Companies have a so-called privileged purchase right (rights of first offer) and a co-sale right (tag-along rights), each in favor of Dr. h. c. Friede Springer and Dr. Mathias Döpfner, the Existing Shareholder Companies or the Investor. The takeover bid by Traviata II S.à r.l. was completed on December 18, 2019.

- On June 12, 2019, Axel Springer SE, the Investor and the Existing Shareholder Companies concluded an investor agreement (Investor Agreement). In accordance with the provision in the Letter Agreement mentioned above, the Investor Agreement stipulates, among other things, that the Investor and the Existing Shareholder Companies do not intend, subject to the completion of the takeover offer, to sell any Axel Springer shares to third parties within the holding period.

- In a letter dated August 16, 2019, Axel Sven Springer and Ariane Melanie Springer committed to the Investor with part of shares in their possession, to accept the takeover offer of the Traviata II S.à r.l. within the further acceptance period and to refrain from selling the shares of Axel Springer SE still held by them to any third party before March 31, 2020. The investor has offered to buy these shares. In addition, Axel Sven Springer and Ariane Melanie Springer have granted the investor a right of first refusal on the shares of Axel Springer SE they hold, provided that the takeover offer is completed.

- On December 18, 2019, the existing shareholder companies entered into a shareholder agreement (Shareholder Agreement) with the Investor, which replaces or supplements the Letter Agreement of June 12, 2019. The parties have undertaken not to sell the shares they hold to third parties without their consent until five years after the completion of the takeover offer. After the holding period expired, the parties granted themselves rights of first offer and tag-along rights.

- Also, on December 18, 2019, Dr. h. c. Friede Springer and Dr. Mathias Döpfner entered into an agreement on shareholder commitments (Agreement On Shareholder Commitments) with KKR European Fund V (USD) SCSp, which indirectly controls the Investor. It was agreed that the transfer restrictions for shares in the company, as provided for in the Shareholder Agreement, should also be considered in relation to such (direct or indirect) transfers of the shares of Axel Springer SE not covered by the Shareholder Agreement, as stipulated by the respective Party itself or other companies controlled by it as well as the Friede Springer Stiftung.

- In addition, shares in Axel Springer SE acquired by Brilliant 310. GmbH and Dr. Mathias Döpfner were pledged to a credit institution.

- Furthermore, shares in Axel Springer SE were pledged by Traviata B.V., Amsterdam, Netherlands, in favor of Lucid Trustee Services Limited, London, United Kingdom, a security service provider engaged by credit institutions.

To the best of the knowledge of the company's Executive Board, voting right restrictions result from the following agreements:

- According to the Letter Agreement and Shareholder Agreement mentioned above, the Investor and Dr. h. c. Friede Springer and Dr. Mathias Döpfner subject to the completion of the takeover offer, undertake the obligation to coordinate their actions in relation to Axel Springer SE and its corporate focus, including the exercise of voting rights from the shares they hold. In particular, this includes a uniform voting policy of the Existing Shareholder Companies on the one hand and the Investor on the other. The joint coordination of the behavior of the existing shareholder companies and the investor in relation to Axel Springer SE takes place in a Shareholders' Committee.

  The Shareholders' Committee consists of six members. Three members are appointed by the Investor and three members by the Existing Shareholder Companies. As a principle, the resolutions in the Shareholders' Committee are passed by a simple majority, whereby in the event of a deadlock the Chairman has the right to cast a vote. The Chairman will be determined by Friede Springer GmbH & Co. KG until further notice. A unanimous decision in the Shareholders' Committee is required in certain matters.

  The parties to the Shareholder Agreement also agreed the nomination rights for members of the currently nine-member Supervisory Board of Axel Springer SE based on the relative ownership structure between the Investor and the Existing Shareholder Companies. According to this, the Investor and the Existing Shareholder Companies shall currently appoint four Supervisory Board members each. The ninth member of the Supervisory Board is the Chairman of the Supervisory Board. Friede Springer GmbH & Co. KG is entitled to name any successors to the Chairman of the Supervisory Board.

- Subject to the completion of the takeover offer, it was agreed in the above-mentioned Investor Agreement that the Investor and the Existing Shareholder Companies shall ensure that all rights and influence of Traviata II S.à r.l. on the one the hand and the Existing Shareholder Companies on the other hand can only be exercised uniformly towards Axel Springer SE.

- In the aforementioned Agreement on Shareholder Commitments, Dr. h. c. Friede Springer and Dr. Mathias Döpfner have undertaken the obligation to exercise the rights from the shares held by them (directly or indirectly), which are not already covered by the shareholder agreement in any way, in accordance with the provisions of the Shareholder Agreement or to ensure appropriate behavior in relation to a future legal successor.

- Under the current rules of the pool contract the voting rights and other rights arising from the pooled shares in the Annual Shareholders' Meeting of Axel Springer SE are to be exercised in accordance with the respective resolutions of the pool members, irrespective of whether and how the relevant Pool member was voting on the pool. The voting rights of the pool members in the pool meeting are based on their voting rights at the Annual Shareholders' Meeting of Axel Springer SE, calculated on the basis of the respective number of voting pool-linked shares. On the basis of the aforementioned agreement of December 17, 2019, the provisions for pool shares with regard to exercising voting rights at the Annual Shareholders' Meeting of Axel Springer SE apply accordingly to the exercise of rights and obligations under the investor agreement, the letter agreement, the shareholders' committee and under the shareholder agreement and the agreement on shareholder commitments. Provided that the voting behavior at the Annual Shareholders' Meeting is regulated under these agreements, these regulations take precedence over the pool contract. The pool members will always vote uniformly with the pool-linked shares.

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

Shareholdings that represent more than 10 % of voting rights

At the end of the 2019 financial year, according to voting rights notifications as of December 31, 2019 that were received pursuant to sections 33, 34 WpHG the following direct and indirect holdings in the capital of Axel Springer SE that exceeded the 10 % threshold of voting rights existed:

Dr. h.c. Friede Springer, Berlin, Germany (indirect), Axel Springer Gesellschaft für Publizistik GmbH; Co, Berlin, Germany (direct), Friede Springer GmbH; Co. KG, Berlin, Germany (indirect), Dr. Mathias Döpfner, Berlin, Germany (indirect), Epiktet GmbH; Co. KG, Hohen Neuendorf, Germany (indirect), KKR Management LLP (formerly under the company KKR Management LLC), Wilmington, Delaware, USA (indirect), KKR SP Limited, Georgetown, Grand Cayman, Cayman Islands (indirect), Traviata II S.à r.l., Luxembourg, Grand Duchy of Luxembourg (indirect) and Traviata B.V., Amsterdam, Netherlands (direct).

Information on the amount of the aforementioned shareholdings in the Company can be found in statements on the voting rights notifications in the Notes to the Financial Statements 2019 of Axel Springer SE, see go.axelspringer.com/financialpublications, as well as in the section "Voting Rights Announcements" on the Company's website at go.axelspringer.com/votingrights.

Shares with special rights that confer powers of control

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

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

As part of the bonus share and share participation program for the year 2009 and the stock participation plans for the years 2011 to 2015, as well as 2017, 2018 and 2019, Deutsche Bank AG is initially entered into the share register as the third-party holder of shares transferred to employees and in 2019 financial year for the employees from abroad Computershare Inverstor Services PLC is entered. However, each employee is free to be registered as a shareholder in the share register.

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

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

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

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

Authority of the Executive Board to issue or buy back shares

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

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

The company held no treasury shares at the end of the 2019 financial year.

There is no contingent capital at Axel Springer SE

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

With the exception of regulations in the promissory notes and consortium loans stated in the following, as well as contractually entitled cancellation rights for Executive Board members in case of a change of control (see the right column and page 91 of this Annual Report), the company has not concluded any major agreements that would take effect in the event of a change of control due to a takeover.

The company has placed promissory notes on the capital market since April 2012. Currently, the promissory notes have a total volume of € 704,500,000.00. The lender may demand, in the event of a change of control, that the claim held can be partially or fully paid back early within a 90 days period.

A change of control within the meaning of the promissory note loans occurs - subject to individual, more precisely defined exceptions that are to Dr. h. c. Friede Springer and her former co-partners in the Axel Springer Gesellschaft für Publizistik & Co - if one person alone or several persons acting jointly holds more than 50 % of the share capital of Axel Springer SE or the voting rights.

With regard to the syndicated loans renegotiated in May 2018 and totaling € 1,500,000,000.00, the lenders are also entitled to terminate the loan in the event of a change of control with a term of 30 days following the receipt of such knowledge. Aside from specific exceptions that relate to Dr. h. c. Friede Springer and her former co-partners in the Axel Springer Gesellschaft für Publizistik & Co, a change of control is understood to mean the acquisition of shares of Axel Springer SE representing more than 50 % of voting rights by one or more parties acting together.

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

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