axel springer

Annual Report

2019

Contents

Group Key Figures

in € millions	Change yoy	2019	2018
Group			
Revenues	**−2.2 %**	**3,112.1**	**3,180.7**
Digital revenue share[1)]		*73.3 %*	*70.6 %*
EBITDA, adjusted[2)]	**−14.5 %**	**630.6**	**737.9**
EBITDA margin, adjusted[2)]		*20.3 %*	*23.2 %*
EBIT, adjusted[2)]	**−21.5 %**	**414.5**	**527.9**
EBIT margin, adjusted[2)]		*13.3 %*	*16.6 %*
Net income	−35.4 %	134.6	208.4
Net income, adjusted[2)]	−21.5 %	263.7	335.7
Segments			
Revenues			
Classifieds Media	0.1 %	1,213.8	1,212.5
News Media	−4.4 %	1,430.9	1,496.2
Marketing Media	0.8 %	421.5	418.3
Services/Holding	−14.4 %	46.0	53.7
EBITDA, adjusted[2)]			
Classifieds Media	−3.8 %	468.4	487.2
News Media	−39.3 %	138.5	228.2
Marketing Media	20.3 %	107.8	89.6
Services/Holding	–	−84.1	−67.0
EBIT, adjusted[2)]			
Classifieds Media	−7.1 %	377.9	406.7
News Media	−54.4 %	72.1	158.2
Marketing Media	26.1 %	83.3	66.0
Services/Holding	–	−118.6	−103.0
Liquidity and financial position			
Free cash flow (FCF)[2)]	−38.1 %	214.6	346.9
FCF excl. effects from headquarter real estate transactions[2) 3)]	−23.7 %	320.1	419.6
Capex[4)]	–	−249.2	−225.3
Capex excl. effects from headquarter real estate transactions[3) 4)]	–	−150.1	−149.3
Net debt/liquidity[2) 5) 6)]	–	−1,953.0	−1,249.2
Share-related key figures			
Earnings per share, adjusted (in €)[2) 7)]	**−25.9 %**	**2.02**	**2.73**
Earnings per share (in €)[7)]	−45.0 %	0.92	1.68
Dividend (in €)[8)]	−44.8 %	1.16	2.10
Closing price (in €)[9)]	27.2 %	62.80	49.38
Market capitalization[9) 10)]	27.2 %	6,775.8	5,327.9
Average number of employees	**−1.4 %**	**16,120**	**16,350**

1) Based on the operating business (without the segment Services/Holding).
2) Explanations regarding relevant key performance indicators on page 38.
3) Referring to the new building in Berlin as well as the sale of the new building and the Axel-Springer-Passage as well as the sale of the office building complex in Hamburg.
4) Capital expenditures for intangible assets and property, plant and equipment.
5) As of December 31, 2019, and December 31, 2018, respectively.
6) Incl. leasing liabilities in the amount of € 373.4 million (PY: € 379.6 million), see note 3(o) to the consolidated financial statements.
7) Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 107.9 million).
8) The dividend for the financial year 2019 is subject to the condition of approval by the annual shareholders´ meeting.
9) Quotations based on XETRA closing prices.
10) Based on shares outstanding as of December 31, 2019, excluding treasury shares (107.9 million; PY: 107.9 million).

Foreword

Dr. Mathias Döpfner
Chairman and CEO

Dear Shareholders!

We can look back on a historical year for our company. With KKR we have gained a strong partner with whom we will lead Axel Springer into a new phase of long-term growth. We want to become world market leader for digital journalism and classifieds. After the majority stake in the @Leisure Group was sold in June 2019, we can now concentrate entirely on our core business and the key growth drivers: People, Customer Focus, Tech, Speed, Innovation and Purpose. We still have a lot of potential. However, our ambitions are not limited to economic success. Axel Springer stands for an open society in which people are free to express their opinions and make their own decisions. We empower free decisions. This is what our editorial staff and our classified advertising portals are committed to.

One of our most important companies is **StepStone** with job portals in 25 countries. I am confident that Sebastian Dettmers as the new CEO will continue the successes of his predecessor Ralf Baumann. As the leading portal, we continue to invest in growth in order to emerge stronger from the current economic slowdown. For example, through additional services and offers that increase the frequency of contact with users. And we are strengthening StepStones position through targeted acquisitions. We acquired Studydrive, gehalt.de and the US company Appcast in the first half of the year.

The **AVIV Group** as Europe's leading provider of real estate ads, is developing with an increasingly broad range of offers, including in adjacent areas. With the acquisition of Meilleurs-Agents, the leading portal in France for the mediation of potentially ready-to-sell property owners to agents is now part of the Group. Additionally, in France, the integration of SeLoger and Logic-Immo continues. In Germany, we were able to agree with the minority shareholders of the Immowelt Group to take over their 45 percent stake. As sole proprietors, we can promote the growth of Immowelt even more powerfully. Ralf Baumann will now use his experience as the long-standing CEO of StepStone in the same function in the AVIV Group to further shape the Group and continue the growth course.

Business Insider has become an important growth engine for our company, which I am particularly proud of. Compared with the prior year, revenues increased by 9.7 percent in organic terms. The merger of Insider Inc. and eMarketer, announced in June 2019, should provide business customers with an even more comprehensive analytical view of the digital transformation of different industries from the start of 2020. The BI Prime payment offer, which is already successful, will also be expanded. Upday also developed very well, as the equity stake of Samsung emphasizes. **upday** also started the new product family earli in the second half of the year, which includes earliAudio, a podcast in eight languages.

Our journalistic offers are also developing well in Germany. The number of digital subscriptions of **BILD** and **WELT** is growing rapidly. Over the next three years, we want to invest € 100 million in growth projects for the two brands – in live reporting, paid content and sports. At the same time, cost savings of € 50 million are planned in the areas where business is declining. Other paid content offers are also successful: Technologically, we were able to expand our expertise in the area of paid content technology through the acquisition of **CeleraOne** in the first quarter of 2019. With the acquisition, Axel Springer strengthens its IT competence in a strategic core area. At the same time, we become a technology provider in the growth business of payment technology.

The cooperation with KKR enables us to move our company towards growth and new digital business models faster than before. We can implement the already extensive **restructuring programs** in the News Media National and Services/Holding segments even faster. We brought forward some of the measures planned for 2020 into the 2019 financial year.

There are also innovations in the Supervisory Board and the Executive Board. In 2019, **Ralph Büchi** succeeded Dr. Giuseppe Vita as new Chairman of the Supervisory Board and will remain in this position also under the new ownership structure. In addition, after twenty years with the company, **Dr. Andreas Wiele** announces his departure from the Executive Board, which will be reduced to four members. His achievements for our company are exceptional. As an Executive Board member, he was recently responsible for the entire classified media and marketing media business. Previously, he was responsible, amongst other things, for the activities of the BILD group. He has significantly advanced pioneering decisions such as the acquisitions of Logic-Immo, MeilleursAgents or Appcast. I look back with great gratitude on our years together.

The spirit of optimism in our company is nowhere better illustrated than in the **new building** right next to the Axel Springer high-rise in Berlin. The building was completed as planned. We expect to sell it to the Norwegian government fund in the first half of 2020, at a profit and rent it back on a long-term basis. On 52,000 square meters, the new building offers around 3,500 employees flexibility for new forms of work in the midst of change. The move-in begins after performed tenant installations from early summer 2020 onwards. We will celebrate many successes in this building.

For Axel Springer, it is the right way to implement the long-term growth strategy as a non-listed company. I am convinced about it. I would like to thank all shareholders for the trust you have placed in us over many years.

Yours faithfully, Mathias Döpfner

executive board –

Dr. Mathias Döpfner
Chairman and CEO

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

Jan Bayer
President News Media International

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

Dr. Stephanie Caspar

President News Media National & Technology

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

Dr. Julian Deutz

Chief Financial Officer

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

Dr. Andreas Wiele

President Classifieds Media

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

The Axel Springer share

Stock market year 2019

Overall, the stock markets can look back on a successful year. The leading German index, the DAX (price index), closed the reporting year with an increase of 21.5 %, while the MDAX (price index), which also includes the Axel Springer share, until it left on August 29, 2019, increased by 28.1 %. The European media sector index DJ EuroStoxx Media closing rate was up 6.3 % on its previous year-end.

After our share initially started the year 2019 roughly in line with the development of relevant stock indices, a below-average development compared to the benchmark indices became apparent in particular following of the 2018 financial year results and the forecast for the 2019 financial year. On May 29, 2019 – after rumors of ongoing discussions with KKR arose in the market – Axel Springer published an ad-hoc announcement, which conveyed that the Executive Board of Axel Springer SE is negotiating with KKR and Dr. h. c. Friede Springer about a possible strategic investment of KKR in Axel Springer. After the publication of this ad hoc announcement, the price of the Axel Springer share rose significantly and on May 30, 2019 closed at € 55.10, 22.2 % above the closing price on the prior day.

Subsequently, Traviata II S.à.r.l, a holding company owned by funds of the KKR Group, announced on June 12, 2019 that it would make a voluntary public takeover at € 63.00 per share for all outstanding shares of Axel Springer SE. As a consequence, the share price jumped to this level and remained in a relatively narrow range around this value until the end of the year. Due to the significantly lower free float as a result of the takeover, our shares were removed after nine years from the MDAX and all other selection indices by the German Stock Exchange on August 29, 2019. Other global index providers have also gradually removed Axel Springer shares from their indices. At the end of the reporting period, the share price of € 62.80 was 27.2 % above the price at the beginning of the year (€ 49.38). The market capitalization at the end of 2019 was around € 6.8 billion.

Share Information[1]

€	2019	2018	Change
Earnings per share, adjusted[2) 3)]	2.02	2.73	−25.9 %
Earnings per share[3)]	0.92	1.68	−45.0 %
Dividend[4)]	1.16	2.10	−44.8 %
Total dividend payout (€ millions)[4)]	125.2	226.6	−44.8 %
Year-end share price	62.80	49.38	27.2 %
Highest price	65.05	74.00	−12.1 %
Lowest price	44.64	49.14	−9.2 %
Market capitalization (€ millions)[5)]	6,775.8	5,327.9	27.2 %
Daily traded volume (Ø, € thousands)	10,375.3	9,997.3	3.8 %
Dividend yield[4) 5)]	1.8 %	4.3 %	-
Dividend yield per share per year[6)]	31.4 %	−21.1 %	-

1) Quotations based on XETRA closing prices.
2) Explanations with respect to the relevant key performance indicators on page 38.
3) Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 107.9 million).
4) The dividend for the financial year 2019 is subjedt to the condition of approval by the annual sharelders´ meeting.
5) Based on shares outstanding as of December 31, 2019, excluding treasury shares (107.9 million; PY: 107.9 million).
6) Share price development plus dividend payment.

Performance
Axel Springer Share in €

1) Indexed on the year-end share price of Axel Springer SE as of December 31, 2018.

Analyst coverage

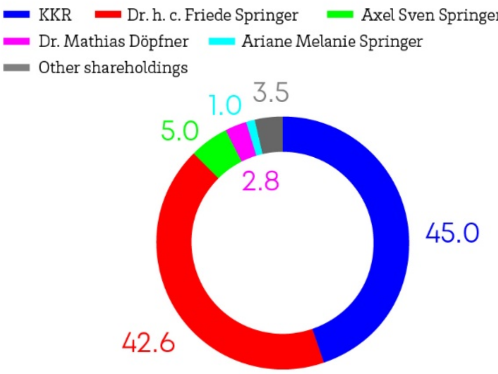
Eight brokers are currently publishing analyses of our share, and three companies have suspended their valuation until further notice due to the KKR transaction. As a result of the takeover offer, seven companies rate the Axel Springer share as “hold/neutral”; one analyst rates it as “accept offer”. You can find the latest recommendations and share price targets in the “Investor Relations” section at www.axelspringer.de.

Investor Relations

The management and the investor relations team presented the company and its strategy at investor conferences and roadshows in Europe and the USA, and also answered numerous questions throughout the year about this and the current takeover offer. The telephone conferences that we held on the occasion of the publication of financial reports and the announcement of the takeover bid by KKR were, as usual, broadcasted live on the Internet as an audio webcast and are still available on our website.

The following graphic illustrates the shareholder structure of Axel Springer SE after the successful takeover offer by KKR.

Shareholder Structure
in percent / figures rounded*



Status: February, 2020
*Due to rounding, numbers don't add to 100 percent

Annual shareholders’ meeting

On, April 17, 2019, the Annual Shareholders’ Meeting of Axel Springer SE took place in Berlin. Approximately 460 shareholders or 89.0 % of capital carrying voting rights participated. All resolutions proposed by the management, including the proposal to increase the dividend to € 2.10 (PY: € 2.00) per qualifying share, were approved by majorities of at least 81.5 %. Based on the closing price of the company’s share at year-end 2018, the dividend yield came to 4.3 %. A total of € 226.6 million (PY: € 215.8 million) was distributed to our shareholders. This corresponds to an increase of 5.0 % compared with the prior-year figure.

Share participation program

The share participation program for employees introduced in 2017 was discontinued at the end of 2019. The share grants of 30 % of the converted base salary were transferred to employees in January 2020. The holding periods for all programs were canceled in connection with the takeover bid by KKR.

Information on Listing

Share type	Registered share with restricted transferability
Stock exchange	Frankfurt (Germany), Prime Standard
Security Identification Number	550135, 575423
ISIN	DE0005501357, DE0005754238
Capital stock	€ 107,895,311.00 / divided up into 107,895,311 registered shares with no par value
Thomson Reuters	SPRGn.DE

Combined Management Report

Summary of business performance and operating results in 2019

Axel Springer looks back on a financial year 2019, which was characterized above all by KKR's entry as a long-term, strategic investor (see page 26). Operationally, the company was operating in the midst of a challenging macroeconomic environment, which, together with the restructuring measures announced during the course of the year, led to adjustments to the forecast for the Group published in March 2019. The adjusted forecast was fulfilled (see page 63).

In the reporting year, **revenues** of € 3,112.1 million were 2.2 % lower than the prior-year value of (€ 3,180.7 million). The decline is attributable to consolidation effects. Organically, i.e. adjusted for consolidation and currency effects, the revenues were at the prior-year level (+ 0.1 %). Overall, Axel Springer generated 73.3 % of its revenues in the digital area in 2019.

The **adjusted EBITDA** was € 630.6 million and therefore down by 14.5 % compared with the prior year (€ 737.9 million). The margin fell from 23.2 % to 20.3 %. Part of the decline was due to consolidation effects. Currency effects did not play a significant role. Organically, i.e. adjusted for consolidation and currency effects, the adjusted EBITDA decreased by 11.0 %. The main reasons for the decline are the provisions that were created as the result of the announced extensive restructuring measures in the News Media National subsegment.

Compared with the prior year, **adjusted EBIT** decreased by 21.5 % to € 414.5 million (PY: € 527.9 million). The higher fall compared to EBITDA is the result of the higher scheduled depreciation, amortization and impairments. Organically, the adjusted EBIT fell by 16.8 %. Similar to adjusted EBITDA, the organic decline was mainly caused by provisions for the announced restructuring measures. The margin at 13.3 % was under the level of the prior year (16.6 %).

The **adjusted earnings per share** of € 2.02 were 25.9 % below the prior-year figure of € 2.73. Organically, the decline was 20.8 %.

At the Annual Shareholders' Meeting to be held on April 22, 2020 the Executive Board and Supervisory Board will propose a **dividend** of € 1.16 (PY: € 2.10) per qualifying share.

Outlook 2020

For the financial year 2020, the Group expects **revenues** to develop in line with the prior-year level.

For **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 impairments.

For detailed information on the forecast and the adjusted baseline values for the 2019 financial year, which result from the new assignment of individual companies within the segments that will be applied from January 1, 2020, see page 69.

Introductory remarks

The combined management report for Axel Springer SE and the Group are summarized. This combined management report for Axel Springer SE and the Group contains statements concerning the economic situation and business performance of the Axel Springer Group. These essentially also apply to Axel Springer SE. Further information on the economic situation of the parent company Axel Springer SE can be found in a separate chapter on page 44.

Please refer to page 38 of the combined management report and to the notes to the consolidated financial statements, note (30) for explanations of the key performance indicators used and for the adjustments of our earnings figures.

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.

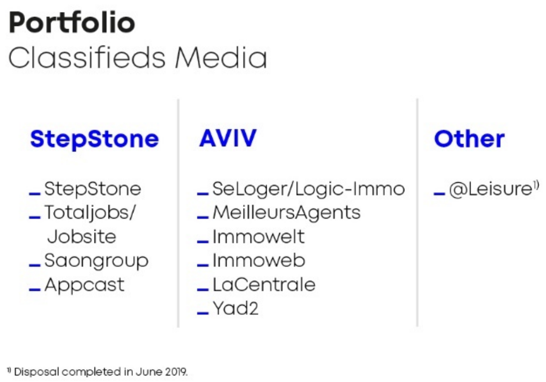
The most important adjustments include the allocation of the idealo Group (formerly in the Marketing Media segment) to the News Media National subsegment and, on the other hand, the consideration of Bonial, eprofessional and finanzen.net (previously each Marketing Media) in the News Media International 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.



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

- BILD-Group
- WELT-Group

International

- 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

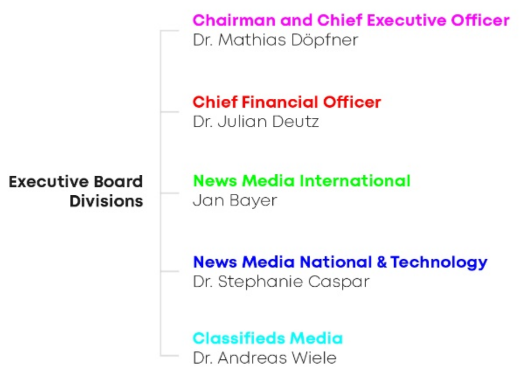
Group services, which in the business year 2019 also included the three domestic printing plants, as well as holding functions are reported in the Services/Holding segment. Group services are purchased by in-house customers at standard market prices.

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).

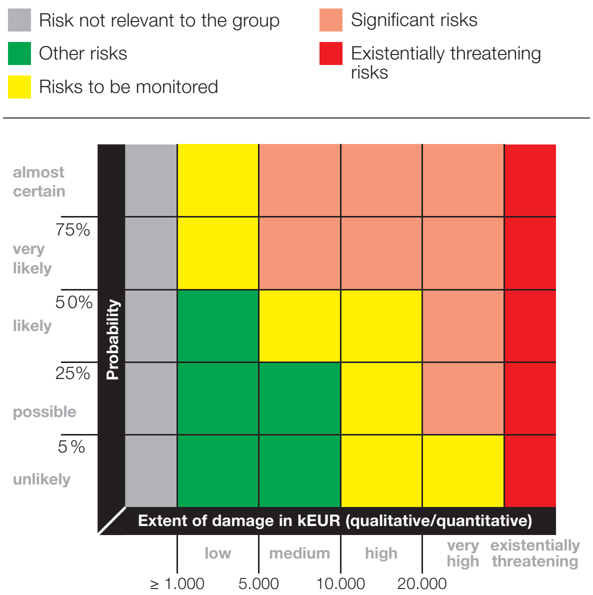
The overall responsibility for an effective risk management lies with the Executive Board of Axel Springer SE, the operational management of the individual risks falls primarily within the area of responsibility of the respective company divisions or holdings of Axel Springer. This includes the early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

Corporate Governance Report

In this chapter, the Executive Board and the Supervisory Board report on the corporate governance at Axel Springer in accordance with the recommendation in Section 3.10 of the German Corporate Governance Code in the version of February 7, 2017 (DCGK, Code). The section also includes the declaration on corporate governance in accordance with section 289f and section 315d of the German Commercial Code (HGB) and the Compensation report.

Good corporate governance as a guiding principle

Good, transparent corporate governance is for Axel Springer a central component of responsible corporate management and control geared to a sustainable increase in the value of the company. It promotes the confidence of our investors, customers, employees and the public in the management and supervision of the company and is an essential basis for the long-term success of the company. In this respect, we are guided by the German Corporate Governance Code (GCGC). Corporate Governance Officer is the Chief Financial and Human Resources Officer. Compliance and implementation of the recommendations of the DCGK are continuously reviewed.

Management declaration pursuant to Section 289f of the Commercial Code

Declaration of conformity according to Section 161 AktG

On November 5, 2019, the Executive Board and Supervisory Board published the following declaration of conformity:

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

I. Retrospective section

Since issuance of the latest annual Declaration of Conformity on November 6, 2018, the Company has followed the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex, "DCGK") as amended on February 7, 2017 and published by the German Federal Ministry of Justice in the official announcements section of the Federal Gazette of April 24, 2017, with the exception of the deviations justified and stated below:

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

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

2. Disclosure of the individual management board compensation in tabular form in the compensation report (item 4.2.5 sentences 5 and 6 DCGK)

The Executive Board compensation is disclosed in accordance with the provisions of law and in consideration of the so-called "opt-out" resolutions of the Company's Annual General Meeting of April 18, 2018. Accordingly, the individual compensation of the members of the Executive Board is not disclosed in the Company's annual financial and annual consolidated financial statements for the financial years 2018 to (and including) 2022.

As long as a valid opt-out resolution of the Annual General Meeting to this effect is at hand, the Company will not include the representations recommended according to item 4.2.5 sentences 5 and 6 DCGK in the Compensation Report.

3. Setting of a general limitation to the length of membership of the supervisory board, and taking it into account in election proposals (item 5.4.1 sentences 3 and 7 DCGK)

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

4. Disclosure of relationships between supervisory board candidates and the company, its executive bodies and shareholders holding a material interest in the company, in election proposals to the annual general meeting (item 5.4.1 sentence 12 DCGK)

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

5. Individualised disclosure of supervisory board compensation (item 5.4.6 sentences 5 and 6 DCGK)

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

This information is not individually disclosed because the Articles of Association of Axel Springer SE do not regulate the individual distribution of compensation between the Supervisory Board members. Rather, it expressly assigns the responsibility for this to the Supervisory Board; the individualized disclosure of the Supervisory Board compensation would undermine such assignment of competence by the Annual General Meeting. Furthermore, the Company's Annual General Meeting decided on April 18, 2018 that no details of the individual compensation of the Executive Board will be given in the Company's stand-alone and consolidated annual financial statements to be prepared for financial years 2018 to (and including) 2022 so that, for the sake of consistency, the individual compensation of the Supervisory Board members is neither disclosed individually.

II. Future-related section

1. Deviations stated under I.1 through I.5

The Company follows the recommendations of the DCGK as amended on February 7, 2017 and published by the German Federal Ministry of Justice and Consumer Protection in the official announcements section of the Federal Gazette on April 24, 2017, with the exception of the deviations set out and justified above under I.1 through I.5 and the deviations set out and justified below under II.2:

2. Determining concrete objectives regarding the supervisory board's composition, and preparation of a profile of skills and expertise (item 5.4.1 sentence 2 DCGK), taking these concrete objectives and the profile of required skills and expertise into account in election proposals of the supervisory board to the annual general meeting (item 5.4.1 sentence 7 DCGK), publication of the implementation status (item 5.4.1 sentences 2, 3, 8 DCGK)

In future, we will – with the exception of a target for the appropriate number of independent Supervisory Board members – dispense with stating concrete objectives regarding the composition of the Supervisory Board, and additionally discontinue the preparation of a profile of skills and expertise for the Supervisory Board in the form envisaged by the DCGK. A resolution to this effect was passed by the Supervisory Board on November 5, 2019 (deviation from item 5.4.1 s. 2 DCGK). Irrespective of that, the Supervisory Board continues to strive for a well-balanced composition of this Board, in particular in view of its internationality, potential conflicts of interest, independence (this on the basis of the concrete target) and diversity; the above-stated points are important criteria for the composition of the Supervisory Board and the identification of new Supervisory Board members. Agreeing concrete objectives and defining a profile of skills and expertise, in contrast, is, according to the Supervisory Board's view, not necessary to ensure an adequate composition of the Board.

Since – with the exception of the criterion of independence – there are no concrete objectives for the composition of the Supervisory Board, and no profile of skills and expertise for the Board as a whole according to item 5.4.1 sentence 2 DCGK, proposals of the Supervisory Board to the Annual General Meeting cannot take such objectives into account or, respectively, strive for conformity with such profile of skills and expertise (deviation from item 5.4.1 sentence 7 DCGK).

Accordingly, the implementation status will no longer be disclosed in the Corporate Governance Report, with the exception of the criterion of independence (deviation from item 5.4.1 sentences 2, 3, 8 DCGK).

Berlin, November 5, 2019

Axel Springer SE
The Supervisory Board The Executive Board"

The Declaration of Conformity from November 5, 2019 can, just like previous versions, also be seen via the link go.axelspringer.com/declarationofconformity.

Important management practices

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

Axel Springer maintains a Compliance Department and Corporate Audit & Risk Management. These support the central divisions and subsidiaries in complying with the rules applicable to them and in dealing responsibly with risks, including means of approaches and guidelines for a risk management, internal control and compliance management system.

For Axel Springer, compliance means compliance with applicable law, company guidelines, as well as the commitments undertaken voluntarily.

Violations of these regulations can cause sustained economic damage to the company, resulting in civil and criminal consequences as well as damage to reputation. Against this backdrop, the goal of compliance management is to institute structures and processes to ensure that all directors and employees, and senior executives, conduct themselves preventively in accordance with applicable laws and regulations. In order to take account of the Group structure, the Compliance Management System is organized both centrally and decentrally. The central component is the Compliance Committee and the Chief Compliance Officer. Decisive compliance officers are named in the individual subsidiaries. Decentrally, compliance, Corporate Audit & Risk Management and the Legal Department work closely together in fulfilling their tasks in a cross-functional approach.

As part of the Compliance Organization, Axel Springer has had a binding Code of Conduct, which can be found at go.axelspringer.com/coc. This is to be understood as a summary of significant behavioral rules of Axel Springer. It clarifies ethical, moral and legal requirements and serves to every employee to assess whether an action is permissible or not. The Code of Conduct integrates, among other things, the corporate principles and values, management principles, journalistic guidelines, our International Social Policy and the environmental guidelines.

The corporate values of Axel Springer guide every employee in their work and shape the corporate culture: They are: creativity as the crucial prerequisite for success in journalism and business; entrepreneurship in the sense of being courageously inventive, self-reliant and results-oriented, actions that are expected of all managers and employees; integrity in all dealings with the company, readers, customers, employees, business partners, and shareholders. In 2019, sustainability and empathy were also included in the set of values, as they are seen as increasingly decisive factors for the company and its long-term development. The management principles, which are built on these company values, should give management a concrete framework that creates transparency regarding the requirements and expectations of management roles.

In addition, Axel Springer has set guidelines to ensure journalistic independence. These guidelines substantiate and expand on the professional ethics of the press as set out by the German Press Council in conjunction with the press associations in the publishing principles (Press Code) to which Axel Springer is committed. The editors-in-chief are responsible for observing and implementing the guidelines in the company's day-to-day activities.

Furthermore, Axel Springer has developed a catalogue of social standards applicable to all the company's activities. Known as the International Social Policy, it states the company's positions, on matters of human rights, adherence to the rule of law, the protection of children and young people, the treatment of employees, equal opportunities, health and safety, and the compatibility of work and family. The standards are a binding guideline for social integrity and are globally binding for all activities of the company. Compliance with the principles described in the International Social Policy is also expected of our business partners. Furthermore, the company has issued an Environmental Guideline comprising four points, which serves as a practical guide to the many environmental protection measures conducted at Axel Springer and which is also part of the Code of Conduct.

In addition to the Code of Conduct as a higher-level code, internal guidelines regulate individual business and procedural practices, e. g. to fight corruption, data protection or behavior in case of competition. In order to ensure decentralized compliance with legal requirements and governance minimum standards, so-called corporate principles are introduced for acquired subsidiaries, for selected, primarily sensitive regulatory areas such as tax compliance and anti-corruption. These principles contain minimum requirements that must be individually implemented and adhered to in the respective subsidiary. The respective managers are responsible for this.

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

Against the background of the European General Data Protection Regulation (GDPR), which has been in force since 2018, we have taken numerous measures across the Group. In addition to the introduction of a new guideline, this includes the specific definition of responsibilities regarding data protection, the designation and further training of decentralized privacy managers, the implementation of training courses and the expansion of an internal knowledge portal with leaflets and model contracts.

The company also reports regularly on its sustainability activities.

Regarding the material non-financial aspects with regard to the 2018 financial year, in order to fulfill the requirements of the CSR Directive Implementation Act in accordance with Sections 315b, 315c with regard to 289c to 289e of the German Commercial Code (HGB), a combined separate non-financial statement and group report (see page 42) was published.

After a pilot phase in 2017 and in the 2018 financial year and the reporting year 2019, Axel Springer SE offered a share participation program for employees of Axel Springer SE and certain majority holdings in Germany, France, Great Britain and Belgium in the Global Employee Share Plan. The regular participation period was twelve months; eligible employees determined an amount of their base salary, with which the corresponding number of shares is acquired each month. At the end of the respective participation period, the employees received a grant in shares amounting to 30 % of the converted basic salary. The subsequent holding period initially decided for these programs was two years. In the course of KKR's voluntary public takeover offer, all holding periods from employee stock option plans were canceled.

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

Cooperation between the Executive Board and Supervisory Board

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

Procedures of the Executive Board

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

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

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

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

The Executive Board aims to ensure diversity with regard to the staffing of leading positions within the company; the Executive Board has set targets for the proportion of women holding management positions in the first two levels of Axel Springer SE beneath the Executive Board; for more information see page 85.

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

The internal rules of procedure issued from the Supervisory Board for the Executive Board regulate the particulars. This includes among others:

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

The Executive Board consisted of five members in the reporting year:

- Dr. Mathias Döpfner, Chairman and Chief Executive Officer
- Jan Bayer, President, News Media International
- Dr. Stephanie Caspar, President, News Media National & Technology
- Dr. Julian Deutz, Chief Financial Officer
- Dr. Andreas Wiele, President Classifieds Media

As announced by the company on October 31, 2019, Dr. Andreas Wiele will leave the company's Executive Board on May 31, 2020.

Procedures of the Supervisory Board

As per the company's Articles of Association, the Supervisory Board of Axel Springer SE is composed of nine members, who are elected by the Annual Shareholders' Meeting. The regular term of office of Supervisory Board members is five years; they are eligible for re-election at the end of their terms. The Supervisory Board elects its Chairman from among its own ranks; the term of office of the Supervisory Board Chairman coincide with that of the Supervisory Board. The Supervisory Board advises the Executive Board and monitors the work of the Executive Board. It holds at least four meetings a year. In case of necessity, it meets without the Executive Board in attendance. Meetings may be held, and resolutions adopted also by way of written correspondence, telephone calls, faxes, or electronic media. As a general rule, the Supervisory Board adopts resolutions by a simple majority of the members voting on the resolution; in case of a tie, the Chairman casts the deciding vote. The Supervisory Board deliberates on the company's business developments, planning, strategy, and significant investments at regular intervals. The Supervisory Board adopts the separate financial statements of Axel Springer SE and approves the consolidated financial statements of the Group. It regularly assesses the efficiency of its work. Please refer to the report of the Supervisory Board (see page 93 et seq.) for additional information on the specific activities of the Supervisory Board in financial year 2019.

The rules of procedure for the Supervisory Board meet the requirements of the German Corporate Governance Code in the version dated February 7, 2017 and include regulations on the following topics:

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

Members of the Supervisory Board in the reporting year were:

- Dr. Giuseppe Vita, Chairman (until April 17, 2019)
- Ralph Büchi, Chairman (from April 17, 2019)
- Dr. h. c. Friede Springer, Vice Chairwoman
- Oliver Heine
- Dr. Alexander Karp
- Iris Knobloch
- Lothar Lanz (until April 17, 2019)
- Dr. Nicola Leibinger-Kammüller
- Ulrich Plett (since April 17, 2019)
- Prof. Dr. Wolfgang Reitzle
- Martin Varsavsky

When the Supervisory Board was elected on April 17, 2019, all members of the Supervisory Board were newly elected; their term of office normally ends at the end of the Annual Shareholders' Meeting in the 2024 financial year.

Iris Knobloch, Dr. Nicola Leibinger-Kammüller and Dr. Alexander Karp resigned from their mandate effective at the end of December 31, 2019. On January 2, 2020, the company's Executive Board and the Chairman of the Supervisory Board, Ralph Büchi, with the support of the Nomination Committee of the Supervisory Board and the full Supervisory Board, submitted an application for a legal appointment of Johannes Huth, partner and head of KKR in Europe, Africa and the Middle East, Philipp Freise, partner and co-head of KKR's European private equity business, and Franziska Kayser, director of private equity at KKR. The court responded to this request by resolution as of January 7, 2020, so that the company's Supervisory Board now again consists of nine members. The legal appointment of Mr. Huth, Mr. Freise and Ms. Kayser is limited until the Annual Shareholders' Meeting of the business year 2020. On the basis of a recommendation from the Nomination Committee, the three members appointed by court should be proposed for election as members of the Supervisory Board at the 2020 Annual Shareholders' Meeting.

The requirements for expertise in the fields of preparation and audit of the financial statements (financial experts) within the meaning of Section 9 (1) lit. c) ii) SE Regulation in connection with Section 100 (5) 1st var. AktG are met, among others, by Ulrich Plett, who also chairs the Audit Committee. In addition, the members of the Supervisory Board are in accordance with Section 100 (5) 2nd var. AktG as a whole are familiar with the sector in which the company operates. This applies both to the composition of the Supervisory Board up to the end of the reporting year, the composition following the three resignations and the compositions according to legal appointment of the three new Supervisory Board members.

Composition and procedures of committees

The Executive Board has not formed committees.

In accordance with its internal rules of procedure, the Supervisory Board has formed four permanent committees to support the work of the full board: The Executive Committee, the Personnel Committee, the Nominating Committee, and the Audit Committee. In those matters stipulated in the internal rules of procedure of the Supervisory Board, the committees prepare the resolutions to be adopted and other matters to be addressed by the full board. Within the limits of applicable laws, the committees also adopt resolutions in lieu of the full board in those matters stipulated in the internal rules of procedure of the Supervisory Board. The internal rules of procedure of the Supervisory Board stipulate the procedures for meetings and resolutions adopted by the committees and define their areas of responsibility. In June 2019, a so-called “Ad Hoc Committee” was formed, with assigned tasks related to the public takeover offer of KKR, in particular the preparation of the reasoned opinion of the Supervisory Board. The committee was dissolved by resolution as of December 10, 2019 due to task completion.

Please refer to the Report of the Supervisory Board for further information on the areas of responsibility and composition of the committees (see page 93 et seqq.).

Lothar Lanz chaired the Audit Committee of the Supervisory Board until April 17, 2019, and his successor as Chairman is Ulrich Plett. The Supervisory Board is convinced that both Mr. Lanz, due to his many years of experience as CFO, and Mr. Plett, due to his extensive experience as an auditor, both due to their special expertise and their personality, are particularly suitable as chairmen of the Audit Committee. They satisfy the requirements of expert knowledge and independence within the meaning of Section 9 (1) letter c) ii) SE-VO in accordance with section 107 (4), 100 (5.1) 2nd var. AktG, and the requirements of the recommendations in Section 5.3.2 Sentences 4 and 5 GCGC. Furthermore, the members of the Audit Committee in their entirety are familiar with the sector in which the company operates.

Provisions for the promotion of the participation of women in management positions in accordance with Section 76 (4) and Section 111 (5) of AktG.

Since 2010, Axel Springer pursues a Group-wide strategy to promote diversity; reference is made to page 39 of the Annual Report with regard to the company’s personnel policies designed to assure equal opportunity and diversity as well as the Group-wide targets to increase the proportion of women at all management levels.

In addition to this voluntary Group-wide commitment, the law for the equal participation of men and women in management positions in the private and public sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst), also obliges Axel Springer SE to set targets for the proportion of women acting on the Supervisory Board, Executive Board and the two management levels beneath the Executive Board, and specify when the respective proportion of women should be achieved.

As the statutory minimum share of 30 % of women and 30 % of men is not applicable to the Supervisory Board of Axel Springer SE under Section 96 (2) of the German Stock Corporation Act for the replacement of vacating Supervisory Board mandates, pursuant to Section 111 (5) of AktG the Supervisory Board itself must set a target size.

Target number of members in the Executive Board and Supervisory Board

The targets set for the proportion of women of 22.2 % (Supervisory Board) and 0.0 % (Executive Board) by the resolution of the Supervisory Board of April 2017 were exceeded on April 17, 2019: The proportion of women in the Supervisory Board was 33.3 %, the proportion of women in the company's Executive Board was 20.0 %.

By resolution of the Supervisory Board as of April 17, 2019, the target values of 33.33 % (Supervisory Board) and 20 % (Executive Board), and thus the status quo were set at the time of the resolution, with a target achievement period until the end of the day of the Annual Shareholders’ Meeting in the financial year 2021, but no later than April 30, 2021. Of course, these targets do not exclude a further increase in the proportion of women in the Executive Board and the Supervisory Board of Axel Springer SE, even within the implementation deadlines.

Target sizes in the first two management levels

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

Previously, in May 2015, the Executive Board of the Company had a target of 25.0 % for each of the first and second management levels of Axel Springer SE beneath the Executive Board, and a deadline for implementation of no later than June 30, 2017; at the time the targets were set, the proportion of women in the first management level beneath the Executive Board was 22.6 %, and 19.5 % in the second management level beneath the Executive Board at Axel Springer SE. At the time of expiry on June 30, 2017, the proportion of women in the first management level of Axel Springer SE below the Executive Board was 25.0 % and in the second management level 23.9 %. The set target was thus achieved on the first management level of Axel Springer SE. Although, the second management level of Axel Springer SE saw a substantial increase of 4.4 percentage points within the deadline, the target was missed by just 1.1 percentage points, despite various measures aimed at increasing the proportion of women in the long term and sustainably. The main reason for this is that in spite of all the measures taken and the objectives set, the specific occupation of open posts will ultimately focus on the suitability and qualifications of the candidates, and will always select the most suitable candidate for the specific position during the relevant period. On the other hand, the fluctuation on the first two management levels is very low and the increase is slow in this respect.

Description of the diversity concept for the Executive Board and Supervisory Board

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

For the composition of the Supervisory Board, the objectives are to observe the diversity of the members of the Supervisory Board, especially with regard to their knowledge, their training, their professional fundamentals and previous activities, the origin, gender and age of the Supervisory Board members. There criteria are always taken into account in the search for suitable candidates for succession on the Supervisory Board and are used as the basis for election proposals.

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

Further information on corporate governance

Goals for the composition of the Supervisory Board

The Supervisory Board of Axel Springer SE should be composed in such a way that its members generally possess all knowledge, abilities, and professional experience necessary to properly perform its duties, and the members as a whole are familiar with the sector in which the company operates.

With respect to its composition, the Supervisory Board adopted the goal that at least two of its members will be independent according to the definition of the GCGC; this objective takes into account the ownership structure of the company.

In addition, on the basis of a resolution by the Supervisory Board dated November 5, 2019, the company waived the specification of particular goals for the composition of the Supervisory Board and a fixed competence profile for the Supervisory Board (deviation from section 5.4.1 sentence 2 GCGC). Irrespective of this, the Supervisory Board continues to strive for a balanced composition of the committee, in particular with regard to internationality, potential conflicts of interest, independence (based on the specific objective) and diversity; the points mentioned are important criteria for the composition of the Supervisory Board and the identification of new Supervisory Board Members. The naming of specific goals with regard to the above Points and the development of a competence profile in the opinion of the Supervisory Board, however, are not necessary for ensuring an appropriate composition of the body (cf. the explained deviation in the declaration of conformity from November 5, 2019, see page 77).

Moreover, the Supervisory Board decided not to define a regulatory limit with regard to the length of membership of the Supervisory Board, despite the recommendation stated in Section 5.4.1 sentence 3 of the GCGC. A fixed regulatory limit fails to take into account individual factors that may justify an extended length of membership for individual Supervisory Board members (for more information regarding this see the deviation declared in the Declaration of Conformity of 5 November 2019, see page 77).

Accordingly, the status of the implementation of the competence profile and the goals for the composition of the Supervisory Board, with the exception of the criterion of independence, are no longer published in the Corporate Governance Report (deviation from item 5.4.1 sentences 2, 3, 8 GCGC, cf. Declaration of Conformity dated November 5, 2019, see page 77). With regard to the criterion of independence, the number of independent members exceeds the above-mentioned objective, so that with the composition of the Supervisory Board of Axel Springer SE at the end of the reporting year, from the Supervisory Board's point of view, this objective has already been fully achieved. From the point of view of the Supervisory Board (or with regard to the departed members), it must be considered as independent: Dr. Giuseppe Vita, Ralph Büchi, Dr. Alexander Karp, Iris Knobloch, Lothar Lanz, Dr. Nicola Leibinger-Kammüller, Ulrich Plett, Prof. Dr. Wolfgang Reitzle and Martin Varsavsky.

With regard to its proposals on the election of new Supervisory Board members, the Supervisory Board makes sure that the respective candidates are able to put aside the expected amount of time.

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

Goals for the composition of the Executive Board

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

- In making decisions concerning the composition of the Executive Board, the Supervisory Board should give due consideration to the principle of diversity and should strive in particular to give appropriate consideration to women. In this context, the Supervisory Board also complied with its statutory obligation to set a target for the proportion of women in the Executive Board and resolved to set a target of 20 % with a deadline of implementation before the Annual Shareholders' Meeting in the 2021 financial year, but no later than April 30, 2021; see page 84.

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

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

Goals concerning the staffing of key functions

In view of the recommendation set out in Section 4.1.5 of the GCGC, reference is made to the description of personnel policies designed to assure equal opportunity and diversity on page 39 of the Annual Report, and to the stipulated targets in both of the first management levels of the Axel Springer SE beneath the Executive Board on page 85 of the Annual Report.

Shareholders and annual shareholders' meeting

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

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

Conflicts of interest

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

Executive Board members may not demand or accept gifts or other benefits from, or grant unjustified benefits to, third parties in connection with their activities, either for their own benefit or for that of others. Sideline activities of the Executive Board require the consent of the Supervisory Board. Executive Board members are subject to a comprehensive anti-competition clause during the period of their activity for Axel Springer. Every Executive Board member must inform the Supervisory Board of any conflicts of interests without delay.

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

Memberships on other supervisory bodies

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

Transparency

Axel Springer is committed to always providing comprehensive and consistent information in a timely and simultaneous manner on the significant events and developments relevant to an evaluation of the company's present and future business performance to all capital market participants. The reporting on the business situation and the results of the group in the reporting year included the publication of the Annual Report, the interim financial report and the quarterly financial statement and in some cases related telephone conferences. In addition, a summarized separate non-financial report / group report is published annually (see page 42). The company also regularly uses the transmission paths on the Internet. Axel Springer also took part in conferences at important international stock exchanges and held road shows in the reporting year; further information can be found on page 9 of the Annual Report. In addition, to the extent legally required, the Company will publish information in the form of ad-hoc announcements. Furthermore, it informs the interested public by means of press releases, as well as the company's websites.

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

Preparation and audit of the financial statements

On April 17, 2019, the Annual Shareholders' Meeting re-elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditors of the consolidated financial statements and the individual financial statements of Axel Springer SE for the financial year 2019, upon proposal of the Supervisory Board. The auditor responsible for the audit in the 2019 financial year is Kristian Ludwig.

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

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

Compensation report

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

Executive Board

In accordance with the requirements of the German Stock Corporation Act and the recommendations of the German Corporate Governance Code in the version dated February 7, 2017 (Deutscher Corporate Governance Kodex; hereinafter referred to as "DCGK"), the compensation of the Executive Board members consists of fixed and variable components. All components of compensation are appropriate, both individually and as a whole. The Supervisory Board has considered at length the appropriateness and adequacy of the Executive Board compensation by taking into account a number of criteria, including in particular Section 87 of the German Stock Corporation Act (“AktG”) and Section 4.2.2 sentences 4 and 5 of the GCGC, such as information about the tasks of an individual Executive Board member, the personal performance and the economic position, success and future prospects of Axel Springer. Due consideration is also given to the industry environment.

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

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

The **variable compensation** component in the form of the cash component paid as an annual bonus is based on the performance of the individual within the scope of individual quantitative divisional goals, which are based on the strategy of Axel Springer SE, and the group goals; the amount is limited to twice the amount payable upon 100 % target achievements. Group objectives in 2019, were unchanged to the prior year, the adjusted Group EBITDA and adjusted Group EBIT. The divisional goals of the individual and the Group goals are adopted by the Supervisory Board. Part of the variable cash component is based on annual objectives and in part based on achievement of Group objectives established for an assessment period of three years. Achievement of objectives is initially established by the Supervisory Board members and chairman with the relevant Executive Board member and then reviewed and finalized by the Supervisory Board.

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

The compensation entitlement requires market capitalization of Axel Springer SE to increase by at least 40 % within three, four, and maximally five years (respective performance periods). No claim for compensation can be made below this threshold. In the event of targets being achieved, the whole Executive Board is entitled to payment amounting to a total of 3.63 % of the increase in market capitalization. The compensation entitlement will increase only up to a growth in market capitalization by maximally 60 %. In the prior year, the LTIP was adjusted to the extent that the payment entitlement was initially reduced from 4.0 % to 3.63 %. In the amount of the difference of 0.37 %, selected executives were granted an LTIP substantially under the same terms (see the information in attachment to the notes to the consolidated financial statements, Section (11)).

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

In the event of targets being achieved, an amount in the value of 50 % of the total amount (“payout amount”) will be paid out. On meeting the targets after four or five years respectively, a lock-up period of two or one year respectively follows, before the remaining 50 % of the total amount (“payout amount II”) will be paid out. If targets were reached early after three years, i.e. in the reporting year, each member of the Executive Board would have had the option of requesting payout amount I. The payout amount II would then only have been paid out after renewed target achievement after four or five years and after a waiting period of two or one year, respectively. However, the prerequisites for reaching the target early were not met.

The net amount of all payouts (after the Executive Board member's taxes and duties are paid) in each case has to be fully invested in Axel Springer shares by the Executive Board member. Regarding the shares acquired with payout amount I, or II respectively, the Executive Board member has to retain the shares for a minimum of two years, or one year respectively. The LTIP contains the usual provisions for early resignation.

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

The value of the LTIP at the grant date was calculated on the basis of a stochastic model for the valuation of stock option rights taking into account the seven-year term of the LTIP (including holding periods) and is determined at € 32.1 million. Based on the adjustment made retrospectively at the grant date in the previous year, the value at the grant date was € 29.1 million.

Until the LTIP was introduced in May 2016, the long-term variable compensation component was presented in the form of **virtual stock option plans**, according to which stock options were last granted in 2014. The Executive Board Programs 2014 I and 2014 II were fully exercised in the prior year and thus completed. The non-LTIP Executive Board member was granted a virtual stock option plan in the prior year. The main parameters of the current 2018 plan, as well as the 2014 I and 2014 II plans ended in the previous year, are shown below:

Executive Board Program

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

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

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

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

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

With regards to the Executive Board Programs that are granted, see the information in the notes to the consolidated financial statements under Section (10).

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

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

The total compensation of the Executive Board in the **reporting year 2019** was € 22.1 million (PY: € 22.4 million, including the long-term share-based compensation component for the 2018 stock option plan). The fixed components totaled € 10.4 million (PY: € 10.1 million); this figure also includes components for fringe benefits (company car or company car allowance, the assumption of premiums for insurance against the risk of invalidity and death and security expenses). The variable cash component came to a total of € 11.7 million (PY: € 11.3 million, excluding the long-term share-based compensation component for the 2018 stock option plan in the amount of € 1.0 million). According to this, the fixed compensation including fringe benefits accounted for 47 % (PY: 45 %) of the total compensation in the reporting year.

Guaranteed pension payments to members of the Executive Board resulted in a personnel expense of € 2.1 million in financial year 2019 (PY: € 1.4 million). The cash value of the guaranteed pension payments in pension provisions as of the reporting date totaled € 25.0 million (December 31, 2018: € 20.0 million). Loans or advances were not granted to members of the Executive Board in the 2019 financial year. In the case of guaranteed pension payments to Executive Board members, which became effective with the relevant recommendation in Section 4.2.3 sentence 11 GCGC on June 10, 2013, the Supervisory Board established the pension level desired in compliance with the previously stated Code recommendation and considered the annual and long-term expense for the company derived from this.

Axel Springer SE does not disclose the total compensation of individual Executive Board members by name, given that Sections 314 Para 3 and 286 Para. 5 HGB expressly place the disclosure of Executive Board compensation by name under the reservation of a differing resolution of the Annual Shareholders' Meeting with a qualified majority of the share capital represented upon the adoption of the resolution. The Annual General Meeting of Axel Springer SE on April 18, 2018 passed a corresponding resolution with the required majority.

Supervisory Board

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

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

For the **reporting year 2019**, the Supervisory Board will receive total compensation of € 3.0 million (PY: € 3.0 million). In addition, the company reimburses each member of the Supervisory Board for the expenses incurred as well as the sales tax or statutory taxes applicable to their remuneration and reimbursement of expenses. The company pays the premium for the D&O insurance taken out for members of the Supervisory Board.

Contrary to Section 5.4.6 sentences 5 and 6 of the German Corporate Governance Code, the compensation paid to members of the Supervisory Board, as well as the compensation paid by the company to them for services rendered personally, because the Articles of Association of Axel Springer SE do not regulate the individual distribution of compensation between the members of the Supervisory Board, but expressly assign it to the Supervisory Board; the individualized statement of the remuneration of the Supervisory Board would undermine this allocation of powers to the annual shareholders' meeting. Also on April 18, 2018, the company's Annual General Meeting resolved that the disclosure of the individualized compensation of the members of the Executive Board in the annual and consolidated financial statements of the company, which are to be prepared for the financial years 2018 to 2022 (inclusive), should be avoided, so that consequently the compensation of the Supervisory Board members is not published in individualized form.

report of the supervisory board

Ralph Büchi
Chairman of the Supervisory Board

Dr. h. c. Friede Springer
Vice Chairwoman

Philipp Freise
Partner and Co-Head of EMEA Private Equity at KKR

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

Johannes P. Huth
Partner and Head of KKR EMEA

Franziska Kayser
Director Private Equity KKR

Ulrich Plett
Accountant

Prof. Dr.-Ing. Wolfgang Reitzle
Entrepreneur

Martin Varsavsky
Entrepreneur

Dear Shareholders,

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

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

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

The Supervisory Board discussed with the Executive Board all matters of crucial importance for the Company such as in particular the voluntary public takeover offer by Traviata II S.à.r.l. (KKR-takeover offer), corporate planning, major investment and divestment projects and personnel issues; the strategic orientation of the company was coordinated between the Executive Board and the Supervisory Board and the status in relation to the implementation of the strategy was discussed. It adopted resolutions on all transactions and measures for which the participation of the Supervisory Board is required by law, by the company's Articles of Association, or by the Executive Board's internal rules of procedure.

Composition and meetings of the Supervisory Board

As per the company's Articles of Association, the Supervisory Board is composed of nine members (see page 83 of the Annual Report regarding the individual members of the Supervisory Board). All members of the Supervisory Board were elected at the annual Shareholders' Meeting on April 17, 2019 according to schedule. Instead of Dr. Giuseppe Vita and Lothar Lanz, who left the Supervisory Board at the end of the aforementioned annual shareholders' meeting in the interest of further rejuvenation of the Supervisory Board, Ralph Büchi, COO of Ringier AG until the end of January 2020 and CEO of Ringier Axel Springer Schweiz AG until the end of March 2020, as well as Ulrich Plett, long-time partner at Arthur Andersen and Ernst & Young, independent auditor since 2015, and the previous members of the Supervisory Board were elected to the company's Supervisory Board in accordance with the election proposal of the Supervisory Board. Ralph Büchi became, in succession of Dr. Giuseppe Vita, the Chairman of the Supervisory Board, Ulrich Plett instead of Lothar Lanz the Chairman of the Audit Committee.

The term of office of the members of the Supervisory Board elected at the annual shareholders' meeting ends at the end of the ordinary Annual General Meeting in the 2024 financial year.

In the course of the entry of the strategic investor KKR there were changes in the company's Supervisory Board. On January 2, 2020, the company's Executive Board and the Chairman of the Supervisory Board Ralph Büchi submitted an application for the judicial appointment of Johannes Huth, Philipp Freise and Franziska Kayser to the company's Supervisory Board. The court granted this request by decision of January 7, 2020. The judicial appointment of Johannes Huth, Philipp Freise and Franziska Kayser is limited until the ordinary annual shareholders' meeting in the 2020 financial year. Iris

Knobloch, Dr. Nicola Leibinger-Kammüller and Dr. Alexander Karp had previously resigned from their mandate with effect from December 31, 2019.

Dr. Nicola Leibinger-Kammüller has been a member of the Supervisory Board since July 14, 2010. During her more than nine years of service, she has given significant support to our company based on her outstanding business experience and skills.

Iris Knobloch and Dr. Alexander Karp have been members of the Supervisory Board of Axel Springer SE since April 18, 2018. With their special knowledge of the media and technology sector, their expertise in digitization issues and their international character, they have greatly enriched the Board.

The Supervisory Board likes to thank Iris Knobloch, Dr. Nicola Leibinger-Kammüller and Dr. Alexander Karp for their successful work in the Supervisory Board of Axel Springer SE.

A total of ten Supervisory Board plenary meetings were held in the reporting period, six in the first and four in the second half of the calendar year, with extraordinary meetings held on May 21, June 12, July 11 and October 30, 2019 respectively. In addition, two resolutions of the entire Supervisory Board were passed in circulation proceedings.

No member of the Supervisory Board attended less than 70 % of the plenary or committee meetings in the reporting year. Members of the Supervisory Board who were not present were each excused and took part in the resolutions by written vote.

Important matters addressed by the Supervisory Board

At the meeting on **February 12, 2019**, the Supervisory Board dealt with the financial plan 2019 presented by the Executive Board and approved it. The Executive Board informed the Supervisory Board about preliminary figures for business development in the 2018 financial year. The Supervisory Board was informed about the auditing activities regarding the new Axel Springer building and also dealt with the Goggo Networks project, a joint venture between Martin Varsavsky and Axel Springer in the field of autonomous driving. In addition, various options regarding the corporate structure, as the main focus, were discussed with the Executive Board. Further, the Supervisory Board adopted a resolution to extend the term of office of a member of the Executive Board and the associated extension of the Executive Board service contract.

In its meeting on **March 6, 2019**, the Supervisory Board devoted its attention primarily to the separate financial statements of the parent company and the consolidated financial statements of the Group as of December 31, 2018 (including, in each case, the combined management report and group management report), as well as the report on the company’s dealings with affiliated companies (dependency report), along with the respective audit reports. In accordance with the recommendations of the Audit Committee, it approved the annual financial statements of Axel Springer SE, the consolidated financial statements and the combined management and group management report and approved the dependency report. It followed the Executive Board’s profit utilization proposal for 2018 financial year and agreed to the Corporate Governance Report issued jointly with the Executive Board. In addition, the Supervisory Board adopted a resolution regarding its report for the 2018 financial year which was submitted at the annual shareholders' meeting. In addition, the Supervisory Board reviewed the combined separate non-financial report for the 2018 financial year and approved it on the basis of its final examination. It also approved the achievement of objectives in 2018 for the calculation of the cash component of the variable compensation of the Executive Board and set targets for 2019. The Supervisory Board was also informed about the current status of considerations regarding the corporate structure and investment plans of the company. The Supervisory Board also dealt with the agenda for the 2019 annual shareholders’ meeting. The Executive Board and the Supervisory Board also decided to appoint Dr. Giuseppe Vita as Honorary Chairman of the company. Finally, Dr. Alexander Karp presented the company Palantir and the technologies developed there.

At the meeting held on **April 17, 2019**, the Supervisory Board focused on preparing for the upcoming annual shareholders' meeting. The Supervisory Board was informed about the preliminary business developments in the first quarter of 2019, the status of the negotiations on the sale of the interest in @Leisure and the claim for damages brought against Google by a subsidiary of the company. After the expiry of the self-imposed deadline, the Supervisory Board discussed the results achieved with regard to the targets for the proportion of women on the Supervisory Board and the Executive Board resolved in the 2017 financial year and resolved new targets for both Boards (see page 84 of this Annual Report). Finally, the status of the consideration regarding the corporate structure was discussed.

Immediately after the annual shareholders' meeting, the Supervisory Board of Axel Springer SE, newly elected by the annual shareholders' meeting, met for its constituent meeting on **April 17, 2019**. It elected Ralph Büchi as Chairman and Dr. h. c. Friede Springer as Deputy Chairwoman of the Supervisory Board. The committees of the Supervisory Board were then newly constituted. The Supervisory Board then decided to change its rules of procedure with regard to the distribution of the Supervisory Board compensation.

On **May 21, 2019, June 12, 2019** and **July 11, 2019**, extraordinary plenary meetings were held in the form of conference calls in which the Supervisory Board was informed about the status of negotiations with KKR companies and passed resolutions related to the voluntary public takeover offer, especially the following: At the meeting on May 21, 2019, the Supervisory Board commissioned Lazard & Co.KG to prepare a fairness opinion in preparation for submitting a joint reasoned statement and in order to assess the appropriateness of the consideration offered in the KKR takeover offer. At its meeting on June 12, 2019, the Supervisory Board approved the conclusion of an investor agreement between the company on the one hand and KKR companies, Dr. h. c. Friede Springer and Dr. Mathias Döpfner on the other hand (investor agreement). On June 12, 2019, in preparation of submitting a joint reasoned statement in accordance with Article 27 of Securities Acquisition and Takeover Act (WpÜG) on the takeover bid by KKR the Supervisory Board set up an ad hoc committee. On July 11, 2019, on the basis of the recommendation of the ad hoc committee, the Supervisory Board approved the submission of the joint reasoned statement by the Executive Board and the Supervisory Board in accordance with Article 27 of Securities Acquisition and Takeover Act (WpÜG).

At the meeting on **September 4, 2019**, the Executive Board reported on the preliminary business developments up to and including July 2019, the planned new segment structure and the construction revision. The Executive Board together with the editors-in-chief of the BILD Group and the WELT Group, Julian Reichelt and Dr. Ulf Poschardt, respectively, presented the strategy for the News Media National area to the Supervisory Board.

An extraordinary meeting was held on **October 30, 2019**, in which the Supervisory Board approved the resignation of Dr. Andreas Wiele from the Executive Board of the company at the end of May 31, 2020 and decided on a new distribution of responsibilities for the Executive Board with effect from June 1, 2020.

At its meeting on **November 5, 2019**, the Supervisory Board dealt with Axel Springer's corporate strategy with a focus on News Media International. It was informed about the status of the public takeover offer by KKR as well as current topics from the Executive Board divisions. The Supervisory Board also passed resolution on the regular Declaration of Conformity published on the same day. The Supervisory Board also approved the takeover of management positions within the Group by the members of the Executive Board and dealt with other Executive Board matters. It also carried out a self-assessment of its efficiency and, based on an in-depth discussion, assessed its activity as still efficient. Based on the regular review of the Executive Board remuneration system, the Supervisory Board came to the conclusion that it complies with the legal requirements and in particular is appropriate and geared towards sustainable corporate development. The Supervisory Board was also informed about the preliminary business development in the third quarter of 2019.

In circulation resolutions, approval was granted for the transfer of Axel Springer SE shares by Dr. h.c. Friede Springer and Dr. Mathias Döpfner to their respective holding companies and for the pledging of Axel Springer SE shares by Traviata B.V. in favor of its lenders. In addition, the entire Supervisory Board gave its approval for the application for the judicial appointment of the three new members Johannes Huth, Philipp Freise and Franziska Kayser as members of the Supervisory Board.

Conflicts of interest

In the reporting year, potential conflicts of interest occurred in the Supervisory Board that were related to the takeover offer by KKR, in particular the conclusion of the investor agreement and the joint reasoned statement by the Executive Board and the Supervisory Board on the KKR takeover offer. The affected member of the Supervisory Board abstained from voting on circulation resolutions in this regard and did not take part in consultations or votes at meetings on this topic, respectively did not take part in one meeting.

Corporate governance

The Executive Board and Supervisory Board issued their common Declaration of Conformity (pursuant to Section 161 of the German Stock Corporations Act (AktG)) in November 2019. This explanation with information on exceptions to the recommendations made in the German Corporate Governance Code is made permanently available on the company's website. It is also available on page 77 of the Annual Report.

Additional information on corporate governance in the Axel Springer Group may be found in the joint Corporate Governance Report of the Executive Board and Supervisory Board (see page 77).

Work of the committees of the Supervisory Board

In the interest of performing its duties in an efficient manner, the Supervisory Board has formed an Executive Committee, an Audit Committee, a Personnel Committee, and a Nominating Committee as permanent committees. In March 2017, an Advisory Committee on corporate structure was also formed, which had become redundant as a result of the issues assigned to it being dealt with in the plenary session and was not reappointed following the regular re-election of the Supervisory Board in April 2019. On June 12, 2019, a so-called “ad hoc committee” was formed, which was given the task of preparing the joint reasoned statement of the Supervisory Board in connection with the KKR takeover offer. This committee was dissolved in December 2019 after the task was completed.

The Audit Committee was chaired by Lothar Lanz until he left the Supervisory Board, and since the constituent meeting of the Supervisory Board on April 17, 2019 by Ulrich Plett. The Chairman of the Supervisory Board took over the chairmanship of the other committees of the Supervisory Board, i.e. Dr. Giuseppe Vita until his departure and from the constituent meeting of the Supervisory Board on April 17, 2019 Ralph Büchi. The chairmen of the committees report to the plenum on the work of the committees and the decisions taken by the committees.

Notwithstanding the general responsibility of the entire Supervisory Board, until February 13, 2020 the **Executive Committee** was responsible for matters that are exclusively or predominantly related to publishing or journalism and for matters of strategy, financial planning, investments and their financing. It was in particular responsible, instead of the Supervisory Board, for approving significant management actions undertaken by the Executive Board concerning investments or operative business operations. Finally, the Executive Committee prepared decisions regarding the organization of the Executive Board and took decisions, within stipulated limits, regarding the approval to sell shares of the company and subscription rights to such shares. Until the end of the annual shareholders' meeting on April 17, 2019, the members of the Executive Committee were Dr. Giuseppe Vita as Chairman, Dr. h. c. Friede Springer as the Vice Chairwoman, Lothar Lanz and Prof. Dr. Wolfgang Reitzle; in the constituent meeting of the Supervisory Board on the same day, Ralph Büchi as Chairman of the committee, Dr. h. c. Friede Springer as Vice Chairwoman and Dr. Alexander Karp and Prof. Dr. Wolfgang Reitzle were elected. The responsibility of the Executive Committee was revised on February 13, 2020 by the decision of the Supervisory Board; it is now responsible for deciding, within defined limits, on the approval of the sale of shares of the company and subscription rights to such shares, provided that the decision for a specific transaction has been delegated to it by a resolution of the Supervisory Board, for decisions on transactions that require the approval of the Supervisory Board in accordance with the rules of procedure for the Executive Board. At the same time, the Executive Committee was reconstituted as follows: Ralph Büchi as Chairman of the committee, Dr. h. c. Friede Springer as Deputy Chairwoman, as well as Philipp Freise, Johannes Huth and Prof. Dr. Wolfgang Reitzle.

The Executive Committee held six meetings during the reporting period, one of which was extraordinary. In addition, five resolutions were passed in circulation proceedings.

The Executive Committee agreed upon the following transactions: In April 2019, the sale of the shares in @Leisure Holding BV, in June 2019, the increase of the equity stake in Purplebricks, the continuation of the equity stake in Homeday under changed conditions and the acquisition of 91.2 % (economically it corresponds to 85 % considering existing employee options) of the shares in Appcast by StepStone GmbH, in August 2019, the acquisition of MeilleursAgents and, in October 2019, the acquisition of the remaining shares in Immowelt Holding AG.

Further resolutions were passed, among other things, on the approval of restructuring measures at the company, the granting of approval to conclude control and profit and loss transfer agreements within the Group, and to transfer shares of the company in accordance with Section 5 paragraph 3 of the company's Articles of Association.

The **Personnel Committee** is responsible in particular for preparing decisions on the appointment and dismissal of Executive Board members. It is also responsible for preparing the resolutions to be adopted by the Supervisory Board on the compensation of individual members of the Executive Board. If the Personnel Committee consists of three or more members, then it approves resolutions in lieu of the Supervisory Board in all other matters pertaining to employment contracts; the same applies in matters pertaining to the extension of loans within the meaning of Sections 89, 115 AktG and on the approval of contracts with Supervisory Board members pursuant to Section 114 AktG. If the Personnel Committee consists of two members, then it is responsible for preparing the resolutions to be adopted by the Supervisory Board regarding such matters. To the extent it bears responsibility, the Personnel Committee also represents the company in transactions with individual Executive Board members. Until February 13, 2020, the Personnel Committee, insofar as it consisted of three or more members, was also responsible for making decisions about the approval of the management measures assigned to it, or, insofar as it consisted of two members, for the preparation of these decisions. Until the end of the annual shareholders' meeting on April 17, 2019, the members of the Personnel Committee were Dr. Giuseppe Vita as Chairman and Dr. h. c. Friede Springer as Vice Chairwoman, since the constituent meeting of the newly elected Supervisory Board on the same day Ralph Büchi as Chairman and Dr. h. c. Friede Springer as Vice Chairwoman. By resolution of the Supervisory Board on February 13, 2020, the Personnel Committee was reconstituted as follows: Ralph Büchi as Chairman, Dr. h. c. Friede Springer as Deputy Chairwoman and Johannes Huth as Member of the committee.

The Personnel Committee met three times in the reporting period. Among other things, it prepared the decision of the plenary on the extension of the term of office of one Executive Board member and the associated extension of the respective employment contract as a member of the Executive Board. In addition, it dealt with the target agreements for the cash component of the variable compensation component of the Executive Board compensation.

The **Audit Committee**, notwithstanding the responsibility of the full Supervisory Board, is, among other things, responsible for preparing the decisions to be made by the Supervisory Board on the adoption of the separate financial statements of the parent company and the approval of the consolidated financial statements of the Group, by means of conducting a preliminary review of the separate financial statements, the dependency report, and the consolidated financial statements, as well as the management report for the company and the management report for the Group, the review of the profit utilization proposal, the discussion of the audit report with the independent auditor, as well as the monitoring of the accounting process and the audit, in this regard in particular the independence of the auditor, the monitoring of the effectiveness of the internal control system, the risk management system, the internal auditing system and compliance. In addition, the Audit Committee monitors the non-audit services provided by the auditor and approves them if necessary. It is also responsible for auditing the interim financial statements and interim reports and discussing the auditor's report on a possible audit review of the interim financial statements. With regard to the audit of the financial statements, the Audit Committee is responsible, among other things, for preparing the proposal of the Supervisory Board to the annual shareholders’ meeting on the election of the independent auditor and the engagement of the independent auditor, and for adopting audit priorities, among other matters.

Until the end of the annual shareholders’ meeting on April 17, 2019, the Audit Committee included Lothar Lanz as Chairman, Dr. Giuseppe Vita as Vice Chairman and Oliver Heine and Dr. h. c. Friede Springer as additional members. Since the constituent meeting of the newly elected Supervisory Board on the same day, Ulrich Plett as Chairman, Ralph Büchi as Vice Chairman as well as Oliver Heine and Dr. h. c. Friede Springer constituted the Audit Committee in the reporting year. By resolution of the Supervisory Board on February 13, 2020, the Audit Committee was reconstituted as follows: Ulrich Plett as Chairman, Ralph Büchi as Deputy Chairman and Oliver Heine and Franziska Kayser.

The Audit Committee held four meetings during the course of the reporting year. It has been informed of the scope, course, and result of the 2018 annual financial statements and consolidated financial statements and discussed them with the auditors, prepared the decisions of the Supervisory Board regarding adoption of the financial statements (including the combined management report and group management report) and approval of the Group consolidated statements as well as the audited interim financial statements and reports. Alongside this, in February 2019, the Audit Committee took over the preparation of the passing of the resolution by the full board regarding the proposal at the annual shareholders' meeting to commission the independent auditor for the 2019 financial year. To this effect, the Supervisory Board was also in receipt of written confirmation from Ernst & Young GmbH regarding their independence. In addition, the Audit Committee dealt with the audit priorities of the independent auditor for the 2019 financial year and issued the auditor with the audit assignment for the 2019 financial year. In addition, the Audit Committee dealt with monitoring the effectiveness of the internal control system, the risk management system, the internal auditing system, the compliance management system and other compliance related issues. Among other things, the Audit Committee dealt with the auditors' assignment of non-audit services.

The **Nominating Committee** prepares the proposal of the Supervisory Board to the annual shareholders’ meeting on the election of Supervisory Board members; in particular, it proposes suitable candidates for the Supervisory Board. It develops and reviews job profiles relative to the qualifications expected of Supervisory Board members by the company, and continually adapts them to suit changing company requirements. The Nominating Committee was composed in the year under review until the end of the annual shareholders’ meeting on April 17, 2019 of Dr. Giuseppe Vita as Chairman and Dr. h. c. Friede Springer as Vice Chairwoman, since the constituent meeting of the newly elected Supervisory Board on the same day out of Ralph Büchi as Chairman and

Dr. h.c. Friede Springer as Vice Chairwoman. By resolution of the Supervisory Board on February 13, 2020, the Nominating Committee was reconstituted as follows Ralph Büchi as Chairman, Dr. h.c. Friede Springer as Deputy Chairwoman and Johannes Huth as Member of the committee.

In the reporting year, the Nominating Committee issued a recommendation for the judicial appointment of the new members of the Supervisory Board and a recommendation for the election of new members of the Supervisory Board by the annual shareholders' meeting, which the Supervisory Board followed.

The **ad hoc committee**, which was dissolved due to the completion of tasks in December 2019, held one meeting in the reporting year. The committee consisted of Ralph Büchi as Chairman as well as Iris Knobloch, Ulrich Plett and Prof. Dr. Wolfgang Reitzle as members.

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

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of the parent company and the consolidated financial statements of the Group, as well as the combined management report of the parent company and the Group, all of which were prepared by the Executive Board for financial year 2019, and issued an unqualified audit opinion in every case. In connection with the audit, the independent auditor also noted in summary that the Executive Board has implemented a risk management system that fulfills the requirements of law, and that this system is generally suitable for the early detection of any developments that could endanger the company's survival as a going concern. In the 2019 financial year the auditor responsible for the audit has been Kristian Ludwig.

The aforementioned documents and the proposal of the Executive Board for the utilization of the distributable profit, as well as the audit reports of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, were provided to all members of the Supervisory Board in a timely manner. The documents were audited and discussed in the presence of the independent auditor in the meeting at the Audit Committee of March 9, 2020. The independent auditor reported on the key results of the audit and was available for additional information if required. No deficiencies in the internal control and risk management system, as it relates to the financial accounting process, were noted. The independent auditor explained further the scope, priorities, and costs of the audit. No circumstances that would cast doubt on the impartiality of the independent auditor arose. The Audit Committee resolved to recommend to the Supervisory Board that it approve the separate financial statements of the parent company and the consolidated financial statements of the Group, as well as the combined management report of the parent company and the Group.

The Chairman of the Audit Committee reported to the Supervisory Board in the balance sheet meeting of March 10, 2020 on the investigations carried out by the Committee and the results thereof, alongside their recommendations for approval of the separate financial statements of the parent company and consolidated financial statements of the Group, and the combined management report of the parent company and the Group. The Supervisory Board has reviewed the documents in question, having noted and duly considered the report and recommendations of the Audit Committee and the reports of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, and having discussed them with the independent auditor, who was in attendance.

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

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

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

The audit opinion of the independent auditor reads as follows:

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

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

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

The Supervisory Board also reviewed the report of the Executive Board on the dealings with related parties pursuant to Section 312 of the Stock Corporation Act and the independent auditor's report on this subject. At the Supervisory Board meeting of March 10, 2020, the independent auditor also reported orally on the principal findings of the audit and provided additional information, as requested. The Supervisory Board acknowledged and approved the report of the independent auditor.

Based on the final results of its own review, the Supervisory Board had no objections to raise with respect to the results of the audit report of the independent auditor or the Executive Board's declaration on the report pursuant to Section 312 (3) of the Stock Corporation Act (AktG).

The company has also prepared a combined separate non-financial report for the 2019 financial year; as in prior years, the Supervisory Board decided not to externally review this report. In the balance sheet meeting on March 10, 2020, the Supervisory Board debated, discussed and reviewed the combined separate non-financial report with representatives of the company. The Supervisory Board did not raise any objections after concluding its audit and has approved the report. The report for the 2019 financial year, like the reports for prior financial years, is made available on the company's corporate website.

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

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

Berlin, on March 10, 2020

The Supervisory Board

Ralph Büchi
Chairman

Consolidated Financial Statements

Consolidated Statement of Financial Position

€ millions

ASSETS	Note	12/31/2019	12/31/2018
Non-current assets		**5,550.8**	**5,267.7**
Intangible assets	(4)	4,072.7	3,938.6
Property, plant, and equipment	(5)	832.1	748.3
Non-current financial assets	(6)	553.9	478.0
Investments accounted for using the equity method		280.1	237.4
Other non-current financial assets		273.7	240.6
Receivables due from related parties	(35)	1.7	6.4
Other assets	(8)	35.2	39.7
Deferred tax assets	(25)	55.3	56.7
Current assets		**1,300.6**	**1,211.2**
Inventories		26.5	27.5
Trade receivables	(7)	843.3	782.9
Receivables due from related parties	(35)	9.3	16.5
Receivables from income taxes		44.5	23.6
Other assets	(8)	90.9	79.2
Cash and cash equivalents	(28)	286.1	281.5
Total assets		**6,851.5**	**6,479.0**

€ millions

EQUITY AND LIABILITIES	Note	12/31/2019	12/31/2018
Equity	**(9)**	**2,483.1**	**2,884.2**
Shareholders of Axel Springer SE		2,127.6	2,423.6
Non-controlling interests		355.4	460.6
Non-current provisions and liabilities		**2,880.8**	**2,190.3**
Provisions for pensions	(11)	217.0	209.1
Other provisions	(12)	126.9	86.0
Financial liabilities	(13)	2,102.9	1,467.0
Trade payables		0.2	1.4
Liabilities due to related parties	(35)	23.4	14.6
Other liabilities	(14)	90.0	48.3
Deferred tax liabilities	(25)	320.4	363.9
Current provisions and liabilities		**1,487.6**	**1,404.4**
Provisions for pensions	(11)	20.7	20.6
Other provisions	(12)	220.5	170.8
Financial liabilities	(13)	136.2	63.8
Trade payables		470.0	510.4
Liabilities due to related parties	(35)	59.5	20.9
Liabilities from income taxes		68.0	61.4
Other liabilities	(14)	512.6	556.4
Total equity and liabilities		**6,851.5**	**6,479.0**

Consolidated Income Statement

€ millions	Note	2019	2018
Revenues	(16)	3,112.1	3,180.7
Other operating income	(17)	120.6	169.5
Change in inventories and internal costs capitalized	(18)	98.2	93.5
Purchased goods and services	(19)	–504.5	–549.7
Personnel expenses	(20)	–1,384.3	–1,224.4
Depreciation, amortization, and impairments	(21)	–308.0	–347.9
Other operating expenses	(22)	–882.0	–882.0
Income from investments	(23)	–20.8	–62.2
Result from investments accounted for using the equity method		–20.6	–86.9
Other investment income		–0.2	24.7
Financial result	(24)	–25.2	–21.1
Financial income		5.0	10.5
Financial expense		–30.2	–31.6
Income taxes	(25)	–71.5	–147.9
Net income		**134.6**	**208.4**
Net income attributable to shareholders of Axel Springer SE		99.6	181.0
Net income attributable to non-controlling interests		35.1	27.4
Basic/diluted earnings per share (in €)	**(26)**	**0.92**	**1.68**

Consolidated Statement of Comprehensive Income

€ millions	Note	2019	2018
Net income		**134.6**	**208.4**
Actuarial gains/losses from defined benefit pension obligations		−11.2	−6.5
Items that may not be reclassified into the income statement in future periods (after taxes)		**−11.2**	**−6.5**
Currency translation differences		62.7	9.0
Changes in fair value of derivatives in cash flow hedges		0.1	0.1
Other income/loss from investments accounted for using the equity method		−2.4	−2.6
Items that may be reclassified into the income statement in future periods if certain criteria are met (after taxes)		**60.4**	**6.5**
Other income/loss	**(27)**	**49.2**	**−0.1**
Comprehensive income		**183.8**	**208.4**
Comprehensive income attributable to shareholders of Axel Springer SE		147.0	184.6
Comprehensive income attributable to non-controlling interests		36.8	23.8

Consolidated Statement of Cash Flows

€ millions	Note	2019	2018
Net income		**134.6**	**208.4**
Reconciliation of net income to the cash flow from operating activities			
Depreciation, amortization, impairments, and write-ups		308.0	347.9
Result from investments accounted for using the equity method	(23)	20.6	86.9
Dividends received from investments accounted for using the equity method		0.5	9.1
Result from disposal of consolidated subsidiaries and business units and intangible assets, property, plant, and equipment, and financial assets		–63.7	–81.7
Changes in non-current provisions		44.5	15.6
Changes in deferred taxes		–60.9	–23.5
Other non-cash income and expenses		10.2	–16.4
Changes in trade receivables		–137.4	–71.7
Changes in trade payables		77.7	44.1
Changes in other assets and liabilities		131.4	47.0
Cash flow from operating activities	**(28)**	**465.5**	**565.7**
Proceeds from disposals of intangible assets, property, plant, and equipment less costs of disposal		–1.7	6.4
Proceeds from disposals of consolidated subsidiaries and business units, less cash and cash equivalents given up	(2c)	145.9	285.7
Proceeds from disposals of non-current financial assets		24.9	169.1
Puchases of intangible assets and property, plant and equipment		–249.2	–225.3
Purchases of shares in consolidated subsidiaries and business units less cash and cash equivalents acquired	(2c)	–328.3	–153.1
Purchases of investments in non-current financial assets		–121.9	–203.7
Cash flow from investing activities	**(28)**	**–530.3**	**–120.7**
Dividends paid to shareholders of Axel Springer SE		–226.6	–215.8
Dividends paid to other shareholders		–8.4	–23.1
Purchase of non-controlling interests	(2c)	–337.8	–3.0
Disposal of non-controlling interests		0.3	0.0
Repayments of lease liabilities		–72.0	–60.5
Proceeds from financial liabilities		1,730.9	363.5
Repayments of financial liabilities		–1,020.4	–450.8
Other financial transactions		–1.0	–5.3
Cash flow from financing activities	**(28)**	**65.1**	**– 395.0**
Cash flow-related changes in cash and cash equivalents		**0.3**	**50.0**
Changes in cash and cash equivalents due to exchange rates		2.9	–0.3
Changes in cash and cash equivalents due to changes in companies included in consolidation		1.4	0.1
Cash and cash equivalents at beginning of period		281.5	216.8
Changes to cash and cash equivalents in connection with assets held for sale		0.0	14.9
Cash and cash equivalents at end of period	**(28)**	**286.1**	**281.5**

€ millions

Cash flows contained in the cash flow from operating activities		2019	2018
Income taxes paid		–159.8	–184.9
Income taxes received		15.1	16.2
Interest paid		–17.3	–23.1
Interest received		1.1	1.1
Dividends received		7.4	17.3

Consolidated Statement of Changes in Equity

				Accumulated other comprehensive income					
					Changes in fair value				
€ millions	**Subscribed capital**	**Additional paid-in capital**	**Accumulated retained earnings**	**Currency translation**	**Derivatives in cash flow hedges**	**Other equity**	**Shareholders of Axel Springer SE**	**Non-controlling interests**	**Equity**
Balance as of 01/01/2018	**107.9**	**501.0**	**1,894.6**	**−90.1**	**−0.1**	**−119.9**	**2,293.5**	**511.4**	**2,804.8**
Net income			181.0				**181.0**	27.4	**208.4**
Other income/loss				12.6	0.1	−9.1	**3.6**	−3.6	**−0.1**
Comprehensive income			**181.0**	**12.6**	**0.1**	**−9.1**	**184.6**	**23.8**	**208.4**
Dividends paid			−215.8				**−215.8**	−22.7	**−238.5**
Change in consolidated companies		−5.5	5.4				**−0.1**	−51.1	**−51.2**
Purchase and disposal of non-controlling interests			1.0				**1.0**	−0.7	**0.3**
Non-excercise of Immowelt option rights			159.8				**159.8**		**159.8**
Other changes		0.6	0.1				**0.7**	0.0	**0.7**
Balance as of 12/31/2018	**107.9**	**496.0**	**2,026.2**	**−77.6**	**0.0**	**−129.0**	**2,423.6**	**460.6**	**2,884.2**
Net income			99.6				**99.6**	35.1	**134.6**
Other income/loss				60.6	0.1	−13.3	**47.4**	1.8	**49.2**
Comprehensive income		**0.0**	**99.6**	**60.6**	**0.1**	**−13.3**	**147.0**	**36.8**	**183.8**
Dividends paid			−226.6				**−226.6**	−5.8	**−232.4**
Change in consolidated companies			0.0				**0.0**	−46.4	**−46.4**
Purchase and disposal of non-controlling interests			−268.2		−0.1		**−268.3**	−89.8	**−358.1**
Non-excercise of Immowelt option rights			52.2				**52.2**		**52.2**
Other changes		−0.2	0.0				**−0.2**	−0.1	**−0.3**
Balance as of 12/31/2019	**107.9**	**495.8**	**1,683.2**	**−17.0**	**0.0**	**−142.3**	**2,127.6**	**355.4**	**2,483.1**

Consolidated Segment Report

Operating segments (29)

€ millions	Classifieds Media 2019	Classifieds Media 2018	News Media 2019	News Media 2018	Marketing Media 2019	Marketing Media 2018	Services/Holding 2019	Services/Holding 2018	Consolidated totals 2019	Consolidated totals 2018
Revenues	**1,213.8**	**1,212.5**	**1,430.9**	**1,496.2**	**421.5**	**418.3**	**46.0**	**53.7**	**3,112.1**	**3,180.7**
Internal revenues	2.0	1.0	5.9	7.6	5.9	15.9	122.4	134.9		
Segment revenues	1,215.8	1,213.6	1,436.7	1,503.7	427.4	434.2	168.3	188.6		
EBITDA, adjusted[1)]	**468.4**	**487.2**	**138.5**	**228.2**	**107.8**	**89.6**	**–84.1**	**–67.0**	**630.6**	**737.9**
EBITDA margin, adjusted[1)]	**38.6 %**	**40.2 %**	**9.7 %**	**15.3 %**	**25.6 %**	**21.4 %**			**20.3 %**	**23.2 %**
Thereof income from investments	–9.9	–3.1	9.2	12.7	4.5	6.3	0.0	–0.4	3.8	15.5
Thereof accounted for using the equity method	–9.8	–3.3	6.2	9.3	0.2	1.5	0.0	–0.5	–3.4	7.0
Depreciation, amortization, impairments, and write-ups (except from non-recurring effects and purchase price allocations)	–90.6	–80.5	–66.4	–70.0	–24.5	–23.6	–34.5	–36.0	–216.1	–210.1
EBIT, adjusted[2)]	**377.9**	**406.7**	**72.1**	**158.2**	**83.3**	**66.0**	**–118.6**	**–103.0**	**414.5**	**527.9**
Amortization and impairments from purchase price allocations	–54.1	–54.5	–13.0	–12.5	–24.8	–70.9	0.0	0.0	–91.9	–137.8
Non-recurring effects	40.0	–95.4	–25.9	–12.6	–17.0	57.3	–88.4	38.2	–91.3	–12.5
Segment earnings before interest and taxes	363.7	256.9	33.2	133.0	41.5	52.5	–207.1	–64.8	231.3	377.5
Financial result									–25.2	–21.1
Income taxes									–71.5	–147.9
Net income									**134.6**	**208.4**

Geographical information (29)

€ millions		Germany 2019	Germany 2018	Other countries 2019	Other countries 2018	Consolidated totals 2019	Consolidated totals 2018
Revenues	(30)	1,695.9	1,774.1	1,416.2	1,406.5	3,112.1	3,180.7
Non-current segment assets	(30)	1,537.7	1,487.9	3,367.0	3,199.0	4,904.8	4,686.9

1) Adjusted for non-recurring effects, see Annual Report 2019, p. 38f. and note (30).
2) Adjusted for non-recurring effects and amortization and impairments from purchase price allocations, see Annual Report 2019, p. 38f. and note (30).

Notes to the consolidated Financial Statements

General Information

(1) Basic principles

Axel Springer SE is a European exchange-listed stock corporation (Societas Europaea) with its registered head office in Berlin, Germany. The company is registered in the Commercial Register of the local court Berlin-Charlottenburg under number HRB 154517 B. The principal activities of Axel Springer SE and its subsidiaries ("Axel Springer Group", "Axel Springer" or the "Group") are described in note (29a).

On February 18, 2020, the Executive Board of Axel Springer SE authorized the consolidated financial statements for fiscal year 2019 and subsequently presented them to the Supervisory Board for approval. The consolidated financial statements were prepared by application of Section 315e HGB in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRS IC) approved by the IASB, in effect and recognized by the European Union (EU) on the reporting date. The reporting currency is the euro (€); unless otherwise indicated, all figures are stated in euro millions (€ millions). Totals and percentages have been calculated based on euro amounts before rounding and may differ from a calculation based on the reported million euro amounts.

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

(2) Consolidation

(a) Consolidation principle

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

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

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

Associated companies in which the Axel Springer Group can exert significant influence over the financial and operating policies, as well as joint venture companies that are managed jointly by Axel Springer and one or more other parties, are included in the consolidated financial statements by application of the equity method. The IFRS separate and IFRS consolidated financial statements of these companies as at the Axel Springer Group's reporting date, respectively, serve as the basis for applying the equity method (for exception of this principle see note (6a)). Goodwill as well as assets and liabilities included in the amortized carrying amount are accounted for using the accounting principles applied to business combinations. Losses that exceed the carrying amount of the investment, or any other long-term receivables related to the financing of these companies, are not recognized, unless the Axel Springer Group is bound by additional contribution requirements. Intercompany profits and losses are eliminated on a pro-rated basis. The carrying amounts of investments are tested for impairment; if impairments exist, they are written down to the lower recoverable amount.

(b) Companies included in the consolidated financial statements

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

	12/31/2019	12/31/2018
Fully consolidated companies		
Germany	85	86
Other countries	109	123
Investments accounted for using the equity method		
Germany	12	7
Other countries	7	7

Consolidated companies are listed in note (40). Essentially, the following changes occurred in the reporting year 2019:

At the beginning of January, we acquired 100 % of the shares in Studydrive GmbH, Berlin. The company has been included in our consolidated financial statements by means of full consolidation since then.

At the end of February, we acquired 100 % of the shares in CeleraOne GmbH, Berlin. The company has been fully consolidated since then.

At the beginning of March, we accomplished the acquisition of 51.0 % of the shares in Gehalt.de GmbH (formerly PMSG PersonalMarkt Services GmbH), Hamburg. Gehalt.de and its domestic subsidiaries have been included in our consolidated financial statements by means of full consolidation since then.

At the beginning of June, the disposal of @Leisure Holding B.V., Rotterdam, Netherlands and its 13 fully consolidated subsidiaries was completed.

At the end of June, we acquired 91.2 % of the shares in Appcast, Inc., Lebanon, USA. The company and its foreign subsidiaries has been included in our consolidated financial statements by means of full consolidation since then.

At the end of September, we acquired 100 % of the shares in Falguière Conseil SAS, Paris, France ("MeilleursAgents"). The company has been fully consolidated since then.

The other changes relate to mergers, disposals, foundations and initial consolidations as well as initial at-equity consolidations which are immaterial for the consolidated financial statements.

(c) Acquisitions and divestures

At the end of June, we acquired 91.2 % of the shares in **Appcast, Inc.**, Lebanon, USA, and have since then fully consolidated the company. Appcast is the leading provider of programmatic job classifieds in the USA. Put- and call options have been agreed for the remaining 8.8 % of the shares, for which the purchase price to be paid will be measured by the future performance of the company. Accordingly, we assumed an anticipated acquisition of the remaining shares and did not account for any non-controlling interests.

Acquisition costs amounted to € 80.2 million, consisting of the paid purchase price of € 71.6 million as well as contingent consideration of € 8.6 million for the agreed option rights, recorded at fair-value at the acquisition date. The acquisition-related expenses included in other operating expenses amounted to € 0.6 million in the reporting year and were adjusted as a non-recurring effect (see note (30)).

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

€ millions	Carrying amount after acquisition
Intangible assets	58.7
Property, plant, and equipment	0.1
Trade receivables	5.6
Other assets	0.5
Cash and cash equivalents	5.7
Trade payables	–4.3
Financial liabilities	–0.1
Provisions and other liabilities	–5.0
Deferred tax liabilities	–14.1
Net assets	**47.2**
Acquisition cost	80.2
Goodwill	**33.0**

Of the intangible assets acquired, intangible assets with carrying amounts of € 26.2 million have indefinite useful lives. The non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise, expected synergy effects from the integration and the strategic advantages resulting from the leading market position and digital reach of the company, and was allocated to the Classifieds Media segment.

The gross amount of the acquired trade receivables was € 5.7 million. Corresponding valuation allowances in the amount of € 0.0 million were recorded.

Since initial consolidation at the end of June 2019, Appcast contributed to consolidated revenues in the amount of € 18.7 million and to consolidated net income in the amount of € -1.6 million. If Appcast had already been fully consolidated on January 1, 2019, the consolidated revenues 2019 would have changed by € 34.9 million and consolidated net income 2019 would have changed by € -2.4 million.

At the end of September, we acquired 100 % of the shares in Falguière Conseil SAS, Paris, France (**"MeilleursAgents"**), which has been fully consolidated since then. MeilleursAgents operates the website MeilleursAgents.com, through which real estate owners in France can evaluate their property and find real estate agents.

Acquisition costs amounted to € 201.1 million and were fully paid in the reporting year. The acquisition-related expenses included in other operating expenses amounted to € 0.6 million in the reporting year and were adjusted as a non-recurring effect (see note (30).

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

€ millions	Carrying amount after acquisition
Intangible assets	103.1
Property, plant, and equipment	9.8
Trade receivables	2.4
Other assets	1.7
Cash and cash equivalents	4.0
Trade payables	–1.2
Financial liabilities	–13.6
Provisions and other liabilities	–4.3
Deferred tax liabilities	–21.8
Net assets	**80.1**
Acquisition cost	201.1
Goodwill (preliminary)	**121.0**

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

Of the intangible assets acquired, intangible assets with carrying amounts of € 50.9 million have indefinite useful lives. The non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise, expected synergy effects from the integration and the strategic advantages resulting from the leading market position and digital reach of the company, and was allocated to the Classifieds Media segment.

The gross amount of the acquired trade receivables was € 2.5 million. Corresponding valuation allowances in the amount of € 0.1 million were recorded.

Since initial consolidation at the end of September 2019, MeilleursAgents contributed to consolidated revenues in the amount of € 7.6 million and to consolidated net income in the amount of € -1.3 million. If MeilleursAgents had already been fully consolidated on January 1, 2019, the consolidated revenues 2019 would have changed by € 26.2 million and consolidated net income 2019 would have changed by € -8.0 million.

Further business combinations in the reporting year related in particular to the acquisition of 51.0 % of the shares in Gehalt.de GmbH (formerly PMSG PersonalMarkt Services GmbH), Hamburg, as well as 100 % of the shares in Studydrive GmbH, Berlin, and of CeleraOne GmbH, Berlin, respectively. These acquisitions followed our strategy to become the leading provider of digital journalism and digital classifieds worldwide and had no major effects individually or collectively on the financial position, liquidity, and financial performance of the Axel Springer Group.

The acquisition costs for these business combinations amounted to € 62.7 million and contained besides the purchase prices paid also purchase price retentions of € 1.0 million as well as contingent consideration amounting to € 25.3 million. The acquisition-related expenses, which were recorded in other operating expenses, amounted to € 0.3 million.

The contingent consideration resulted from earn-out and option agreements and were recorded at their fair values on the acquisition date. The fair value predominantly depends on the earnings performance of the acquired companies in the years prior to possible payment or exercise dates. Accordingly, we assumed an anticipated acquisition of the remaining 49.0 % of the shares of Gehalt.de and did not account for any non-controlling interests.

Based on the purchase price allocation, the cumulative acquisition costs of these business combinations were allocated to the purchased assets and liabilities on the acquisition dates as follows:

€ millions	**Carrying amount after acquisition**
Intangible assets	31.0
Property, plant, and equipment	1.9
Trade receivables	1.9
Other assets	1.0
Cash and cash equivalents	1.7
Trade payables	–0.5
Financial liabilities	–1.7
Provisions and liabilities	–2.7
Deferred tax liabilities	–10.1
Net assets	**22.6**
Acquisition cost	62.7
Goodwill	**40.1**

Of the intangible assets acquired in these acquisitions, intangible assets with carrying amounts of € 13.7 million have indefinite useful lives. The non-tax-deductible goodwill are above all attributable to inseparable values such as employee expertise as well as expected synergy effects from the integration and was allocated to the Classifieds Media (€ 33.2 million) and News Media (€ 6.9 million) segments.

Since the initial consolidations of these companies they have contributed to consolidated revenues in the amount of € 5.0 million and to consolidated net income in the amount of € -6.0 million. If these acquisitions had already been finalized on January 1, 2019, consolidated revenues 2019 would have changed by € 6.3 million and consolidated net income 2019 by € -5.4 million.

In June, we purchased a further 14.2 % of the shares in **Purplebricks Group plc,** Solihull, United Kingdom, which already has been included in the consolidated financial statements using the equity method, for a total purchase price of € 49.2 million and thereby increased our shareholding to approximately 26.6 % (see note (6a)).

At the beginning of November, we increased our shares in **Immowelt Holding AG**, Nuremberg, by 45 % to 100 % of the shares for a purchase price of € 357.9 million, of which € 336.3 million was paid in the reporting period (see note (28)). The fully takeover of Immowelt group is a further step to accelerate the growth and collaboration of all real estate portals belonging to AVIV group. The transaction was classified as an acquisition of non-controlling interests. The share of net assets attributable to non-controlling interest at the acquisition date was € 89.1 million which have been derecognized. The resulting difference of € 268.7 million to the overall purchase price was offset against the net income attributable to shareholders of Axel Springer SE (see note (9d)).

At the beginning of June, 51 % in previously fully consolidated **@Leisure Holding B.V.**, Rotterdam, Netherlands and all subsidiaries of the @Leisure group have been fully disposed for a purchase price of € 185.5 million. The gain on disposal of € 67.9 million (before disposal related costs) was recorded as other operating income, attributed to the Classifieds Media segment and adjusted as a non-recurring effect (see note (30)). The gain on disposal includes expenses from foreign currency translation differences previously recorded in other comprehensive income in equity in the amount of € 0.1 million. As part of the disposal process, disposal-related costs in the amount of € 8.7 million were recorded in personnel expenses as well as other operating expenses and adjusted as a non-recurring effect (see note (30)). The carrying amounts of the assets and liabilities disposed of and of the share of non-controlling interests were as follows:

€ millions	**Carrying amount**
Goodwill	71.0
Intangible assets	142.8
Property, plant, and equipment and non-current financial assets	15.9
Trade receivables	86.0
Other assets	6.6
Cash and cash equivalents	41.6
Trade payables	–125.3
Financial liabilities	–8.0
Provisions and other liabilities	–39.5
Deferred tax liabilities	–27.1
Disposal net assets	**163.9**
Share of non-controlling interests in net assets	–46.4
Cumulative translation differences	–0.1
Selling price	185.5
Gain on disposal	**67.9**

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

Acquisitions and divestures in the previous year:

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

Acquisition costs, taking into account purchase price adjustments based on net debt and net working capital, amounted to € 95.3 million and were fully paid in the financial year 2018. The acquisition-related expenses, included in other operating expenses, amounted to € 1.2 million in the financial year 2018 and were adjusted as a non-recurring effect (see note (30)).

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

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

Of the intangible assets acquired, intangible assets with carrying amounts of € 37.9 million have indefinite useful lives. The non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise, expected synergy effects from the integration and the strategic advantages resulting from the leading market position and digital reach of the company, and was allocated to the Classifieds Media segment.

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

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

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

The acquisition costs amounted to € 41.0 million and contained the purchase price of € 37.9 million paid in the financial year 2018 (including a purchase price adjustment and an earnout payment for earnings targets 2017) and the repayment of a loan taken over by the company in the amount of € 3.0 million. In addition, further earnouts were agreed, which are measured based on future EBIT targets, which can increase the acquisition costs by a maximum of SEK 75.0 million (around € 7.3 million), and which were valued at € 0.0 million at acquisition date. The acquisition-related expenses, recognized under other operating expenses, amounted to € 0.5 million in the financial year 2018 and were adjusted as a non-recurring effect (see note (30)).

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

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

Of the intangible assets acquired, intangible assets with carrying amounts of € 16.8 million have indefinite useful lives. The non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise, expected synergy effects from the integration and the strategic advantages resulting from the leading market position and digital reach of the company, and was allocated to the Classifieds Media segment.

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

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

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

For the disposal of our shares in **Doğan TV** to Doğan Holding for a total purchase price of € 160.0 million see note (34).

At the end of April 2018, we have completely disposed our fully consolidated (78.31 %) shares in **AUFEMININ SA,** Paris, France, and all related subsidiaries of the aufeminin Group for a total price of € 291.5 million. The gain reported in other operating income in the financial year 2018 attributed to the Marketing Media segment amounted to € 49.4 million and was adjusted as a non-recurring effect (see note (30)). The results from the disposal include expenses from foreign currency translations in the amount of € 2.5 million previously recognized as other comprehensive expenses reported under equity. As part of the divestment process, disposal-related costs of € 7.0 million were incurred in the financial year 2018, recognized in personnel as well as other operating expenses and adjusted as a non-recurring effect (see note (30)). The carrying amounts of the assets and liabilities disposed of and of the share of non-controlling interests were as follows:

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

At the end of July 2018, we have completed the sale of our **newspaper and magazine portfolio in Slovakia**, including the associated online services. For this purpose, all of the business units of Ringier Axel Springer Slovakia were transferred into three companies; thereof two companies were completely disposed for a total price of € 60.5 million. The loss on disposal recognized in other operating expenses in the financial year 2018 and attributed to the News Media segment amounted to € -0.8 million and was adjusted as a non-recurring effect (see note (30)). As part of the transaction, disposal-related costs of € 0.9 million were incurred in the financial year 2018, which were recognized in personnel as well as other operating expenses and adjusted as a non-recurring effect (see note (30)). The carrying amounts of the assets and liabilities disposed of and of the share of the non-controlling interests were as follows:

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

Additional transactions carried out in the financial year 2018, as well as finalizations of purchase price allocations arising from acquisitions of companies in 2017, had no material effects individually and collectively on the financial position, liquidity, and financial performance of the Axel Springer Group.

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

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

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

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

1 € in foreign currency	Average price		Exchange rate on balance sheet date	
	2019	2018	12/31/2019	12/31/2018
British pound	0.88	0.88	0.85	0.90
Israeli Schekel	3.99	4.24	3.88	4.30
Polish zloty	4.30	4.26	4.26	4.30
Swiss franc	1.11	1.15	1.09	1.13
US-Dollar	1.12	1.18	1.12	1.15

(3) Explanation of significant accounting and valuation methods

(a) Basic Principles

The accounting and valuation principles applied uniformly across the Axel Springer Group in the reporting year 2019 have basically not changed in comparison to the previous year.

(b) Revenue recognition

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

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

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

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

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

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

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

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

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

(c) Intangible assets

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

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

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

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

(d) Property, plant and equipment

Property, plant and equipment, with the exception of leasing rights, are measured at acquisition or production cost and depreciated over their expected useful lives using the straight-line method. Any gains or losses on the disposal of property, plant and equipment were reported as other operating income or expenses. For depreciation purposes, the following useful lives are essentially applied:

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

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

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

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

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

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

As a lessor, we operate, in particular, in the context of subletting office space. On the provision date, we evaluate as to whether an operating or finance lease exists. If all material risks and rewards are transferred, this is a finance lease. In that case, a receivable in the amount of the net investment in the lease is accounted for in other financial assets. We report the corresponding interest income in the financial result. Lease payments from operating lease activities are recognized as revenue in the income statement.

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

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

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

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

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

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

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

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

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

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

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

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

(f) Financial assets and liabilities

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

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

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

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

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

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities (e.g. stock market prices).
- Level 2: Input factors other than prices quoted in Level 1, which are observable for the asset or the liability, either directly or indirectly (e.g. interest yield curves, forward rates).
- Level 3: Input factors which are not observable on a market for the asset or the liability (e.g. estimated future results).

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

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset have expired or have been transferred to third parties, or when the Group has assumed a contractual obligation to pay the cash flows to a third party, under which the risks and rewards or the power of control were transferred. Provided that after reasonable assessment, we cannot assume that a financial asset is completely or partly realizable anymore, a depreciation and thus a derecognition of this asset is made. If the financial assets are overdue more than one year, we do not assume a realizability anymore. A financial liability is derecognized when the obligation underlying the liability is settled or annulled or has expired.

Investments

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

Loans, receivables, and other non-derivative financial assets

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

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

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

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

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

Financial derivatives

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

Financial liabilities

Upon initial recognition, other non-derivative financial liabilities are measured at fair value less transaction costs. In subsequent periods, they are principally measured at amortized cost using the effective interest method. For the accounting of lease liabilities see note (3d).

Contingent consideration arising from acquisitions (see note (2a)), from earn-out agreements in the context of acquisitions and from the acquisition of non-controlling interests are recognized at fair value after initial recognition and are shown under other financial liabilities. To the extent it can be reliably measured, this value is derived from the estimated earnings of the acquired companies in the years prior to the possible exercise dates of the options or the payment dates of the earn-outs. Changes in the fair value are recognized in income through profit and loss. The discount rates are determined on the basis of the Group's cost of debt. The earnings used as a basis for measurement are generally EBITDA figures adjusted for material non-recurring effects.

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

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

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

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

The results from continued operations in the fiscal year and the previous year are shown in the income statement. The results from discontinued operations, if existing, are shown separately. In this case, cash inflows and cash outflows from discontinued operations are shown separately in the notes to the consolidated financial statements. The information in the notes relate to the continued operations of the Group.

(i) Pension provisions
Pension obligations under defined benefit plans and a reimbursement right referring to this disclosed in the other financial assets, are determined using the projected unit credit method under which future changes in compensation and benefits are taken into account. Plan assets are recognized at fair value. In order to calculate the pension provisions, the present value of the obligations is netted against the fair value of the plan assets.

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

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

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

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

when the intended measures have been sufficiently concretized and announced on or before the reporting date.

(k) Income taxes

Income taxes are taxes paid or taxes payable on income as well as deferred taxes. Income taxes consist of trade tax, corporation tax, solidarity surcharge and the corresponding foreign income tax. The calculation of income taxes is based on legal regulations and tax rates applicable in the respective countries. When assessing income tax treatments, uncertainties may arise as to how the respective tax legislations must be applied. In these cases, we consider what we believe to be the most likely amount in a range of possible outcomes.

Deferred taxes are recognized to account for the future tax effects of temporary differences between the tax bases of assets and liabilities and the carrying amounts of those assets and liabilities in the consolidated financial statements, and for interest and tax loss carry-forwards. Deferred taxes are measured on the basis of the tax laws already enacted for those fiscal years in which it is probable that the differences will reverse or the tax loss carry-forwards can be utilized. Deferred tax assets are recognized for temporary differences or interest and tax loss carry-forwards only when the ability to utilize them in the near future appears to be reasonably certain. Deferred taxes are recognized for temporary differences resulting from the fair value measurement of assets and liabilities obtained through business combinations. Deferred taxes are recognized for temporary differences relating to goodwill only when the goodwill can be utilized for tax purposes. Deferred tax assets and liabilities of tax groups are netted if they are based on the same kind of income taxes; otherwise, they are netted only if the deferred taxes are based on the income taxes imposed by the same tax authority and only when current taxes can be netted as well.

(l) Share-based payment programs

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

(m) Transactions in foreign currencies

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

(n) Estimates and assumptions

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

(o) New accounting standards

For the reporting year 2019, IFRS Standards and IFRS Interpretations to be applied for the first time had no material impact for Axel Springer. We have applied the new lease accounting standard, IFRS 16 „Leases“, already in the previous financial year. There were also no mandatory applicable statements published by IASB and IFRS IC, that will have material impact on the Axel Springer consolidated financial statements.

Notes to the consolidated statement of financial position

(4) Intangible Assets

The changes in intangible assets were as follows:

€ millions	Purchased rights and licenses	Internally generated rights	Goodwill	Total
Acquisition or production cost				
Balance as of 01/01/2018	2,039.8	369.2	2,310.0	4,719.0
Initial consolidation	83.6	1.4	85.5	170.5
Deconsolidation	–11.6	–3.5	–3.3	–18.3
Currency effects	1.2	–0.3	5.0	5.9
Additions	30.4	80.0	0.0	110.4
Disposals	–8.0	–28.8	0.0	–36.9
Reclassifications	3.5	–3.5	0.0	0.0
Balance as of 12/31/2018	**2,138.9**	**414.5**	**2,397.1**	**4,950.5**
Initial consolidation	192.8	0.0	196.2	389.1
Deconsolidation	–173.6	–11.5	–84.5	–269.6
Currency effects	26.2	4.9	31.9	63.0
Additions	23.0	87.1	0.0	110.1
Disposals	–16.6	–3.5	0.0	–20.1
Balance as of 12/31/2019	**2,190.7**	**491.4**	**2,540.8**	**5,223.0**
Depreciation, amortization, and impairments				
Balance as of 01/01/2018	566.0	218.4	30.3	814.7
Deconsolidation	–1.1	–2.7	0.0	–3.8
Currency effects	–1.1	0.0	0.0	–1.1
Additions	*119.9*	*73.3*	*42.3*	*235.5*
Thereof depreciation	*118.8*	*70.9*	*0.0*	*189.8*
Thereof impairment losses	*1.1*	*2.3*	*42.3*	*45.7*
Disposals	–4.6	–28.8	0.0	–33.4
Reclassifications	3.4	–3.4	0.0	0.0
Balance as of 12/31/2018	**682.4**	**256.8**	**72.6**	**1,011.8**
Deconsolidation	–29.1	–8.6	–7.4	–45.1
Currency effects	5.2	2.9	0.0	8.2
Additions	*102.0*	*77.7*	*13.4*	*193.1*
Thereof depreciation	*100.3*	*76.1*	*0.0*	*176.4*
Thereof impairment losses	*1.7*	*1.6*	*13.4*	*16.7*
Disposals	–14.5	–3.2	0.0	–17.7
Balance as of 12/31/2019	**746.0**	**325.7**	**78.6**	**1,150.3**
Carrying amounts				
Balance as of 12/31/2019	1,444.7	165.8	2,462.2	4,072.7
Balance as of 12/31/2018	1,456.4	157.6	2,324.5	3,938.6

At the balance sheet date, the purchased rights and licenses mainly comprised title rights, trademarks, and customer relationships as in the previous year. The internally generated rights mainly consisted of software solutions and websites as in the previous year.

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

	€ millions					
2019	Goodwill	Other intangible assets with indefinite useful life	Total	Discount rate (before tax)	Discount rate (after tax)	Growth rate
SeLoger	522.3	165.2	687.6	9.5 %	7.3 %	2.0 %
StepStone	364.1	209.6	573.7	9.3 %	7.4 %	2.0 %
Business Insider	223.1	156.8	379.9	9.1 %	7.6 %	2.0 %
Ringier Axel Springer Media	183.7	169.2	352.9	7.7 %	7.0 %	2.0 %
Awin	251.1	0.3	251.4	10.0 %	8.0 %	2.0 %
Yad2	146.7	59.1	205.8	9.1 %	7.5 %	2.0 %
eMarketer	123.8	78.0	201.8	9.3 %	7.6 %	2.0 %
Immowelt	142.1	55.9	198.0	8.7 %	6.7 %	2.0 %
MeilleursAgents	121.0	50.9	171.9	9.3 %	7.3 %	2.0 %
Others	384.5	112.1	496.5	6.6 % – 10.8 %	5.0 % – 8.5 %	0.0 % – 2.0 %
Total	**2,462.2**	**1,057.2**	**3,519.4**			
thereof Classifieds Media	1,493.9	632.1	2,126.0			
thereof News Media	627.6	409.4	1,036.9			
thereof Marketing Media	340.4	15.6	356.0			

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

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

€ millions	01/01/2018	Initial consolidation	Deconsolidation	Currency effects	Reclassifications	12/31/2018	Initial consolidation	Deconsolidation	Currency effects	12/31/2019
SeLoger	463.4	59.5	0.0	0.0	0.0	522.9	0.0	–0.6	0.0	522.3
StepStone	235.7	24.5	0.0	–1.2	31.9	291.0	66.2	0.0	6.9	364.1
Awin	247.4	0.0	0.0	0.6	0.0	248.0	0.0	0.0	3.0	251.1
Business Insider	209.0	0.0	0.0	9.8	0.0	218.7	0.0	0.0	4.3	223.1
Ringier Axel Springer Media	192.5	–1.6	–1.6	–5.4	0.0	183.9	0.0	0.0	–0.2	183.7
Yad2	134.8	0.0	0.0	–4.3	0.0	130.5	2.1	0.0	14.1	146.7
Immowelt	142.1	0.0	0.0	0.0	0.0	142.1	0.0	0.0	0.0	142.1
eMarketer	115.9	0.0	0.0	5.5	0.0	121.4	0.0	0.0	2.4	123.8
Meilleurs Agents	0.0	0.0	0.0	0.0	0.0	0.0	121.0	0.0	0.0	121.0
@Leisure	69.8	2.9	–1.6	0.0	0.0	71.0	0.0	–71.0	0.0	0.0
Total	**1,810.6**	**85.3**	**–3.3**	**5.0**	**31.9**	**1,929.5**	**189.3**	**–71.6**	**30.5**	**2,077.7**

In addition to the discount rates and growth rates stated above, the impairment tests depend upon the medium-term planning of the reporting units.

For the medium-term planning of the **SeLoger Group**, which includes the portals of SeLoger and Logic-Immo, the ongoing integration of the two portals and the realization of synergies is a key driver. In particular, the marketing of the duo offers will be given a high priority on the sales side. In addition, customer satisfaction is to be increased through technical improvements to the platform and the expansion of customer service. On the sales and marketing side, the SeLoger Group also intends to concentrate more on regions in France where the SeLoger Group has potential for higher market penetration. The high level of brand awareness of the core brands SeLoger and Logic-Immo will be supported and further expanded through continuous investment in marketing. The online real estate advertising market in France is expected to grow moderately for the planning period.

With the acquisition of **MeilleursAgents**, the leading agent between willing-to-sell property owners and real estate agents in France, in September 2019, synergies with the SeLoger Group, in particular in matters of product and sales, are to be realized as part of the "seller leads" growth initiative. Furthermore, by increasing brand recognition as well as product improvements, price increases shall be achieved and the number of cooperating agents shall be increased.

After challenging macroeconomic conditions in 2019, especially in the two core markets Germany and the UK, the medium-term planning of the **StepStone Group** is based on the assumption that the economic circumstances in continental Europe will stabilize during the planning period and uncertainties in the UK market will decrease as more clarity is gained about Brexit. While continuing to invest in future growth markets and innovative business models, such as Appcast, Universum, Studydrive and Gehalt.de, in Germany in particular, it is intended to invest in branding campaigns to strengthen brand recognition and expand the market position, in order to encounter the intensifying competition. In addition, marketing expenses for traffic purchases will increase in order to secure still a high candidate supply rate per display as an important measure of customer satisfaction with increasing advertising volumes. Capital expenditures in product and IT development contribute to this. In addition to the acquisition of new customers, revenue growth in the planning period shall be realized through the development of existing customers.

In the medium-term planning, **Business Insider** expects significant growth in revenues. In addition to the advertising revenues as the main source of revenue and the revenues from content commerce, the revenue from the expansion of B2C subscription offers (BI Prime) are a key driver of revenue growth. Extensive investments are planned at the beginning of the planning period, especially in the areas of journalism and product & technology. In order to adequately take into account, the build-up and expansion of the company to a stable condition in the context of the estimation of the future cash flows, a detailed planning period of six years was applied, exceeding the detailed planning period principally used.

In the medium-term planning of **Ringier Axel Springer Media** we assume that the structural shift from print to digital channels will continue to increase: It is planned that revenue streams in sales and in the print advertising market will continue to decline in the coming years, although the decline in circulation will at least be partly compensated by price increases. The growth drivers are the digital business models, especially paid services and classifieds, which are gaining in importance in the long term and are therefore being continuously expanded with the help of strategic product initiatives and further developments. Furthermore, it is planned to improve profitability through automation and cost optimization.

The medium-term planning of **Awin Group** is primarily characterized by implementing strategic projects. These include the creation of a self-service platform for small and medium-sized companies, customized software-as-a-service solutions for large customers and the establishment of flexible payment models. This should bind existing customers more strongly and win new customers, so that a significant increase in revenue growth can be realized over the next few years.

For medium-term planning of **Immowelt Group** we assume that market conditions will remain stable. The growth in the core business is to be achieved in particular through the expansion of the customer-oriented sales approach, which focuses besides on winning new customers, also on developing existing customers and reducing the termination rate. In addition, brand recognition is to be increased through marketing investments in both the core business and the new growth initiatives "seller leads" and "developers". As part of the "seller leads" initiative, agents, similar to MeilleursAgents and SeLoger in France, are connected with property owners who are potentially ready to sell. The developer initiative aims to provide attractive offers with a differentiated price and sales strategy to property developers for the presentation of their projects.

The medium-term planning of **eMarketer** takes into account the merger of the B2B business of eMarketer and Business Insider Intelligence and will benefit in the future from the combination of the digital expertise of both business areas which will lead to a significant increase in revenues in the planning period due to the bundling of products at higher prices and the further developing of existing products and building of new content verticals. Additional growth potential will be realized through the integration of the organization, processes and systems.

The medium-term planning for **Yad2** is based on the assumption of moderate macroeconomic growth rates for Israel. In the classifieds market, Yad2 benefits from high brand awareness and a very good market position. In order to cope with the nevertheless growing competitive situation, Yad2 is investing in marketing, personnel and IT during the planning period. The growth in classifieds revenues is expected to come primarily from an increase in average customer revenues, which should be achieved in particular through the sale of additional products, new pricing strategies and an increasing number of customers. In contrast, the banner business is planned to decline. In addition, Yad2 is investing in growth initiatives such as "Seller Leads", i.e. connecting property owners who are willing to sell their property and have it valued via the Yad2 portal to real estate agents.

As in the previous year the recoverable amount was determined as the value in use for all reporting units. In the course of a sensitivity analysis, we have assumed separately for each of our large reporting units a 10 % decrease of future cash flows in the last planning year, a 10 % increase of the weighted average costs of capital or a decrease of the terminal growth rate by half a percent-age point. On this basis, as in the previous year, no large reporting unit showed that their carrying amounts of the assets exceeded their recoverable amounts.

Goodwill and intangible assets with indefinite useful lives allocated to the other reporting units of the Group of € 496.5 million (PY: € 510.6 million) amounted to less than 5 % of the total value like in the previous year. In the course of a sensitivity analysis, we have assumed separately for each of our other reporting units a 10 % decrease of future cash flows in the last planning year, a 10 % increase of the weighted average costs of capital or a decrease of the terminal growth rate by half a percentage point. Like in the previous year only for one of the other reporting units an impairment was indicated. For this other reporting unit which is allocated to the Marketing Media segment and generates digital advertising revenues in Germany and various other countries, primarily via the mobile Internet, an impairment of € 13.4 million (PY: € 42.3 million) on goodwill was recorded in the reporting year. As in the previous year the impairment was the result of adjusted earnings planning in the coming years due to market-related reduced expectations of the business development of the core business areas in Germany as well as the higher than previously assumed development of the permanent costs for necessary technological developments. The recoverable amount of the reporting unit was determined on the basis of the net realizable value at € 25.9 million (PY: € 46.9 million). The calculation was based on non-observable input factors (Level 3) using a discounted cash flow method with a post-tax discount rate of 8.5 %

(PY: 8.2 %) and a terminal growth rate of 2.0 % (PY: 2.5 %). As a result, the sensitivity analysis for this other reporting unit showed that a decrease of the future cash flows in the last planning year by 10 %, an increase in weighted capital costs of capital of 10 % and a reduction of half a percentage point in the long-term growth rate would lead to an additional impairment of € 1.3 million, € 1.8 million or € 0.9 million (PY: € 3.6 million, € 5.4 million or € 2.9 million) respectively.

(5) *Property, plant and equipment*

The changes in property, plant and equipment were as follows:

€ millions	Land and buildings	Technical equipment and machinery	Other equipment, operational and office equipment	Prepayments on construction in progress	Right-of-use assets	Total
Acquisition or production cost						
Balance as of 01/01/2018	291.6	546.4	265.1	93.9	190.9	1,387.8
Initial consolidation	0.0	0.0	0.9	0.0	4.9	5.8
Deconsolidation	–0.1	0.0	–0.7	0.0	–0.8	–1.5
Currency effects	–0.8	–0.4	0.1	0.0	1.0	–0.2
Additions	1.5	3.1	23.1	87.5	134.9	250.1
Disposals	–62.5	–2.6	–25.4	–0.1	–19.2	–109.8
Reclassifications	–0.6	–1.3	–5.2	–3.2	10.2	0.0
Balance as of 12/31/2018	**229.1**	**545.2**	**257.9**	**178.2**	**321.8**	**1,532.2**
Initial consolidation	0.0	0.0	1.0	0.0	10.8	11.8
Deconsolidation	–5.2	0.0	–8.0	0.0	–10.7	–23.9
Currency effects	0.3	0.0	1.8	0.0	3.5	5.5
Additions	2.4	4.3	22.1	116.0	61.3	206.1
Disposals	–4.6	–8.0	–19.2	0.0	–13.7	–45.5
Reclassifications	6.6	2.6	1.5	–10.7	0.0	0.0
Balance as of 12/31/2019	**228.6**	**544.1**	**257.0**	**283.5**	**373.0**	**1,686.1**
Depreciation, amortization, and impairments						
Balance as of 01/01/2018	122.3	437.5	185.4	0.0	0.0	745.2
Deconsolidation	0.0	0.0	–0.6	0.0	–0.2	–0.8
Currency effects	–0.2	–0.2	–0.3	0.0	0.0	–0.7
Additions	5.1	20.0	27.1	0.0	60.2	112.4
Thereof depreciation	*5.1*	*19.9*	*27.0*	*0.0*	*60.2*	*112.2*
Thereof impairment losses	*0.0*	*0.1*	*0.1*	*0.0*	*0.0*	*0.2*
Disposals	–35.3	–2.5	–24.7	0.0	–9.7	–72.2
Reclassifications	–1.5	–4.4	–4.0	0.0	10.0	0.0
Balance as of 12/31/2018	**90.3**	**450.4**	**182.9**	**0.0**	**60.3**	**783.9**
Deconsolidation	–1.5	0.0	–4.6	0.0	–2.8	–8.8
Currency effects	0.0	–0.1	1.0	0.0	0.5	1.5
Additions	5.5	19.7	25.3	0.0	64.4	114.9
Thereof depreciation	*5.5*	*19.7*	*25.3*	*0.0*	*64.4*	*114.9*
Thereof impairment losses	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Disposals	–4.5	–8.0	–18.0	0.0	–7.1	–37.5
Balance as of 12/31/2019	**89.9**	**462.1**	**186.6**	**0.0**	**115.4**	**854.0**
Carrying amounts						
Balance as of 12/31/2019	138.7	82.0	70.4	283.5	257.5	832.1
Balance as of 12/31/2018	138.8	94.8	75.0	178.2	261.5	748.3

As of December 31, 2019, property, plant and equipment with acquisition or production costs of € 286.8 million (PY: € 254.6 million) were in use, that had already been fully depreciated.

At the balance sheet date, property, plant and equipment amounting to € 7.5 million (PY: € 7.7 million) had been pledged as security for own liabilities.

Additions during the reporting year in construction in progress amounted to € 99.0 million (PY: € 76.0 million) and related to the new Axel Springer building in Berlin. In July 2017, a contract was signed for the sale of the new Axel Springer building under construction. The purchase price amounts to € 425 million (before tax payments of approximately € 30 million). The sale is subject to the completion of the construction and expected to be completed in the first half of 2020. Axel Springer will then rent the new building on a long-term basis. For further information on the construction project see note (37).

The following right-of-use assets from leases were accounted for:

€ millions	12/31/2019	12/31/2018
Real Estate	247.3	246.2
Technical equipment and machinery	0.8	2.4
Other equipment, operational and office equipment	9.4	12.9
Right-of-use assets	**257.5**	**261.5**

Depreciations regarding right-of-use assets from leases broke down as follows:

€ millions	2019	2018
Real Estate	55.5	52.0
Technical equipment and machinery	1.6	1.5
Other equipment, operational and office equipment	7.3	6.8
Depreciation on right-of-use assets	**64.4**	**60.2**

On January 1, 2018, the Axel Springer high-rise (main building) in Berlin was transferred with a fair value of € 156.0 million for the formation of plan assets to Axel Springer Pensionstreuhand e.V., Berlin, ("association") on a fiduciary basis. In return, the association made a payment in the amount of € 15.6 million, so that the plan assets increased in total by € 140.4 million. For further use of the building by Axel Springer, a rental contract with a duration of 30 years and an initial annual rent in the amount of € 5.9 million was concluded with the association. The disposal and leaseback are reported as a so-called sale-and-leaseback transaction. Consequently, the remaining carrying amount of the building as of January 1, 2018 (€ 27.0 million) in the amount of € 19.7 million was to be carried forward as a new leasing right-of-use asset and derecognized in the amount of € 7.3 million. On the basis of the future rent payments, a lease liability in the amount of € 113.8 million was recognized as of January 1, 2018. In total, the transaction resulted in income of € 34.9 million in the fiscal year 2018 which was adjusted as a non-recurring effect (see note (30)).

For further information on right-of-use assets and lease liabilities see note (3d), (13), (15), (16), (22), (24), (28) and (37).

(6) Non-current financial assets

(a) Investments recognized using the equity method

We still legally hold a 50 % stake in **Ringier Axel Springer Schweiz AG**, Zurich, Switzerland, which gathers all Swiss-German and West Swiss newspaper and broadsheet titles (including their associated online portals) of Ringier and Axel Springer. Due to rights granted to Ringier under the shareholder agreement, we account for our investment in this associated company using the equity method. The share of the total comprehensive income attributable to us diverges from the legal share due to special contractual arrangements with regard to profit participation. The same applies in the event of the disposal of the investment, for which our share is 35 %.

Summarized financial information (pursuant to IFRS) regarding the investment (on a 100 % basis, including PPA effects and furthermore for the net assets including goodwill) are shown below:

€ millions	2019	2018
Revenues	**190.7**	**198.8**
Income after taxes*	0.0	0.5
Other income/loss	–6.0	–3.7
Comprehensive income	**–6.0**	**–3.2**

* Income after taxes (without effects from purchase price allocations): € 9.7 million (PY: € 14.5 million)

€ millions	12/31/2019	12/31/2018
Current assets	65.1	67.8
Non-current assets	348.1	452.4
Current liabilities	–110.2	–121.5
Non-current liabilities	–97.8	–105.6
Net assets	**205.2**	**293.2**

Of the total comprehensive income, an amount of € -0.3 million (PY: € 0.2 million) is attributable to our share. Taking into account an impairment loss in the amount of € 29.0 million in the reporting year (PY: write-up of € 1.2 million), which was eliminated as a non-recurring effect (see note (23) and (30)), we thus disclose a carrying amount of € 82.7 million (PY: € 107.9 million) for our investment as of December 31, 2019. The change in the carrying amount of the investment also resulted from currency translation effects recognized in accumulated other comprehensive income.

The impairment loss recorded in the News Media segment in the reporting year is due to the development of the advertising market and the digitization potential in Switzerland and the resulting adjusted earnings expectations for future years. The recoverable amount of € 82.7 million was based on the fair value less costs to sell. The calculation was based on non-observable input factors (Level 3) using a discounted cash flow method by discounting future expected dividend payments. The used discount rate after taxes amounted to 5.8 %.

Since end of April 2018, we hold shares in **Purplebricks Group plc**, Solihull, United Kingdom. Purplebricks operates a transaction-based digital real estate platform. The company is also active in Canada. Purplebricks is listed on the London Stock Exchange. Because of our seat on the Board of Directors of the company taken by Dr. Andreas Wiele, President Classifieds Media of the Axel Springer SE as well as further shareholder rights, we account for the investment using the equity method since the acquisition.

In June 2019 we purchased a further 14.2 % of the shares in Purplebricks, thereby increasing our shareholding to 26.6 % (see note (2c)), amounting to € 49.2 million which equals a price per share of £ 1.00.

Purplebricks has a balance sheet date (April 30) which differs from this Annual Report. Due to restrictions with respect to securities laws, we do not receive any financial information as of December 31, 2019. Thus, the investment is included into the consolidated financial statements with its figures from November 1, 2018 till October 31, 2019.

Summarized financial information (pursuant to IFRS) regarding the investment (on a 100 % basis, including PPA effects and furthermore for the net assets including goodwill) are shown below:

€ millions	11/1/2018 - 10/31/2019	5/1/2018 - 10/31/2018
Revenues	**148.6**	**74.0**
Income after taxes	–60.3	–33.9
Other income/loss	0.8	0.0
Comprehensive income	**–59.5**	**–33.9**

€ millions	10/31/2019	10/31/2018
Current assets	75.5	145.1
Non-current assets	471.0	481.6
Current liabilities	–35.5	–51.9
Non-current liabilities	–62.8	–76.2
Net assets	**448.1**	**498.6**

Of the total comprehensive income, an amount of € -9.5 million (PY: € -4.2 million) is attributable to our share in the reporting year. The recoverable amount of the reporting year (€ 123.1 million) was calculated as in the previous year (€ 62.3million) based on the stock exchange price as of December 31. Taking into account the write-up of € 11.6 million (PY: impairment loss of € 82.9 million) in the reporting year, we thus disclose a carrying amount of € 119.2 million (PY: € 62.3 million) for our investment as of December 31, 2019 (see note (23)). Furthermore, the change in the carrying amount of the investment resulted from additions to the investment in the reporting year and currency translation effects recognized in accumulated other comprehensive income. The write-up (PY: impairment loss) recorded in the Classifieds Media segment was eliminated as a non-recurring effect (see note (30)). The write-up (PY: impairment loss) stemmed from the increase of the stock price since the acquisition of further shares in June (PY: decrease in the stock price since acquisition).

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

€ millions	2019	2018
Non-material associates		
Carrying amount	39.5	37.2
Share attributable to the group:		
Net income	0.0	–0.2
Other income/loss	0.0	0.0
Comprehensive income	**0.0**	**–0.2**

€ millions	2019	2018
Non-material joint ventures		
Carrying amount	38.7	30.0
Share attributable to the group:		
Net income	–3.4	7.1
Other income/loss	0.0	0.0
Comprehensive income	**–3.4**	**7.1**

In the reporting year proportionate net income to be recognized in income from investments was not recorded in the amount of € -2.6 million (PY: € -2.1 million), since the respective net investment had been impaired. For this reason, cumulative net income not recognized as of December 31, 2019 amounted to € -3.7 million (PY: € -2.1 million).

For commitments in connection with joint ventures as of the reporting date see note (35).

(b) Other non-current financial assets

Other non-current financial assets as of December 31, 2019, included investments measured at fair value through profit or loss in the amount of € 230.7 million (PY: € 212.4 million) and convertible loans of € 14.5 million (PY: € 1.9 million). The miscellaneous other non-current financial assets in the amount of € 28.5 million (PY: € 26.4 million) are mainly loans and were accounted for at amortized cost.

Loss allowances amounting to € 1.0 million (PY: € 0.3 million) were recognized for miscellaneous other financial assets in the reporting year, which equals the amount as of December 31, 2019. In addition, loss allowances for loan commitments amounting of € 1.0 million (PY: € 0.0 million) were recognized.

The investments contained particularly our shares in Group Nine Media Inc. with € 72.0 million (PY: € 75.1 million).

(7) Trade receivables

The trade receivables broke down as follows:

€ millions	12/31/2019	12/31/2018
Trade receivables, nominal	864.3	797.8
Allowances for doubtful trade receivables	–21.1	–14.9
Trade receivables	**843.3**	**782.9**

The allowances for trade receivables were determined in the amount of the expected losses on receivables. This resulted in the following provision matrix as of December 31, 2019:

€ millions	Trade receivables		
Overdue	Expected loss rate	Trade receivables, nominal	Allowances for doubtful trade receivables
Non overdue	0.1 %	658.4	–0.9
up to 30 days	0.5 %	110.7	–0.6
31 to 90 days	2.9 %	45.5	–1.3
91 to 180 days	19.0 %	26.7	–5.1
> 180 days past due	57.4 %	23.1	–13.2
31.12.2019		**864.3**	**–21.1**

As of December 31, 2018, allowances for trade receivables resulted in the following provision matrix:

€ millions	Trade receivables		
Overdue	Expected loss rate	Trade receivables, nominal	Allowances for doubtful trade receivables
Non overdue	0.1 %	601.7	–0.7
up to 30 days	0.5 %	110.2	–0.5
31 to 90 days	2.3 %	44.9	–1.0
91 to 180 days	14.2 %	21.7	–3.1
> 180 days past due	49.9 %	19.3	–9.6
31.12.2018		**797.8**	**–14.9**

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

€ millions	2019	2018
Balance as of January 1	**14.9**	**18.1**
Additions	17.5	18.8
Reversals	–3.0	–6.4
Utilization	–7.8	–16.0
Other changes	–0.6	0.3
Balance as of December 31	**21.1**	**14.9**

In the reporting year, trade receivables in the amount of € 7.8 million (PY: € 16.0 million) were impaired and derecognized (utilizations). Of the amounts derecognized in the reporting year € 0.4 million (PY: € 7.1 million) were still subject to enforcement measures.

(8) Other assets

The other assets broke down as follows:

€ millions	12/31/2019	12/31/2018
Reimbursement claim for pension obligations	22.6	23.4
Deposits	5.9	7.7
Receivables under finance leases	4.3	4.7
Other	25.1	17.4
Other financial assets	**57.9**	**53.2**
Thereof current	**30.1**	**23.2**
Thereof non-current	**27.8**	**30.0**
Advance payments	30.0	27.1
Receivables from other taxes	24.0	22.2
Receivables due from employees	1.1	1.1
Contract assets	0.3	0.6
Other	12.9	14.7
Other non-financial assets	**68.2**	**65.7**
Thereof current	**60.8**	**56.0**
Thereof non-current	**7.4**	**9.7**
Other assets	**126.1**	**118.9**
Thereof current[1]	**90.9**	**79.2**
Thereof non-current	**35.2**	**39.7**

Regarding the reimbursement right concerning pension obligations, see note (11). The receivables from finance leases relates almost entirely to sublease of office spaces. The miscellaneous other financial assets particularly included purchase price claims for the final instalment regarding the sale of the office building in Hamburg executed in the financial year 2016 and for the sale of the newspaper and magazine portfolio in Slovakia (see note (2c)) as well as debit balances in accounts payable.

(9) Equity

The components and changes in consolidated equity are summarized in the consolidated statement of changes in equity.

(a) Subscribed capital

The fully paid-in subscribed capital in the amount of € 107.9 million remained unchanged and is divided into 107,895,311 registered shares with a calculated ratio of € 1.00 per share. The shares can only be transferred with the company’s consent.

(b) Authorized capital

Pursuant to Section 5 (4) of the Articles of Incorporation, the Executive Board is entitled to increase the share capital one time or multiple times by a maximum amount of € 10.5 million with consent of the Supervisory Board until April 17, 2023, by issuance of newly registered shares in return for cash and/or contributions in kind (authorized capital). The shareholders generally thereby must be granted a subscription right. However, the Executive Board is entitled under specific circumstances with the approval of the Supervisory Board to waive the subscription right of the shareholders.

As of December 31, 2019, the authorized capital was not utilized and amounted to € 10.5 million unchanged to the previous year balance sheet date.

(c) Additional paid-in capital

The additional paid-in capital (€ 495.8 million; PY: € 496.0 million) mainly consists of the share premium achieved from the capital increase against contributions in kind from the fiscal year 2015 and the equivalent of the personnel expenses for the share-based payment programs settled with equity instruments (see note (10)).

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

(d) Accumulated retained earnings

The accumulated retained earnings comprised the income of the companies included in the consolidated financial statements, to the extent that they have not been distributed to shareholders. In the reporting year, Axel Springer SE distributed an amount of € 226.6 million (PY: € 215.8 million) or € 2.10 (PY: € 2.00) per qualifying share for the previous reporting year. For the reporting year 2019, the Executive Board and the Supervisory Board propose to distribute a dividend of € 1.16 per share entitled to the dividend, in total representing € 125.2 million in expected payments. Payment of the proposed dividend is contingent upon approval at the Annual General Meeting on April 22, 2020.

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

As part of the merger of the Immowelt and Immonet group in June 2015, non-controlling shareholders were granted put options totaling to 45 % of non-controlling interests. In 2015, the resulting obligation was recognized without effects on income, solely decreasing equity. The option rights expired in the reporting period (10 % of the shares) and in the previous year (35 % of the shares) due to non-exercise. As a result, the recorded liabilities of € 52.2 million in the reporting year as well as of € 159.8 million in the previous year were completely derecognized without effects on income, solely increasing equity.

At the beginning of November, we increased our shares in Immowelt Holding AG, Nuremberg, by 45 % to 100 % of the shares for a purchase price of € 357.9 million (see note (2c)). The share of net assets attributable to non-controlling interests at the acquisition date amounted to € 89.1 million which have been derecognized (see note (9f)). The resulting difference to the overall purchase price was offset against the net income attributable to shareholders of Axel Springer SE reducing equity (€ 268.7 million).

(e) Accumulated other comprehensive income

At balance sheet date, accumulated other comprehensive income mainly comprised actuarial gains and losses from pension plans of € -136.2 million (PY: € -125.3 million).

Changes in foreign currency translations during the reporting year are primarily due to conversions of financial statements denominated in British pound, Israeli shekel and US-Dollar. In the previous period these changes mainly referred to conversions of financial statements in US-Dollar.

(f) Non-controlling interests

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

€ millions	12/31/2019	12/31/2018
Ringier Axel Springer Media Group	261.8	249.0
AWIN Group	60.7	57.9
Immowelt Group	0.0	79.2
Other companies	33.0	74.6
Non-controlling interests	**355.4**	**460.6**

Regarding the derecognition of the non-controlling interests in the Immowelt Group see note (2c) and (9d). The decrease of non-controlling interests in other companies primarily referred to the sale of the @Leisure Group (see note (2c)).

As in the previous year the non-controlling interests in Ringier Axel Springer Media amounted to 50.0 % in the reporting year, whilst their share in the Group net income amounted to € 12.2 million (PY: € 8.0 million). In the reporting period, there were no dividend distributions. In the previous year dividend distributions of € 10.0 million were paid out from net profit.

Summarized financial information for the Ringier Axel Springer Media sub-group are shown in the following table (on a 100 % basis, before group eliminations):

€ millions	2019	2018
Revenues	260.9	278.9
Net income	22.7	14.3
Comprehensive income	2.8	–6.0
Current assets	193.5	165.2
Non-current assets	470.5	451.7
Current liabilities	64.1	62.1
Non-current liabilities	61.9	47.7
Cash flow from operating activities	54.6	53.7
Cash flow from investing activities	–16.8	44.3
Cash flow from financing activities	–6.0	–34.3

(10) Share-based payment

In the reporting year, expenses and income for share-based payment programs amounted to € -84.8 million and € 1.4 million respectively (PY: € -10.7 million and € 11.5 million respectively). These effects were attributable to equity-settled programs with an amount of € 0.2 million (PY: € -1.1 million) and to cash-settled programs with an amount of € -84.8 million and € 1.2 million respectively (PY: € -9.6 million and € 11.5 million respectively). The liabilities and provisions recorded in relation to share-based payments totaled to € 118.1 million (PY: € 31.3 million) and concern especially the following stock option plans. Thereof, an amount of € 70.4 million (PY: € 14.6 million) is recorded in liabilities due to related parties (see note (35)).

As of May 1, 2016, members of the Executive Board, which already held office in 2016, were granted a long-term variable remuneration in the form of a **long-term incentive plan** ("LTIP") with a duration – including lock-up periods – until 2023. In addition, selected executives were granted this LTIP with largely equal terms in the previous year. The LTIP stipulates a participation in the increase in the company value, measured on the basis of market capitalization. It will be distributed in the form of a cash bonus and contains a subsequent obligation to purchase Axel Springer shares in the corresponding amount.

The compensation entitlement requires market capitalization of Axel Springer SE to increase by at least 40 % within three, four, and a maximum of five years (respective "performance periods"). No claim for compensation can be made below this threshold. The compensation entitlement will increase only up to a growth in market capitalization by maximally 60 %.

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

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

In the event of targets being achieved, an amount in the value of 50 % of the total amount ("payout amount I") will be paid out. On meeting the targets after four or five years respectively, a lock-up period of two or one year respectively follows, before the remaining 50 % of the total amount ("payout amount II") will be paid out. In the case of early target achievement after three years, thus in the financial year 2019 each member of the Executive Board would have had the option to demand the payout of the payout amount I. Payout amount II would then only have been remunerated after targets would have been met once again after four or five years, and after a lock-up period of two, or one year respectively. However, the requirements were not met.

The net amount of all payments (less taxes and duties to be paid) must always be fully invested in issued Axel Springer shares. The equity investment made in respect of the payout amount I or II must be held for a minimum of two years or one year. The LTIP contains common regulations for premature retirement.

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

The value of the Executive Board LTIP at grant date was determined at € 32.1 million, using a stochastic model for the valuation of stock option rights. Based on the valuation adjustment made retrospectively to the grant date in the previous year, the value as of the grant date amounts to € 29.1 million. The value of the LTIP granted retrospectively to selected executives in the previous year amounts to € 3.9 million. In the reporting year, the valuation of the Executive Board LTIP resulted in personnel expenses totaling € 54.7 million (PY: other operating income of € 9.2 million), in particular due to the development of the share price of the Axel Springer share. Personnel expenses of € 7.0 million (PY: € 1.9 million) were incurred for the Executive LTIP. As of December 31, 2019, the liabilities (Executive Board LTIP) and provisions (Executive LTIP) recognized amounted to € 69.2 million (PY: € 14.5 million) and € 8.9 million (PY: € 1.9 million) respectively.

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

Virtual stock option plans

	Executive Board Program			Senior Executive Program
	2014 I	2014 II	2018	2014
Grant date	01/01/2014	09/01/2014	10/01/2018	03/01/2014
Term in years	6	6	6	5
Qualifying period in years	4	4	4	3
Option rights granted	205,313	675,000	225,000	60,000
Underlying (€)	44.06	44.56	62.06	46.80
Maximum payment (€)	88.12	89.12	124.12	93.60
Value at grant date (€)	6.69	6.26	4.35	8.14
Total value at grant date (€ million)	**1.4**	**4.2**	**1.0**	**0.5**

Provided that the beneficiary is employed by the company at least until the expiration of the vesting period, all virtual stock options granted may become vested. If the employment with the company ends before the end of the vesting period, but ends at least one year after the grant date, the stock options are vested on a pro-rated basis in relation to the vesting period (Executive Board Programs) or up to one half (Senior Executive Program).

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

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

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

The value of the options was determined by application of a Black-Scholes model in a Monte-Carlo simulation at grant date. The options will be remeasured at each balance sheet date and recognized proportionally in accordance with the projected vesting. The development of the stock options is shown below:

	Virtual stock option plans			
	Executive Board Program			Senior Executive Program
Option rights	**2014 I**	**2014 II**	**2018**	**2014**
01/01/2018	**205,313**	**675,000**	**0**	**60,000**
Exercise	–205,313	–675,000	0	–60,000
Grant	0	0	225,000	0
12/31/2018	**0**	**0**	**225,000**	**0**
Exercise	0	0	0	0
12/31/2018	**0**	**0**	**225,000**	**0**

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

	Virtual stock option plans			
	Executive Board Program			Senior Executive Program
€ millions	**2014 I**	**2014 II**	**2018**	**2014**
Expenses/revenues 2019	**0.0**	**0.0**	**–1.1**	**0.0**
Expenses/revenues 2018	–1.0	2.2	–0.1	0.1
Carrying amount as of 12/31/2019	**0.0**	**0.0**	**1.2**	**0.0**
Carrying amount as of 12/31/2018	0.0	0.0	0.1	0.0

The following material share-based payment programs existed at our subsidiaries:

With respect to the acquisition of **Appcast** (see note (2c)) an existing equity-settled share-based payment program was replaced by a cash-settled share-based payment program. The stock options will vest after a period of four years and were linked to call and put options, which can be exercised between 2023 and 2025 and where the acquisition price to be paid will be measured by the future performance of the company.

At grant date, the fair value of these stock options was € 5.6 million. A partial amount of € 3.1 million was treated as consideration transferred of the acquisition in the course of the initial consolidation. The remaining amount was classified as remuneration for the continuing employment of Appcast's employees. The fair value was determined based on an option pricing model using a Monte-Carlo simulation, considering the strike price of the options, the risk-free interest rate and the expected dividends; the volatility was derived using a peer group comparison. At each reporting date, the option rights will be remeasured; likewise, the personnel expenses to be recorded over the vesting period will be calculated.

As of December 31, 2019, 107,495 options (approximately 6.8 % of the shares in Appcast) existed unchanged to the acquisition date, of which none are exercisable. The exercise price of the option per share is between € 3.16 and € 12.66. The expected residual term of the option is 4.0 years. In the reporting period, an amount of € 3.0 million was recorded in personnel expenses. As of December 31, 2019, the provision amounted to € 6.1 million.

Upon closing date of the acquisition with respect to the majority shareholding in **Business Insider** at the end of 2015, present management board members of Business Insider were granted a total of 15,854 stock options to acquire a total of 13 % of the shares in Business Insider. The stock options will vest over a period until the end of 2025 (30% become vested after three years, and subsequently a further 10% each year) and are after that exercisable until the end of 2025. At the end of 2025 all shares that have been obtained can be tendered at fair value on exercise date to Axel Springer, which leads to an irrevocable obligation to be settled in cash and thus a cash-settled share-based payment program. In the previous year, 4,757 options that have become vested by then were repurchased for a payment of USD 4.6 million (€ 4.0 million), so that unchanged to the previous year there were 11,097 options as of December 31, 2019. At grant date, the fair value of these stock options was € 9.3 million. A partial amount of € 5.3 million of the options was treated as consideration transferred of the acquisition in the course of the initial consolidation. The remaining amount was classified as remuneration for the continuing employment.

In previous years and in the reporting year, the stock option program was supplemented in such a way that an advance payment of up to USD 7.5 million (€ 6.7 million) will occur if revenue targets for 2020 are reached as well as in case that revenues and earnings targets for 2022 and 2023 are reached, a further upfront payment up to USD 12.0 million (€ 10.7 million) shall be disbursed. In addition without defined targets USD 9.0 million (€ 8.0 million) shall be paid out in equal annual installments of USD 1.5 million (€ 1.3 million) from 2018 to 2023. All aforementioned prepayments will be offset against future payments from these options. There is no repayment obligation in case of stock options being forfeited or not being exercised.

In the reporting year, in the course of the operational merger of two US companies Business Insider and eMarketer the overall responsibility of the merged companies was transferred to the Executive Board of Business Insider and thus the existing option program was adjusted encompassing as well the performance of eMarketer compared to a base valuation of USD 400.0 million. For this purpose, the Executive Board was granted 9,351 options to acquire a total of 9.1 % of the shares in eMarketer while maintaining all the conditions of the existing option program. Thus, as of December 31, 2019, there were options to acquire 9.1 % of the shares of the merged companies, none of which can be exercised. The exercise price and the weighted average remaining term respectively of the existing options are USD 3.6 – 3.9 thousand (€ 3.3 – 3.6 thousand) and 5.8 years (PY: 6.8 years) respectively.

The fair value as of the grant date and as of each reporting date were determined based on an option pricing model using a Monte-Carlo simulation, considering the strike price of the options, the risk-free interest rate and the expected dividends; the volatility was derived using a peer group comparison. At each reporting date, the option rights will be remeasured; likewise, the personnel expenses to be recorded over the vesting period will be calculated. In the reporting period, an amount of € 18.6 million (PY: € 6.0 million) was recorded in personnel expenses. The provision as of December 31, 2019, arising from the option program amounted to € 32.3 million (PY: € 14.9 million). As a result of the adjustment of the option program in the reporting year, the fair value increased by USD 16.5 million (€ 14.7 million); adjustments to the program in the previous year increased the fair value in the previous year by USD 2.8 million (€ 2.5 million).

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

(11) Pension obligations

The pension obligations in the reporting year relate almost exclusively to Group companies domiciled in Germany.

Under its defined contribution pension plans, the Group mainly contributes to public sector pension insurance carriers by virtue of the applicable laws. The current contribution payments amounted to € 53.9 million (PY: € 51.4 million) and were shown as social security contributions in personnel expenses.

Provisions for pensions were created to account for the obligations arising from vested pension rights and current benefits for former and active employees of the Axel Springer Group and their survivors. The reserves for performance-based pension plans correspond to the cash value of the obligations on the reporting date less fair value of the plan assets. Along with general actuarial risks such as risks from salary and pension increases, longevity risk, and interest rate risk as well as inflation risk, capital market and investment risk.

Essentially, four different pension plans exist in the German Group companies that are subject to the German Company Pension Act, and thus to the statutory regulations relating in particular to vesting, compensation for inflation in the benefit phase, and insolvency protection by the Pensions Guarantee Corporation. The pension plans are partially financed by premium reserve funds that are managed by Axel Springer Pensionstreuhand e.V. as trustee. Two pension plans provide for an annual pension for entitled persons based on fixed amounts that depend for the first pension plan only on the length of service in the company, and for the second pension plan additionally on the position in the company and are static in the vesting period and dynamic in the benefit payment period in accordance with the requirements of the Company Pension Act. The commitments to the Executive Board correspond in their design to the second pension plan and are additionally dynamic in the vesting period depending on inflation. The third pension plan is a defined-contribution benefit in which a benefit is calculated using fixed factor tables dependent on converted compensation components. Ongoing benefits are adjusted from the beginning of pension payments at 1 % p.a. The fourth pension plan includes direct commitments based on subsidized remuneration conversions which are congruently covered by insurance and usually grant a one-time payment upon retirement.

The measurement was based on the following parameters:

	2019	2018
Discount rate	1.0 %	1.6 %
Salary trend	1.5 %	1.6 %
Pension trend	1.5 %	1.6 %

As in the previous year, the expected life spans were determined with reference to the mortality tables 2018 G by Dr. Klaus Heubeck.

The following table shows the development of the defined benefit pension liabilities, associated plan assets and reimbursement rights:

	Defined benefit liabilities		Plan assets		Provisions for pensions		Reimbursement right		Net obligation	
€ millions	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Balance as of 01/01, adjusted	**551.3**	**538.4**	**–321.6**	**–174.9**	**229.7**	**363.5**	**–23.4**	**–24.8**	**206.3**	**338.7**
Current service costs	8.2	7.9			8.2	7.9			8.2	7.9
Net interest expense	8.6	8.5	–5.1	–5.0	3.5	3.5	–0.4	–0.4	3.2	3.1
Pension expenses	**16.8**	**16.4**	**–5.1**	**–5.0**	**11.7**	**11.4**	**–0.4**	**–0.4**	**11.3**	**11.0**
Actuarial gains/losses from plan assets			–26.0	0.2	–26.0	0.2			–26.0	0.2
Changes in demographic assumptions	0.0	4.1			0.0	4.1	0.0	–0.2	0.0	3.9
Changes in financial assumptions	42.2	4.7			42.2	4.7	–0.9	–0.2	41.3	4.5
Experience-related adjustments	–0.2	1.0			–0.2	1.0	0.2	0.1	0.0	1.1
Actuarial gains/losses	**42.1**	**9.8**	**–26.0**	**0.2**	**16.1**	**10.0**	**–0.7**	**–0.3**	**15.4**	**9.7**
Employer contribution			–0.3	–141.6	–0.3	–141.6			–0.3	–141.6
Employee contribution	3.5	3.0	–1.0	–0.3	2.5	2.7			2.5	2.7
Key performance indicator	–21.6	–21.3			–21.6	–21.3	1.9	2.1	–19.7	–19.2
Change in consolidated companies	0.0	4.9			0.0	4.9			0.0	4.9
Other	–0.2	0.1	–0.1		–0.3	0.1			–0.3	0.1
Other changes	**–18.2**	**–13.3**	**–1.4**	**–141.9**	**–19.6**	**–155.2**	**1.9**	**2.1**	**–17.7**	**–153.1**
Balance as of 12/31	**591.9**	**551.3**	**–354.1**	**–321.6**	**237.8**	**229.7**	**–22.6**	**–23.4**	**215.2**	**206.3**

Current service costs are represented in personnel expenses as expenses from defined benefit plans (see note (20)). Net interest expenses are recognized in financial result (see note (24)). Actuarial gains and losses are recognized in other income or loss in the consolidated statement of comprehensive income (see note (27)).

As of December 31, 2019, the weighted average duration of the defined benefit obligation was 14 years (PY: 15 years).

Plan assets broke down as follows:

€ millions	12/31/2019	12/31/2018
Bonds	90.5	62.4
Shares	49.4	32.8
Real estate funds	19.2	18.3
Cash and cash equivalents	11.2	22.0
Other	5.1	24.2
Plan assets with market price quotations	**175.4**	**159.7**
Real Estate	178.0	161.3
Other	0.7	0.5
Plan assets without market price quotations	**178.7**	**161.8**
Plan assets	**354.1**	**321.6**

In the previous year, employer contributions to the plan assets included mainly the fiduciary transfer of the Axel Springer high-rise (main building) in Berlin to Axel Springer Pensionstreuhand e.V. (see note (5)). For the financial year 2020 we do not expect any significant employer contributions to plan assets.

Axel Springer SE is entitled to reimbursement of pension obligations or pension expenses arising in connection with them in connection with the outsourcing of rotogravure printing operations in 2005. The reimbursement right was recorded as other financial asset (see note 8), whereas in the income statement, the income from the reimbursement was netted with the corresponding pension expenses. Based on the existing contractual regulations, we do not assume a short-term settlement of the reimbursement claim and the corresponding pension obligations anymore, and therefore in the reporting period, the asset as well as the related pension liability in an amount of € 20.6 million (PY: € 21.4 million) were classified as non-current. The remaining amount of € 2.0 million (PY: € 2.0 million) was classified as current.

An increase or decrease in the material actuarial assumptions would have the following effects on the present value of the total pension obligations as of the balance sheet date:

	Increase by 25 basis points		Decrease by 25 basis points	
	2019	2018	2019	2018
Discount rate	–3.5 %	–3.3 %	3.7 %	3.5 %
Salary trend	0.1 %	0.1 %	–0.1 %	–0.1 %
Pension trend	2.4 %	2.3 %	–2.3 %	–2.2 %

An increase of life expectancy by one year on average for persons entitled to pensions as of December 31, 2019, would have led to an increase of pension obligations by 4.6 % (PY: 4.3 %). The sensitivity calculations are based on the average term of the pension obligations calculated as of the balance sheet date. The calculations were carried out in isolation for the actuarial parameters classified as material. As the sensitivity analysis is based on the average term of the expected pension obligations and as a consequence, the expected payment dates are not taken into account, this leads to approximate information or to describe tendencies.

(12) Other provisions

Other provisions broke down as follows:

€ millions	Balance as of 01/01/2019	Utilization	Reversals	Additions	Other changes	Balance as of 12/31/2019	Thereof current	Thereof non-current
Other obligations towards employees	106.0	–74.7	–3.4	101.6	4.0	133.4	75.4	58.0
Structural measures	37.1	–27.8	–0.6	94.6	0.0	103.3	75.4	27.9
Partial early retirement program (Altersteilzeit)	45.3	–11.7	0.0	7.3	0.0	40.9	12.5	28.5
Discounts and rebates	13.8	–12.9	–0.3	14.3	–0.5	14.4	14.4	0.0
Other taxes	10.5	–0.2	0.0	3.1	0.0	13.3	13.3	0.0
Returns	10.9	–7.8	–0.7	7.5	0.0	9.9	9.9	0.0
Litigation expenses	7.5	–1.1	–1.4	1.2	–0.2	6.0	3.9	2.1
Dismantling obligations	5.5	–0.1	–0.5	0.5	0.6	5.9	0.3	5.6
Other	20.3	–8.4	–0.3	7.7	0.7	20.0	15.2	4.8
Other provisions	**256.8**	**–144.6**	**–7.2**	**237.8**	**4.6**	**347.4**	**220.5**	**126.9**

Other obligations towards employees primarily included performance-based remuneration; the increase resulted mainly from the development of share-based payments (see note (10)). Provisions for structural measures mainly related to the announced restructuring measures in the news media national subsegment and are mainly assigned to our business in newspaper and magazines units, distribution and sales divisions as well as printing plants.

Other provisions partially involved rebuilding measures still to be carried out in connection with the sale of the office building complex in Hamburg in the financial year 2016 and the sale of the Axel-Springer-Passage in Berlin in the financial year 2017.

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

(13) Financial liabilities

The financial liabilities included liabilities from promissory notes in the amount of € 700.2 million (PY: € 698.8 million), other liabilities due to banks amounting to € 1,165.5 million (PY: € 452.3 million), as well as lease liabilities amounting to € 373.4 million (PY: € 379.6 million).

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

2019 € million	2018 € million	Interest rate in %	Maturity
327.5	327.5	1.14	05/30/2024
146.0	146.0	0.73	05/30/2022
72.0	72.0	0.91	05/30/2023
69.0	69.0	1.47	10/12/2020
66.5	66.5	6-month EURIBOR + 0.70	05/30/2024
12.0	12.0	6-month EURIBOR + 0.55	05/30/2022
11.5	11.5	0.51	05/30/2021

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

2019 € million	2018 € million	Interest rate in %	Maturity
620.0	0.0	1-month EURIBOR + 0.625	07/03/2024
187.5	175.0	0.02*	07/03/2024
155.0	115.0	Eonia + 0.35	07/03/2024
100.0	100.0	Eonia + 0.35	07/03/2024
98.0	63.0	1-month EURIBOR +0.35	10/15/2024

* changeable daily by the bank depending on market developments

Furthermore, on the reporting date additional unused long-term credit facilities amounted to € 339.5 million (PY: € 1,047.0 million).

The commercial paper program (see Note (31)) was used in the reporting year on average in the amount of € 310 million (PY: only in November and December up to € 270.0 million) with an average interest rate of 0.01 % (PY: 0.02 %) and as in the previous year was not utilized as of the reporting date.

(14) Other liabilities

The other liabilities broke down as follows:

€ millions	12/31/2019	12/31/2018
Contingent consideration and other put options for purchase of non-controlling interests	80.3	103.4
Liabilities from loans	18.7	19.8
Debit balances in accounts receivable	17.0	16.0
Liabilities from derivatives	0.2	0.3
Other	43.3	22.8
Other financial liabilities	**159.5**	**162.2**
Thereof current	**77.3**	**119.6**
Thereof non-current	**82.2**	**42.6**
Contract liabilities	276.9	262.0
Liabilities from other taxes	79.3	79.8
Liabilities due to employees	31.3	48.5
Accrued liabilities	23.6	22.3
Liabilities due to social insurance carriers	12.6	10.5
Capital investment subsidies	5.5	3.8
Liabilities for duties and contributions	4.5	5.8
Other	7.3	10.0
Other non-financial liabilities	**443.1**	**442.6**
Thereof current	**435.3**	**436.8**
Thereof non-current	**7.7**	**5.7**
Other liabilities	**602.6**	**604.8**
Thereof current	**512.6**	**556.4**
Thereof non-current	**90.0**	**48.3**

Contingent consideration and other put options for the purchase of non-controlling interests primarily decreased due to non-exercised put options for the acquisition of the non-controlling interests of the Immowelt Group (see note (9d)). Contrarily, contingent consideration increased as a result of new option agreements related to acquisitions during the reporting period (see note (2c) and (32)).

Other financial liabilities primarily consist of outstanding purchase price payments in relation to the acquisition of 45 % of the shares in Immowelt Holding AG (see note (2c)). Contract liabilities mainly consisted of advance payments from customers. Liabilities due to employees related to outstanding wage and salary payments, management bonuses, and severance compensation claims. Accrued liabilities mainly contained liabilities resulting from unused vacation.

(15) Maturity analysis of financial liabilities

The contractually agreed (undiscounted) payments related to financial liabilities are presented in the following table:

		Undiscounted cash outflows		
€ millions	**Carrying amount as of 12/31/2019**	**2020**	**2021-2024**	**2025 ff.**
Financial liabilities	2,239.1	152.3	2,000.0	211.9
thereof lease liabilities	373.4	71.1	168.7	211.9
Other non-derivative financial liabilities	617.7	583.8	25.5	8.4
Contingent consideration	80.3	23.0	58.8	0.0
Derivative financial liabilities	0.2	0.3	0.1	0.0

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

Notes to the consolidated income statement

(16) Revenues

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

€ millions	Classifieds Media	News Media	Marketing Media	Services/ Holding	2019	Classifieds Media	News Media	Marketing Media	Services/ Holding	2018
Advertising revenues	1,167.0	638.5	320.8	0.0	**2,126.2**	1,167.4	678.5	313.4	0.0	**2,159.4**
Circulation revenues	0.0	561.4	0.0	0.0	**561.4**	0.0	592.0	0.0	0.0	**592.0**
Other revenues	46.9	231.0	100.7	46.0	**424.5**	45.1	225.7	104.8	53.7	**429.3**
Revenues	**1,213.8**	**1,430.9**	**421.5**	**46.0**	**3,112.1**	**1,212.5**	**1,496.2**	**418.3**	**53.7**	**3,180.7**

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

€ millions	2019	2018
Jobs	647.1	602.6
Real Estate	506.3	375.3
General/Other	60.3	234.6
Revenues	**1,213.8**	**1,212.5**

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

€ millions	2019	2018
Advertising revenues national	384.5	432.4
Circulation revenues national	452.1	474.6
Other revenues national	164.1	163.4
Revenues national	**1,000.6**	**1,070.4**
Advertising revenues international	254.0	246.1
Circulation revenues international	109.3	117.4
Other revenues international	66.9	62.3
Revenues international	**430.2**	**425.7**
Revenues	**1,430.9**	**1,496.2**

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

€ millions	2019	2018
Reach-based marketing	227.8	235.2
Performance-based marketing	193.7	183.1
Revenues	**421.5**	**418.3**

Furthermore, revenues for group services and holding functions of € 46.0 million (PY: € 53.7 million) were generated.

Contract liabilities recognized as of December 31, 2018, of € 262.0 million (PY: € 215.8 million) almost completely led to revenue in the reporting year.

Other revenues included revenues from operating leasing of € 3.7 million (PY: € 2.4 million). Thereof € 3.2 million (PY: € 2.0 million) were attributable to income from subleasing in the reporting year.

(17) Other operating income

The other operating income broke down as follows:

€ millions	2019	2018
Gain on disposal of consolidated subsidiaries and business units	69.8	49.4
Income from reversal of provisions	7.2	14.2
Foreign exchange gains	4.4	3.1
Subsequent valuation of contingent consideration	4.4	5.7
Income from disposal of intangible assets and property, plant and equipment	0.8	35.7
Miscellaneous operating income	34.1	61.5
Other operating income	**120.6**	**169.5**

The gain on disposal of consolidated subsidiaries and business units in the reporting year resulted mainly from the disposal of the @Leisure Group, in the previous year from the disposal of the aufeminin Group (see note (2c)). For the gains from the subsequent valuation of contingent consideration see note (32). In the previous year, income from the disposal of intangible assets and property, plant and equipment resulted in the amount of € 34.9 million from the transfer of the Axel Springer high-rise (main building) to Axel Springer Pensionstreuhand e.V. (see note (5)). Miscellaneous operating income contained a large number of non-material items. Furthermore, this item included income relating to share-based payments of the Executive Board in the previous year (see note (10) and (35)).

(18) Change in inventories and internal costs capitalized

Change in inventories and internal costs capitalized increased to € 98.2 million (PY: € 93.5 million) in the reporting year and as in the previous year mainly related to IT development projects to develop and expand our digital business models.

(19) Purchased goods and services

The purchased goods and services broke down as follows:

€ millions	2019	2018
Raw materials and supplies and purchased merchandise	103.5	114.6
Purchased services	401.0	435.1
Purchased goods and services	**504.5**	**549.7**

Raw materials and supplies and purchased merchandise comprised paper costs amounted to € 50.3 million (PY: € 56.2 million).

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

(20) Personnel expenses

The personnel expenses broke down as follows:

€ millions	2019	2018
Wages and salaries	1,124.1	1,042.6
Social security	159.8	156.2
Share-based payments	84.8	10.7
Expenses from defined benefit plans	8.2	7.9
Other personnel expenses	7.4	7.1
Personnel expenses	**1,384.3**	**1,224.4**

Wages and salaries included additions to provisions for structural measures. The increase in the reporting year was mainly related to the announced substantial restructuring measures in the subsegment News Media National (see note (12)).

For the development of the personnel expenses relating to share-based payments see note (10).

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

	2019	2018
Salaried employees	13,040	13,093
Editors	2,676	2,773
Wage-earning employees	404	484
Total employees	**16,120**	**16,350**

The decrease in personnel figures compared to the previous year resulted besides a decrease of employees in the segment Services/Holding from consolidation effects. This was offset mainly with staff increases in the strongly growing digital business units.

(21) Depreciation, amortization, and impairments

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

€ millions	2019	2018
Impairment losses in goodwill	13.4	42.3
Amortization of other intangible assets	**176.4**	**189.8**
Impairment losses in other intangible assets	**3.3**	**3.4**
Depreciation of property, plant, and equipment	114.9	112.2
Impairment losses in property, plant, and equipment	0.0	0.2
Depreciation, amortization, and impairments	**308.0**	**347.9**

Depreciation of property, plant and equipment included depreciation of right-of-use lease assets of € 64.4 million (PY: € 60.2 million), see note (5).

For impairment losses in goodwill see note (4).

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

(22) Other operating expenses

The other operating expenses broke down as follows:

€ millions	2019	2018
Advertising expenses	281.1	290.1
Expenses for non-company personnel	176.1	183.2
Mailing and postage expenses	76.7	91.3
Consulting, audit and legal fees	68.2	55.4
Commissions and gratuities	37.6	40.6
Maintenance and repairs	36.5	39.1
Subsequent valuation of contingent consideration and other option liabilities for the acquisition of non-controlling interests	33.5	8.7
Travel expenses	28.1	28.6
Training of employees	18.4	15.9
Allowances for doubtful receivables	17.5	19.2
Other taxes	15.6	6.8
Lease expenses	9.4	12.5
Services provided by related parties	7.1	9.1
Foreign exchange losses	5.0	3.7
Miscellaneous operating expenses	71.2	77.7
Other operating expenses	**882.0**	**882.0**

The miscellaneous operating expenses included additional rental costs, expenses from bank charges and other operating expenses.

Lease expenses included expenses for short-term leases (€ 7.8 million; PY: € 11.2 million), low-value assets (€ 0.8 million; PY: € 0.5 million) as well as expenses for variable lease payments (€ 0.8 million; PY: € 0.8 million).

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

€ millions	2019	2018
Audits of the annual financial statements	1.8	1.4
Tax advisory services	0.1	0.2
Other services	0.0	0.1
Total professional fees	**1.9**	**1.6**

The professional fees for the audit of financial statements included mainly statutory and voluntary audits of the separate financial statements of Axel Springer SE and other German subsidiaries, the consolidated financial statements, the auditor's review of the half-year financial report, the audit of financial statements according to IDW PS 480, which prescribes the audit of financial statements compiled for a special purpose, as well as the audit of internal control systems in service companies according to IDW PS 951. The tax advisory fees were a result of support services regarding specific tax questions.

(23) Income from investments

The income from companies accounted for using the equity method amounted to € -20.6 million (PY: € -86.9 million). Besides our share in the investee's net income, it consisted mainly of write-ups of € 11,6 million (PY: € 1.2 million) and impairment losses of € 29.0 million (PY: € 92.7 million). The write-ups in the reporting year were attributable to our investment in Purplebricks Group plc; impairment losses were attributable to our investment in Ringier Axel Springer Schweiz AG (PY: mainly in Purplebricks Group plc), see note (6a).

The other investment income of € -0.2 million (PY: € 24.7 million) included mainly losses from the measurement of other investments at fair value in the amount of € 13.3 million (PY: gains in the amount of € 14.5 million) as well as income from disposal of other investments.

(24) Financial result

The financial income broke down as follows:

€ millions	2019	2018
Interest income from loans and securities	0.8	0.8
Interest income from bank accounts	0.5	0.6
Interest income from taxes	0.3	0.1
Other interest income	0.4	4.6
Interest income	**2.0**	**6.1**
Other financial income	3.0	4.4
Financial income	**5.0**	**10.5**

The financial expenses broke down as follows:

€ millions	2019	2018
Interest expenses on liabilities due to banks and on promissory note	9.8	12.7
Interest expenses from leases	7.6	7.3
Net interest expense due from pension accounting	3.2	3.1
Interest expense from compounding	0.3	1.3
Miscellaneous interest expenses	3.2	2.6
Interest expenses	**24.1**	**27.0**
Other financial expenses	6.2	4.7
Financial expense	**30.2**	**31.6**

With respect to financial assets and liabilities not carried at fair value through profit or loss, interest income and expenses amounting to € 1.6 million (PY: € 2.3 million) and € -19.4 million (PY: € -22.0 million) were recognized respectively.

Other financial income as well as other financial expenses include gains and losses from currency translation of € 2.7 million (PY: € 3.5 million) and € -3.5 million (PY: € -4.1 million)

(25) Income taxes

The income tax expenses broke down as follows:

€ millions	2019	2018
Current taxes	132.5	170.1
Deferred taxes	–61.0	–22.1
Income taxes	**71.5**	**147.9**

The decrease in current taxes resulted mainly from the reduction of earnings before taxes. The increase in deferred tax income is mainly related to the recognition of expenses for share-based payments in the reporting period (see note (10)).

The reconciliation of the tax expenses expected - applying the tax rate of Axel Springer SE - to income taxes that have been recognized in the income statement is as follows:

€ millions	2019	2018
Income before income taxes	206.1	356.4
Tax rate of Axel Springer SE	31.00 %	31.00 %
Expected tax expenses	**63.9**	**110.5**
Differing tax rates	–7.9	–10.0
Changes in tax rates	–1.4	–5.5
Permanent differences	24.2	46.5
Adjustments to carrying amounts of deferred taxes	7.0	2.6
Current income taxes for previous years	3.0	11.4
Deferred income taxes for previous years	–5.4	–3.1
Non-deductible operating expenses	15.0	14.8
Tax-exempt income	–29.2	–23.5
Trade tax additions/deductions	2.9	0.9
Other effects	–0.6	3.2
Income taxes	**71.5**	**147.9**

Companies with the legal form of a corporation domiciled in Germany are subject to corporate income tax at the rate of 15 % and solidarity surcharge of 5.5 % of the corporate income tax owed. In addition, the profits of these companies are subject to trade tax, for which the amount is municipality-specific. Companies with the legal form of a partnership are subject to trade tax exclusively. The net income is assigned to the shareholder for purposes of corporate income tax. The Group tax rate remains unchanged to the previous year at 31,0 %.

The effects of different tax rates for partnerships and for foreign income taxes from the tax rate applicable to Axel Springer SE are explained in the reconciliation in the item differing tax rates. The permanent differences resulted mainly from impairment losses in goodwill (see note (21)), impairment losses in companies accounted for using the equity method (see note (23)) and other consolidation effects that are not taken into account for tax purposes. The adjustments recorded to the carrying amounts of deferred taxes included € 10.1 million (PY: € 9.8 million) for the non-recognition of deferred taxes on tax loss carry-forwards. In addition, effects from the first-time recognition of deferred tax assets are included. The tax-exempt income was attributable in particular to the disposal of the @Leisure group, in the previous year to the disposal of the aufeminin Group (see note (2c)).

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

€ millions	12/31/2019 Deferred tax assets	12/31/2019 Deferred tax liabilities	12/31/2018 Deferred tax assets	12/31/2018 Deferred tax liabilities
Intangible assets	11.1	377.2	16.8	382.0
Property, plant, and equipment	5.1	91.8	6.0	104.1
Non-current financial assets	1.2	0.3	0.7	3.1
Inventories	0.5	0.0	0.5	0.0
Receivables and other assets	56.5	2.9	56.6	4.6
Pension provisions	20.1	43.1	11.3	35.9
Other provisions	32.4	6.6	12.4	4.8
Liabilities	120.3	3.8	117.7	0.9
Temporary differences	**247.4**	**525.6**	**222.1**	**535.4**
Tax loss carry-forwards	**13.1**	**0.0**	**6.1**	**0.0**
Total	**260.5**	**525.6**	**228.2**	**535.4**
Offsetting	–205.2	–205.2	–171.5	–171.5
Amounts as per balance sheet	**55.3**	**320.4**	**56.7**	**363.9**

The deferred tax liabilities related to property, plant and equipment as well as the deferred tax assets related to liabilities resulted mainly from the lease accounting (see note (3d)). The increase in deferred tax asset on other provisions are mainly related to share-based payments (see note (10)).

The development of the net balance of deferred tax items is shown below:

€ millions	2019	2018
Deferred tax assets as of January 1	56.7	54.6
Deferred tax liabilities as of January 1	–363.9	–369.3
Net tax position as of January 1	**–307.2**	**–314.8**
Deferred tax of current year	61.0	22.1
Changes in deferred taxes recognized in other comprehensive income	4.2	3.1
Changes due to currency translations	–4.0	–1.7
Changes in consolidation group	–19.0	–15.9
Net tax position as of December 31	**–265.1**	**–307.2**
Deferred tax assets as of December 31	55.3	56.7
Deferred tax liabilities as of December 31	–320.4	–363.9

Of the deferred tax assets and deferred tax liabilities an amount of € 46.9 million (PY: € 12.7 million) and € 20,1 million (PY: € 2.4 million) can be realized in the short term.

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

Deferred taxes in the total amount of € 59.5 million (PY: € 55.3 million) were recognized directly in equity, as they related to matters that were likewise recognized directly in equity.

In the fiscal year, no deferred tax assets were recognized with respect to corporate income tax loss carry-forwards amounting to € 186.7 million (PY: € 168.1 million), and with respect to trade tax loss carry-forwards amounting to € 98.6 million (PY: € 104.3 million), because it did not appear probable that sufficient taxable income could be generated for these amounts in the near future. In addition, there are interest carry-forwards amounting to € 1.5 million (PY: € 1.5 million) for which no deferred tax assets were recognized. Of these tax loss carry-forwards, an amount of € 0.0 million (PY: € 0.1 million) could be carried forward for up to five years and an amount of € 0.0 million (PY: € 0.0 million) could be carried forward for six to ten years. The utilization of tax loss carry-forwards or interest carry-forwards that had not previously been recognized as deferred tax assets caused a reduction in income tax expenses of € 0.7 million (PY: € 2.3 million). In the previous year, there were corrections of recognized tax loss carry-forwards due to tax audits or differing tax assessments in the amount of € 2.9 million (PY: € 2.4 million).

Deferred taxes must be recognized to account for the difference between the Group's interest in the equity of the subsidiaries as presented in the consolidated balance sheet and the corresponding investment balance recognized in the financial statements for tax purposes, e.g. by retaining profits. Deferred tax liabilities were not recognized on differences of € 16.2 million (PY: € 11.3 million) because a realization is not planned at the present time. In the case of sale or profit distribution, 5 % of the gain on disposal or the dividend, respectively, would be subject to taxation in Germany; in addition, foreign withholding taxes might be incurred.

(26) Earnings per share

The earnings per share were determined as follows:

		2019	2018
Net income attributable to shareholders of Axel Springer SE	€ millions	99.6	181.0
Weighted average shares outstanding	000s	107,895	107,895
Net income attributable to shareholders of Axel Springer SE per share (basic/diluted)	**€**	**0.92**	**1.68**

Notes to the consolidated statement of comprehensive income

(27) Other income/loss

The other income/loss broke down as follows:

	2019			2018		
€ millions	**Before tax**	**Tax effect**	**Net**	**Before tax**	**Tax effect**	**Net**
Actuarial gains/losses from defined benefit pension obligations	–15.4	4.1	–11.2	–9.7	3.2	–6.5
Currency translation differences	62.7	0.0	62.7	9.0	0.0	9.0
Changes in fair value of derivatives in cash flow hedges	0.1	0.0	0.1	0.2	0.0	0.1
Other income/loss from investments accounted for using the equity method	–2.4	0.0	–2.4	–2.6	0.0	–2.6
Other income/loss	**45.0**	**4.1**	**49.1**	**–3.2**	**3.1**	**–0.1**

Other income/loss from companies accounted for using the equity method is as in the previous year exclusively attributable to items that may not be reclassified into the income statement in future periods.

Notes to the consolidated statement of cash flows

(28) Other disclosures

The cash and cash equivalents were composed of short-term-available cash in banks, securities, cash on hand, and checks.

Additions in both intangible assets and property, plant and equipment of € 6.2 million (PY: € 5.0 million) had not been paid yet.

The total cash outflow for leases amounted to € 89.0 million (PY: € 80.0 million).

Income taxes paid are included in the cash flow from operating activities and disclosed below the cash flow statement.

For the purchases of intangible assets and property, plant and equipment in connection with the new Axel Springer building in Berlin see note (5) and (37).

The acquisition costs, cash payments, as well as acquired assets and liabilities for business acquisitions are presented as follows (see note (2c) for the major acquisitions):

€ millions	**2019**	**2018**
Intangible assets	192.8	85.1
Property, plant, and equipment	11.8	5.7
Inventories	0.0	0.1
Trade receivables	9.9	15.1
Other assets	3.3	5.4
Cash and cash equivalents	11.4	7.2
Assets related to investments held for sale	0.0	23.6
Trade payables	–6.0	–7.9
Financial liabilities	–15.4	–4.8
Provisions and other liabilities	–12.0	–27.9
Deferred tax liabilities	–46.0	–20.1
Liabilities related to investments held for sale	0.0	–5.3
Net assets	**149.8**	**76.2**
Acquisition cost	344.0	163.0
Thereof paid	309.1	141.2

The cashflow from the purchases of shares in consolidated subsidiaries and business units less cash and cash equivalents acquired which are reported in the cash flow statement mainly related to the acquisitions of Appcast and MeilleursAgents (see note (2c)) and, in addition to the cash payments and acquired funds listed above, also include payments for acquisitions of the previous years (in particular payments from contingent consideration totaling € 30.6 million (PY: € 20.7 million); see note (32)).

Investments in non-current financial assets mainly related to purchase prices paid for the acquisition of further shares in Purplebricks in the amount of € 49.2 million (PY: € 153.7 million) in the reporting period, see note (2c) and (6a).

Sales proceeds, paid up amounts, and disposed assets and liabilities arising from investment transactions with loss of control are as follows:

€ millions	2019	2018
Goodwill	77.1	185.6
Other intangible assets	148.4	125.5
Property, plant, and equipment and non-current financial assets	16.0	11.0
Trade receivables	86.9	32.7
Other assets	7.3	23.2
Cash and cash equivalents	41.7	74.2
Assets related to investments held for sale	0.0	23.6
Financial liabilities	–8.1	–8.0
Trade payables	–125.4	–16.1
Provisions and other liabilities	–41.4	–52.1
Deferred tax liabilities	–28.2	–29.8
Liabilities related to investments held for sale	0.0	–5.3
Disposal net assets	**174.4**	**364.5**
Net realizable value	191.9	360.8
Thereof paid-up	191.3	358.2

In the reporting period, the proceeds from disposals comprised in particular the purchase prices paid for the disposal of the @Leisure Group in the amount of € 185.5 million. In the previous year, the proceeds from disposals comprised in particular the purchase prices paid for the disposal of the aufeminin Group in the amount of € 291.5 million, as well as for the disposal of our newspaper and magazine portfolio in Slovakia in the amount of € 57.9 million (see note (2c)).The disclosure of cash in-flows from divestitures in the cash flow statement is made under proceeds from disposals of consolidated subsidiaries and business units less cash and cash equivalents given up.

In the previous year proceeds from the disposal of non-current financial assets mainly related to the purchase price paid in connection with the sale of our investment in Doğan TV in the amount of € 160.0 million (see note (34)).

In the line purchase of non-controlling interests primarily the payment to acquire the remaining shares of the Immowelt Group in the amount of € 336.3 million has been recorded (see note (2c) and (9d)).

The change in the statement of financial positions of current and non-current financial liabilities resulted almost exclusively from cash proceeds and cash repayments disclosed in the cash flow from financing activities. The change of the lease liabilities included repayments and interest payments (see note (24)) as well as non-cash-effective changes of the lease liabilities due to additions and disposals.

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

Notes to the consolidated segment report

(29) Basic principles of segment reporting

The segment reporting reflects the internal management and reporting structures. The reporting format is broken down into the three operating segments, those being News Media, Marketing Media, and Classifieds Media. In addition, there is the Services/Holding segment.

Segmentation of assets, liabilities, and investments based on the operating segments does not occur as these measures do not serve as a basis for decision making at segment level.

(a) Operating segments

The Classifieds Media segment encompasses all business models that generate their revenues primarily through advertisers paying for advertising of jobs, real estate, cars, etc. Our portfolio includes leading domestic and foreign online classified portals and is divided into StepStone (Jobs) and AVIV (all other digital classified businesses). The job portals of StepStone include the portals of Totaljobs, Jobsite and Saongroup, the regional portal meinestadt.de, the employer-branding specialist Universum and, since 2019, also the offers of Gehalt.de, Studydrive and Appcast. AVIV's online classified portals include the real estate portals SeLoger (including the portal of Logic-Immo), Immoweb, Immowelt/Immonet and the car and generalist portals LaCentrale and Yad2. Since September, MeilleursAgents, a provider of online property valuation in France, has been part of the AVIV portfolio. Since the beginning of June, the portals of @Leisure (incl. Traum-Ferienwohnungen and DanCenter) are no longer part of the segment due to the disposal of the shares of the @Leisure group.

The News Media segment includes primarily business models that are based on content creation and funded by paying readers and/or advertisers. News Media National include the digital and print media of the BILD and WELT Group, the computer, car and sport magazines of the BILD brand family, B.Z. and the music magazines. Furthermore, the TV-news channel WELT (formerly N24) is part of WELT Group. Since February 2019, the segment has been supplemented by the technology developer CeleraOne.

News Media International includes Axel Springer's digital and printed media services in Europe and the USA. In Europe our main areas of representation are in Poland, Slovakia, Serbia, Hungary, Switzerland, Belgium, Spain and the Baltic States. Onet.pl and azet.sk, the leading internet portals in Poland and Slovakia, also belong to this subsegment. In the USA, we are represented with businessinsider.com and additionally with eMarketer. Beyond that, the segment includes the news aggregator upday and the European joint venture together with Politico.

The Marketing Media segment comprises all domestic and foreign business models whose revenues are primarily generated by advertising customers in marketing based on performance or reach. These include, in particular, the performance-based activities of the Awin Group (incl. ShareASale.com), as well as the reach-based marketing offers of Idealo, finanzen.net and Bonial.

The Services/Holding segment comprises group services including IT, printing plants, real estate management, gastronomy, and financial and personnel services, as well as holding functions such as accounting, controlling, finance, law, tax, HR, internal audit, strategy, and communication. Group services are purchased by customers within the Group and are priced at arm’s length.

(b) Geografical informationen

The activities of the Axel Springer Group are conducted mainly in Germany, other European countries, and the USA.

For purposes of geographical segment reporting, the revenues are segmented according to the location of the customer’s registered office and the non-current assets according to the location of the legal entity.

(30) Segment information

The segment information was compiled on the basis of the recognition and measurement methods applied in the consolidated financial statements.

The external revenues comprise circulation revenues from the sale of publishing products, advertising revenues, and revenues from rendering services. The internal revenues consist of revenues from the exchange of goods and services between the various segments. The transfer pricing is based on cost coverage.

We use the performance figure adjusted EBITDA, which illustrates earnings before interest, taxes, depreciation and amortization, as well as adjusted EBIT, which is defined as earnings before interest and taxes, to measure segment results. In calculating this performance figure, non-recurring effects and effects of purchase price allocations are eliminated. Non-recurring effects include effects from the acquisition and disposal (including contribution) of subsidiaries, business units, and investments (including effects from the subsequent valuation of contingent consideration and other option liabilities for the acquisition of non-controlling interests), as well as impairment and write-ups of investments, effects from the sale of real estate, impairments, and write-ups of real estate used for own operational purposes, plus expenses related to the long-term share-based incentive plan (LTIP). Purchase price allocation effects include the expenses of amortization, depreciation, and impairments of intangible assets, and property, plant and equipment from the acquisition of companies and business divisions.

The breakdown of the eliminated non-recurring effects from the adjusted EBITDA and adjusted EBIT into the segments is shown below:

	2019				2018			
€ millions	**Classifieds Media**	**News Media**	**Marketing Media**	**Services/ Holding**	**Classifieds Media**	**News Media**	**Marketing Media**	**Services/ Holding**
Effects from acquisitions of subsidiaries and investments	–4.7	–5.6	–0.3	–23.4	–2.7	–7.2	0.0	0.0
Subsequent valuation of contingent purchase price liabilities and other option liabilities for the acquisition of non-controlling interests	–30.5	3.2	–1.8	0.0	–5.0	–0.6	–1.8	0.0
Effects from initiated and finalized disposals of subsidiaries, investments and real estate	63.6	6.0	–2.6	–2.7	–4.1	–0.7	47.0	32.2
Impairments and write-ups on investments	11.6	–29.4	–12.3	–0.6	–83.7	–4.1	12.2	–1.3
Long-term share-based incentive plan (LTIP)	0.0	0.0	0.0	–61.7	0.0	0.0	0.0	7.2
Non-recurring effects	**40.0**	**–25.9**	**–17.0**	**–88.4**	**–95.4**	**–12.6**	**57.3**	**38.2**

The effects from acquisitions of subsidiaries and investments are primarily attributable to the Services/Holding segment, mainly resulting from expenses in connection with the tender offer of Kohlberg Kravis Roberts (KKR). Effects in News Media segment are as in the previous year resulting from effects of purchase price allocations in connection with the founding of Ringier Axel Springer Schweiz AG.

The effects of the subsequent valuation of contingent consideration and other option liabilities for the acquisition of non-controlling interests related primarily to Appcast (Classifieds Media) in the reporting period.

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

In the reporting period the impairments and write-ups of investments related primarily to Ringier Axel Springer Schweiz AG (News Media). The effects in the Classifieds Media segment almost exclusively related to Purplebricks Group plc in the reporting year as well as in the previous year. For the effects see note (6a).

For the long-term share-based incentive plan (LTIP) see further explanations in note (10).

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

€ millions	2019	2018
Income from investments included in adjusted EBITDA	3.8	15.5
Non-recurring effects included in result from investments accounted for using the equity method	−17.2	−93.9
Non-recurring effects included in other investment income	−7.4	16.2
Income from investments	**−20.8**	**−62.2**
Depreciation, amortization, impairments, and write-ups (except from non-recurring effects and purchase price allocations)	−216.1	−210.1
Amortization and impairments from purchase price allocations	−91.9	−137.8
Depreciation, amortization, and impairments	**−308.0**	**−347.9**

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

The non-current segment assets include goodwill, intangible assets, property, plant and equipment. The largest share of non-current segment assets of the other countries is attributable to France in the amount of € 1,184.2 million (PY: € 965.9 million) and the USA in the amount of € 811.5 million (PY: € 726.6 million).

The largest share of revenues of the other countries is attributable to France in the amount of € 332.2 million (PY: € 324.7 million).

Other disclosures

(31) Capital management

Beyond the provisions of German law applicable to stock corporations, Axel Springer SE is not subject to any further obligations relating to capital preservation, whether from its own Articles of Incorporation or from contractual obligations. The financial key figures we used for management purposes are primarily earnings-driven. The goals, methods, and processes of our capital management are subordinate to the earnings-driven financial key figures.

We can utilize the funds derived from the promissory notes (€ 704.5 million) and also avail ourselves of our long-term credit lines (€ 1,500.0 million), both for general business purposes as well as to finance acquisitions. 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. For further information on financial liabilities see note (13).

Having adjusted the financing conditions for our credit lines in the previous year and, in this context, reducing the average interest rate, extending the term and increased the financing volume, we extended the term of our credit lines for one more year in July 2019. At the balance sheet date we are still able to avail ourselves of long-term credit lines in the amount of € 1,500.0 million, of which its utilizations will be due for repayment in July 2024 (previously July 2023). The utilization of the credit lines is tied to compliance with covenants. Since the existence of the credit lines, we have fully complied with all credit terms.

In addition, there existed promissory notes amounting to € 704.5 million as of December 31, 2019, with maturities 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).

As of the reporting date, the commercial paper program had not been utilized. It was only used within the reporting year (see note (13)).

For the purpose of maintaining and adjusting the capital structure, the company can adjust the dividend payments to its shareholders or purchase treasury shares representing up to 10.0 % of the subscribed capital as of the date of the resolution at the Annual General Meeting on the authorization to acquire treasury shares on April 18, 2018. Treasury shares can be used for acquisition financing or they can be retired. At the reporting date and the previous year's reporting date, we held no treasury shares.

(32) Financial assets and liabilities

The carrying amounts of the items in the statement of financial positions as of December 31, 2019, comprising financial assets and liabilities can be attributed to the measurement categories according to IFRS 9 as follows (see note (3f)):

		Valuation categories according to IFRS 9		
€ millions	**Carrying amount as of 12/31/2019**	**At fair value through profit or loss**	**At amortized cost**	**No valuation categories according to IFRS 9 and non financial assets and liabilities**
ASSETS				
Investments	230.7	230.7		
Loans	43.0	14.5	28.5	
Other non-current financial assets	273.7	245.3	28.5	
Trade receivables	843.3		843.3	
Receivables due from related parties	11.0		11.0	
Other assets	126.1		57.9	68.2
Cash and cash equivalents	286.1		286.1	
EQUITY AND LIABILITIES				
Financial liabilities	2,239.1		1,865.7	373.4
Trade payables	470.3		470.3	
Liabilities due to related parties	82.9		7.5	75.4
Contingent consideration	80.3	80.3		
Remaining other non financial assets	522.2	0.2	79.1	443.0
Other liabilities	602.6	80.5	79.1	443.0

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

The carrying amounts of the items in the statement of financial positions as of December 31, 2018, comprising financial assets and liabilities can be attributed to the measurement categories according to IFRS 9 as follows:

		Valuation categories according to IFRS 9		
€ millions	Carrying amount as of 12/31/2018	At fair value through profit or loss	At amortized cost	No valuation categories according to IFRS 9 and non financial assets and liabilities
ASSETS				
Investments	212.4	212.4		
Loans	28.2	1.9	26.4	
Other non-current financial assets	240.6	214.3	26.4	
Trade receivables	782.9		782.9	
Receivables due from related parties	22.9		22.9	
Other assets	118.9		53.2	65.7
Cash and cash equivalents	281.5		281.5	
EQUITY AND LIABILITIES				
Financial liabilities	1,530.8		1,151.1	379.6
Trade payables	511.8		511.8	
Liabilities due to related parties	35.5		20.9	14.6
Contingent consideration	51.3	51.3		
Remaining other non financial assets	553.5	0.3	58.5	494.7
Other liabilities	604.8	51.5	58.5	494.7

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

	12/31/2019			12/31/2018		
€ millions	Fair value based on market price (level 1)	Fair value based on observable market data (level 2)	Fair value not based on observable market data (level 3)	Fair value based on market price (level 1)	Fair value based on observable market data (level 2)	Fair value not based on observable market data (level 3)
Investments			230.7			212.4
Loans			14.5			1.9
Derivatives designated as a hedging instrument (negative fair value) as part of other liabilities		0.2			0.3	
Contingent consideration			80.3			51.3

The development of investments mainly related to additions amounting to € 39.5 million and disposals amounting to € 3.9 million as well as fair value changes from the valuation affecting profit or loss recognized in income from investments amounting to € -13.3 million.

The development of loan receivables mainly related to additions amounting to € 14.1 million and reclassifications to investments accounted for using the equity method amounting to € 1.5 million.

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

€ millions	2019	2018
January 1	**51.3**	**80.6**
Acquisitions or granting of option rights	33.9	0.9
Disposals	–1.1	0.0
Payment	–31.8	–28.9
Subsequent valuation affecting net income	29.1	–1.7
Thereof other operating income	–4.4	–5.7
Thereof other operating expenses	33.5	4.0
Compound	0.3	0.6
Other	–1.3	–0.3
December 31	**80.3**	**51.3**

Contingent consideration as of December 31, 2019, mainly related to the option liability for the acquisition of non-controlling interests in Appcast and Gehalt.de (as of December 31, 2018: mainly Immoweb). For additions from acquisitions see note (2c). The payments of the previous year included an amount of € 8.2 million, which had already been paid to a notary trust account in 2017 (for payments see note (28)).

Expenses from subsequent valuation are mainly related to Appcast and attributable to a positive business development and adjustment made to the medium-term planning of the company accordingly. In addition, in the previous year, other operating expenses of € 4.0 million from the subsequent valuation of contingent consideration in connection with assets held for sale and related liabilities of the aufeminin Group have been recognized (see note (2c)).

The fair value measurement of contingent consideration essentially depends on the estimated results of the acquired companies in the years before the possible exercise periods of the option rights or the payment dates of the earn-outs. The earnings used as a basis for measurement are generally EBITDA figures adjusted for IFRS 16 effects and material non-recurring effects. In case of an increase of the relevant estimated earnings measures by 10 %, the value of the contingent consideration would increase by approximately 3 %. A decrease of the relevant earnings measures by 10 % would result in a reduction of approximately 3 %.

With the exception of the financial liabilities presented below, the carrying amounts of the financial assets and liabilities were identical to their fair values:

€ millions	12/31/2019		12/31/2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	621.8	634.9	620.4	627.4
Thereof promissory note	621.8	634.9	620.4	627.4

The fair value disclosed is determined on the basis of the difference between the contractually agreed effective interest rate and the market interest rate taking into account our credit risk (level 2 of the measurement hierarchy, see note (3f)).

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

€ millions	2019	2018
Financial assets and liabilities at fair value through profit or loss	– 36.9	14.6
Financial assets at amortized cost	– 17.7	– 14.8

The net gains and losses in the category of "financial assets and liabilities measured at fair value through profit or loss" resulted mainly from the revaluation of other investments and gains from the disposal of other investments as well as effects from subsequent valuation of contingent consideration (PY: mainly revaluation of other investments).

The net losses in the category of "financial assets at amortized cost" are mainly valuation effects for trade receivables and other assets as in the previous year. Additionally, impairments recognized on loans and loan commitments were included in the reporting period.

(33) Financial risk management

With respect to its financial assets and liabilities, the Axel Springer Group is exposed to financial market risks, liquidity risks, and credit risks. The task of financial risk management is to limit these risks by means of targeted measures.

(a) Financial market risks

Financial market risks for financial assets and liabilities mainly consist of interest rate risks and exchange rate risks.

In principle, the effects of these risks on the value can be assessed promptly and, where applicable, the loss risks can be reduced.

Selected derivative hedging instruments are used to hedge risks. The use of financial derivatives is governed by appropriate guidelines of the Group. These guidelines define the relevant responsibilities, permissible actions, reporting requirements and business partner limit, and prescribe the strict separation of trading and back-office functions.

To hedge the interest rate risk, we employ in particular interest rate derivatives such as interest rate swaps, in addition to increased use of fixed interest agreements. The degree of hedging specified in the Axel Springer finance regulations ranges between 30 % and 100 % of the underlying transaction volume. The use of fixed interest agreements and interest rate derivatives resulted in an annual average hedging ratio regarding the gross indebtedness (promissory notes and liabilities for banks) of 46.7 % (PY: 59.9 %).

The effects of market interest rate changes on variable-interest financial instruments not hedged with financial derivatives are calculated using a sensitivity analysis. Assuming an increase of the interest level by 50 basis points, the financial result in the reporting period would have decreased by € 1.1 million (PY: € 1.0 million). Assuming a decrease of the interest level by 50 basis points, the financial result would have increased by € 0.4 million (PY: € 0.4 million). The financial result reacts less sensitively to interest rate reductions due to agreed minimum interest rates with regard to variable interest rate financial instruments.

Currency risks from operations are mainly avoided through the occurrence of operating costs in the countries in which we sell our products and services. Remaining currency risks from operations are insignificant to the Group since the majority of adjusted EBITDA is earned in the euro currency zone. In the reporting period, the share of adjusted EBITDA not earned in Euros was 24 % (PY: 22 %).

Currency risks from foreign currency claims and liabilities (without liabilities from contingent consideration) as well as claims and liabilities in euros in non-euro countries with net exposures starting at € 5 million per foreign currency are in principal hedged by means of maturity-congruent forward exchange transactions.

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

Effects from the currency translation of statements prepared by subsidiaries in foreign currencies are recorded directly in accumulated other comprehensive income. Therefore, Axel Springer does not hedge such currency effects.

(b) Liquidity risk

We continually monitor the availability of financial resources to fund the company's operating activities and investments by means of a Group-wide liquidity planning system and monthly cash flow analyses. Liquidity and financial flexibility of the Axel Springer Group is ensured by fixed credit lines in the amount of € 1,500.0 million (until 2024) as well as by promissory notes (€ 704.5 million). Note (15) contains a maturity analysis of our financial liabilities. The payment obligations for financial obligations that have been contractually agreed but not yet recorded are presented in note (37).

(c) Credit risk

Financial assets may be impaired if business partners do not adhere to payment obligations. Significant risk items are contained in non-current financial assets (loan receivables) as well as in trade receivables, receivables due from related parties, and other assets. The maximum exposure to risk from financial assets, which are fundamentally subject to credit risk, correspond to their carrying amounts. Collateral for related receivables and repayment claims usually does not exist.

The majority of our business models are based on a widely distributed and heterogeneous customer base. We therefore estimate the risk of significant defaults to be low. To the extent that credit risks are discernible, we reduce them using active management of receivables, credit limits, and credit checks of our business partners. Credit risks are taken into account in the statement of financial positions through appropriate allowances (see note (3f)). For the provision matrix for trade receivables see note (7).

The impairment losses (net) for trade receivables and other financial assets amounted to € 17.7 million (PY: € 14.8 million).

Investments in securities are mainly made only in instruments with first-class ratings according to our finance regulations. Investment in time deposits occurs exclusively at financial institutions that belong to the deposit protection fund and/or are classified by leading rating agencies as being at least of investment grade status BBB- (S&P) or Baa3 (Moody's).

(34) Financial derivatives not designated as hedging instruments

In May 2018, we sold our remaining shares in Doğan TV of approximately 7 % to Doğan Holding for a total purchase price of € 160 million by exercising the put options. As of December 31, 2017, the valuation was based on the present value of the payment claims of the put option less costs to be incurred. The discount rates were determined according to the duration of the put options and the default risk, taking into account the granted bank guarantees. From the valuation of these put options we recognized gains of € 3.7 million in the financial result in the previous year until the date of disposal.

(35) Relartionships with related parties

Until December 17, 2019, the Axel Springer Group was, as in the previous year, directly and indirectly controlled by Dr. h. c. Friede Springer. Since December 18, 2019, the group is jointly directly and indirectly controlled by Dr. h. c. Friede Springer and the financial investor Kohlberg Kravis Roberts („KKR"). The KKR Management LLP (previously KKR Management LLC), Wilmington, USA, is the ultimate parent company of KKR.

Therefore, Dr. h. c. Friede Springer and her immediate family, the companies controlled, jointly managed, or that are subject to significant influence by this family, as well as companies in whose management they hold a key position have been defined as related parties for the Axel Springer Group. Furthermore, the subsidiaries, joint ventures, and associated companies of the Axel Springer Group and since December 18, 2019, the companies controlled, jointly managed and significantly influenced by KKR have been defined as related parties. In addition, related parties have been the active members of the Executive Board and Supervisory Board of Axel Springer SE (including their family members) and their controlled or jointly managed investments as well as the Axel Springer Pensionstreuhand e.V., which manages the plan assets of the Axel Springer Group.

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

€ millions	Total	Associates and joint ventures	Other related parties	Total	Associates and joint ventures	Other related parties
Balance sheet	12/31/2019			12/31/2018		
Loans	13.0	12.9	0.0	2.0	0.2	1.8
Receivables	11.0	8.8	2.2	22.9	20.4	2.5
Thereof trade	2.3	0.4	1.9	2.5	1.3	1.2
Allowances included	0.5	0.0	0.5	0.6	0.0	0.6
Provisions	26.0	1.0	25.0	20.0	0.0	20.0
Liabilities	82.9	0.8	82.1	35.5	13.0	22.5
Thereof trade	2.3	0.8	1.5	2.8	1.2	1.6
Income statement	2019			2018		
Goods and services supplied	4.3	3.5	0.8	5.9	4.5	1.4
Goods and services received	96.2	1.4	94.8	26.4	1.5	24.9
Financial result	–1.9	–2.0	0.1	0.1	0.0	0.1

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

€ millions	2019	2018
Balance as of January 1	0.6	1.2
Additions	0.0	–0.9
Utilization	–0.1	–0.5
Reversals	0.0	0.2
Other changes	0.0	0.6
Balance as of December 31	**0.5**	**0.6**

The loans relating to associates and joint ventures mainly refer to a receivable from a convertible loan for a joint venture, through which we hold shares in Homeday. Loan impairment losses amounting to € 1.0 million (PY € 0.0 million) were recorded for associates and joint ventures, as of December 31, 2019.

The receivables (PY: receivables and payables) attributable to associates and joint ventures mainly related to Ringier Axel Springer Schweiz AG.

Provisions mainly related to pension provisions to members of the Executive Board. Liabilities due to other related parties are mainly included obligations in connection with the share-based compensation program granted to members of the Executive Board of Axel Springer SE in the amount of € 70.4 million (PY: € 14.6 million), see note (10).

Goods and services provided to associates and joint ventures mainly included advertising services as well as other services (PY: mainly other services).

Goods and services received from other related parties related in particular to Supervisory and Executive Board members as well as other services as in the previous year.

The fixed compensation of members of the Executive Board of Axel Springer SE amounted to € 10.4 million (PY: € 10.1 million) in the reporting period 2019. The variable compensation amounted to € 11.7 million (PY: € 11.3 million). The measurement of the share-based compensation granted to the Executive Board (see note (10)) resulted in personnel expenses of € 55.8 million in the reporting period (PY: personnel expenses of € 1.1 million and other operating income of € 11.4 million). Guaranteed pension payments to members of the Executive Board resulted in personnel expense of € 2.1 million (PY: € 1.4 million). The compensation of the members of the Supervisory Board amounted as in the previous year to € 3.0 million. In addition, services received in the reporting year mainly included other services of related parties as well as expenses in connection with the change in the Executive Board.

The compensation of the members of the Executive and Supervisory Board of the Axel Springer SE is described in detail in the compensation report, which is part of the notes to the consolidated financial statements. The compensation report is included in the section "Corporate Governance Report".

An amount of € 2.5 million (PY: € 2.5 million) was paid to former Executive Board members and former managing directors and their survivors. A total amount of € 31.0 million (PY: € 31.0 million) was deferred for their pension obligations.

At the balance sheet date, there were payment commitments towards associates (€ 6.0 million, PY: € 0.0 million) and joint ventures (€ 12.6 million, PY: € 18.9 million). In addition, loan commitments were granted to associates amounting to € 3.8 million (PY: € 0.0 million) and financing guarantees were given amounting to € 2.4 million (PY: € 0.0 million), see note (36) and (37).

The joint venture, through which we hold shares in Homeday, has exercised an option to increase its shares in Homeday, resulting in a short-term payment commitment for Axel Springer of € 20.0 million (see note (38)). In addition, call and put options on the remaining shares in Homeday will become effective in the course of the financing round, for which the purchase price to be paid will be based on Homeday's future earnings in 2022 and 2023. The currently expected future payout amount for these options is approximately € 280 million, which is fully attributable to Axel Springer if the other partner of the joint venture does not participate in the financing of the company.

In the previous year we granted a convertible loan to a related party of a Supervisory Board member in the amount of € 1.5 million, which was increased by € 2.0 million in the reporting year amounting to € 3.5 million. The company develops future mobility concepts. In December, we converted the loan into shares in the company and hold 35.7 % of the shares as of the balance sheet date. The related party of a Supervisory Board member holds a further 53.6 % of the shares in the company.

In addition, we continue to hold a stake of approximately 93 % in an investment fund for media start-ups, in which the remaining shares are held by a related party of a Supervisory Board member. Due to partnership arrangements, we treat this investment as a joint venture. As of the balance sheet date, there were payment commitments in this investment fund in the amount of € 1.7 million (PY: € 5.1 million). As in the previous year, the related party of the Supervisory Board member received a compensation of USD 0.4 million (€ 0.3 million) for the management services provided.

For transactions with the institutions managing the plan assets of the Axel Springer Group, please find the explanations in note (5) and note (11).

(36) Contingent liabilities

As of December 31, 2019, contigent liablities from guarantees existed in the amount of € 3.6 million (PY: € 1.8 million), which relatated to associates in the amount of € 2.4 million (PY: € 0.0 million), see note (35).

(37) Other financial commitments

The other financial commitments broke down as follows:

€ millions	12/31/2019	12/31/2018
Purchase commitments for		
- intangible assets	0.7	1.1
- property, plant, and equipment	51.1	129.5
- inventories	24.5	26.2
Future payments from unrecorded leases	227.5	241.7
Other commitments	460.1	156.4
Other financial commitments	**763.8**	**555.0**

In Berlin, the construction of the new Axel Springer building in the immediate vicinity of the current publishing building is currently taking place. The total construction budget will be approximately € 315 million. As of the balance sheet date, investments amounted to around € 265 million (December 31, 2018: € 166 million). Purchase commitments for property, plant and equipment mainly related from this new construction project.

Future lease payments from unrecorded leases included obligations under short-term leases (€ 1.7 million; PY: € 0,9 million), leases from low-value assets (€ 0.9 million; PY: € 1,1 million) and contracts that have already been concluded, but start after the reporting date (€ 224.9 million; PY: € 239,7 million). This includes future financial obligations of € 223.4 million for the leaseback of the new building after completion (see note (5)). All other leases have been accounted for as financial liabilities already (see note (15)).

Potential future cash outflows due to extension options not yet included in the valuation of lease liabilities amounted to € 74.8 million (PY: € 63.3 million) as of December 31, 2019. These options almost exclusively resulted from leases for office space. As of the balance sheet date it was uncertain that these options will be exercised in the future.

Other commitments included commitments due to associates and joint ventures in the amount of € 322.4 million (PY: € 18.9 million) and mainly related to Homeday (see note (35)). In addition, other commitments resulted primarily from contracts for TV productions and other services.

Since the reporting year, other commitments include long-term and short-term commitments. Furthermore, the commitments disclosed under purchase commitments for inventories, which are recognized directly in the purchased goods and services upon payment, have been disclosed under other commitments since the reporting year. The previous-year figures have been adjusted accordingly.

(38) Events after balance sheet date

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.

At the end of January 2020, the joint venture holding the shares in Homeday exercised the options exercisable since the end of December to increase the shares in Homeday GmbH and thus increased its shareholding to 54.4 %. The resulting future payment commitments are fully attributable to Axel Springer if the other partner of the joint venture does not participate in the financing of the company (see note (35) and (37)).

(39) Declaration of Conformity with the German Corporate Governance Code

Axel Springer SE published the Declaration of Conformity with the German Corporate Governance Code issued by the Executive Board and Supervisory Board in accordance with Section 161 of the German Stock Corporations Act (AktG) on the company's website www.axelspringer. de → Investor Relations → Corporate Governance, where it is permanently available to shareholders. The Declaration of Conformity is also printed in the Corporate Governance section of this Annual Report.

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

No.	Company	12/31/2019 Share-holding	12/31/2019 via No.	12/31/2018 Share-holding	12/31/2018 via No.	
1	**Axel Springer SE, Berlin**	**-**	**-**	**-**	**-**	
	Fully consolidated subsidiaries					
	Germany					
2	AS Osteuropa GmbH, Berlin	-	-	100.0 %	23	
3	AS TV-Produktions- und Vertriebsges. mbH, Hamburg	100.0 %	1	100.0 %	1	
4	AVIV Group GmbH (previously Fünfundachtzigste "Media" Vermögensverwaltungsges. mbH), Berlin	100.0 %	12	100.0 %	12	5)
5	AWIN AG, Berlin	80.0 %	13	80.0 %	13	
6	Axel Springer All Media GmbH, Berlin	100.0 %	1	100.0 %	1	5)
7	Axel Springer Asia GmbH, Hamburg	100.0 %	23	100.0 %	23	
8	Axel Springer Audio GmbH, Berlin	100.0 %	1	100.0 %	1	5)
9	Axel Springer Auto-Verlag GmbH, Hamburg	100.0 %	1	100.0 %	1	5)
10	Axel Springer Corporate Solutions GmbH & Co. KG, Berlin	100.0 %	1	100.0 %	1	6)
11	Axel Springer Digital Classifieds GmbH, Berlin	100.0 %	13	100.0 %	13	5)
12	Axel Springer Digital Classifieds Holding GmbH, Berlin	100.0 %	11	100.0 %	11	5)
13	Axel Springer Digital GmbH, Berlin	100.0 %	1	100.0 %	1	5)
14	Axel Springer Digital Ventures GmbH, Berlin	100.0 %	13	100.0 %	13	5)
15	Axel Springer Digital Ventures US GmbH, Berlin	100.0 %	14	100.0 %	14	
16	Axel Springer Digital Ventures US II GmbH, Berlin	100.0 %	14	100.0 %	14	
17	Axel Springer Druckhaus Spandau GmbH & Co. KG, Berlin	100.0 %	1	100.0 %	1	6)
18	Axel Springer hy GmbH, Berlin	60.0 %	14	62.1 %	14	
19	Axel Springer Ideas Engineering GmbH, Berlin	100.0 %	38	100.0 %	38	5)
20	Axel Springer ideAS Ventures GmbH, Berlin	-	-	100.0 %	38	
21	Axel Springer INSIDER Ventures GmbH, Berlin	80.1 %	14	80.1 %	14	
		19.9 %	157	19.9 %	157	
22	Axel Springer International GmbH, Berlin	100.0 %	1	100.0 %	1	5)
23	Axel Springer International Holding GmbH, Berlin	100.0 %	22	100.0 %	22	5)
24	Axel Springer Kundenservice GmbH, Hamburg	100.0 %	1	100.0 %	1	5)
25	Axel Springer Liveware IT GmbH, Berlin	100.0 %	19	100.0 %	19	5)
26	Axel Springer Media for Equity GmbH, Berlin	100.0 %	14	100.0 %	14	5)
27	Axel Springer Mediahouse Berlin GmbH, Berlin	100.0 %	1	100.0 %	1	5)
28	Axel Springer Medien Accounting Service GmbH, Berlin	100.0 %	1	100.0 %	1	5)
29	Axel Springer Offsetdruckerei Ahrensburg GmbH & Co. KG, Ahrensburg	100.0 %	1	100.0 %	1	6)
30	Axel Springer Offsetdruckerei Kettwig GmbH & Co. KG, Essen	100.0 %	1	100.0 %	1	6)
31	Axel Springer Print Management GmbH, Ahrensburg	100.0 %	1	-	-	
32	Axel Springer Services & Immobilien GmbH, Berlin	100.0 %	1	100.0 %	1	5)
33	Axel Springer Sport Dienstleistungs-GmbH, Hamburg	100.0 %	34	100.0 %	34	
34	Axel Springer Sport Verlag GmbH, Hamburg	100.0 %	1	100.0 %	1	5)
35	Axel Springer Syndication GmbH, Berlin	100.0 %	38	100.0 %	38	5)
36	Axel Springer Teaser Ad GmbH, Berlin	100.0 %	6	100.0 %	6	
37	Axel Springer TV Productions GmbH, Hamburg	-	-	100.0 %	1	
38	"Axel Springer Verlag" Beteiligungsgesellschaft mbH, Berlin	100.0 %	1	100.0 %	1	5)
39	B.Z. Ullstein GmbH, Berlin	100.0 %	38	100.0 %	38	5)
40	Bilanz Deutschland Wirtschaftsmagazin GmbH, Hamburg	100.0 %	38	100.0 %	38	5)
41	BILD GmbH, Berlin	100.0 %	1	100.0 %	1	5)
42	Bonial Holding GmbH, Berlin	72.5 %	13	72.5 %	13	9)
43	Bonial International GmbH, Berlin	100.0 %	42	100.0 %	42	
44	Bonial Management GmbH, Berlin	-	-	100.0 %	42	
45	Buch- und Presse-Großvertrieb Hamburg GmbH & Co. KG, Hamburg	100.0 %	1	80.5 %	1	6)
46	Business Insider Deutschland GmbH (previously Achtundsiebzigste "Media" Vermögensverwaltungsges. mbH), Berlin	100.0 %	14	-	-	5)
47	Buzz Technologies GmbH, Berlin	51.0 %	1	51.0 %	1	
48	CeleraOne GmbH, Berlin	100.0 %	1	-	-	
49	Commerz-Film GmbH, Berlin	100.0 %	23	100.0 %	23	
50	comparado GmbH, Luneburg	100.0 %	61	100.0 %	61	
51	COMPUTER BILD Digital GmbH, Hamburg	100.0 %	1	100.0 %	1	5)
52	Contact Impact GmbH, Hamburg	100.0 %	6	75.1 %	6	
53	Content Factory TV-Produktion GmbH, Berlin	100.0 %	94	100.0 %	94	5)
54	DanCenter GmbH, Hamburg	-	-	100.0 %	143	
55	Dreiundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0 %	1	-	-	

No.	Company	12/31/2019 Share-holding	via No.	12/31/2018 Share-holding	via No.	
56	Einundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0 %	1	-	-	5)
57	eprofessional GmbH, Hamburg	100.0 %	5	100.0 %	5	
58	finanzen.net GmbH, Karlsruhe	75.0 %	14	75.0 %	14	10)
59	Gehalt.de GmbH, Hamburg	51.0 %	76	-	-	9)
60	Idealo International GmbH, Berlin	100.0 %	61	100.0 %	61	
61	Idealo Internet GmbH, Berlin	74.9 %	13	74.9 %	13	
62	ImmoSolve GmbH, Bad Bramstedt	100.0 %	64	100.0 %	64	
63	Immowelt AG, Nuremberg	100.0 %	65	100.0 %	65	
64	Immowelt Hamburg GmbH, Hamburg	100.0 %	65	100.0 %	65	
65	Immowelt Holding AG, Nuremberg	100.0 %	4	55.0 %	12	
66	infoRoad GmbH, Heroldsberg	80.3 %	9	80.3 %	9	9)
67	MAZ & More TV-Produktion GmbH, Berlin	100.0 %	94	100.0 %	94	5)
68	Media Impact GmbH & Co. KG, Berlin	74.9 %	6	74.9 %	6	6)
69	meinestadt.de GmbH, Cologne	100.0 %	76	100.0 %	76	5)
70	meinestadt.de Vertriebs-GmbH, Cologne	100.0 %	69	100.0 %	69	5)
71	PACE Paparazzi Catering & Event GmbH, Berlin	100.0 %	1	100.0 %	1	5)
72	Panther Holding GmbH, Berlin	100.0 %	61	100.0 %	61	
73	Press Impact GmbH (previously Newspaper Impact GmbH), Hamburg	100.0 %	1	100.0 %	1	5)
74	Sales Impact GmbH, Hamburg	100.0 %	1	100.0 %	1	5)
75	SPRING Axel Springer Digital News Media GmbH & Co. KG, Berlin	100.0 %	1	100.0 %	1	6)
76	StepStone Continental Europe GmbH, Berlin	100.0 %	78	100.0 %	78	5)
77	StepStone Deutschland GmbH, Dusseldorf	100.0 %	76	100.0 %	76	5)
78	StepStone GmbH, Berlin	100.0 %	12	100.0 %	12	5)
79	Studydrive GmbH, Berlin	100.0 %	76	-	-	
80	t-bee GmbH, Puchheim	-	-	100.0 %	84	
81	Tourismuszentrum GmbH Mecklenburgische Ostseeküste, Kroepelin	-	-	100.0 %	96	
82	TraderFox GmbH, Reutlingen	50.1 %	58	50.1 %	58	
83	Transfermarkt GmbH & Co. KG, Hamburg	51.0 %	41	51.0 %	41	6)
84	Traum-Ferienwohnungen GmbH, Bremen	-	-	50.0 %	130	
85	Ullstein GmbH, Berlin	100.0 %	38	100.0 %	38	5)
86	Umzugsauktion GmbH & Co. KG, Schallstadt	100.0 %	64	100.0 %	64	6)
87	Universum Employer Branding Services GmbH (previously Einhundertvierte "Media" Vermögensverwaltungsges. mbH), Berlin	100.0 %	214	-	-	
88	upday GmbH & Co. KG, Berlin	94.5 %	1	100.0 %	1	6)
		5.5 %	55	-	-	
89	upday Holding GmbH, Berlin	100.0 %	88	100.0 %	88	
90	Vertical Media GmbH, Berlin	88.0 %	94	88.0 %	94	
91	Visoon Video Impact GmbH & Co. KG, Berlin	51.0 %	6	51.0 %	6	6)
92	Visual Meta GmbH, Berlin	96.0 %	61	96.0 %	61	
93	WeltN24 Club GmbH, Berlin	-	-	100.0 %	94	
94	WeltN24 GmbH, Berlin	100.0 %	1	100.0 %	1	5)
95	YOURCAREERGROUP GmbH, Dusseldorf	100.0 %	76	100.0 %	76	5)
	Other countries					
96	@Leisure Holding B.V., Rotterdam, Netherlands	-	-	51.0 %	12	
97	AanZee VillaXL B.V., Bergen, Netherlands	-	-	100.0 %	96	
98	Admiral Strand Feriehuse ApS, Nørre Nebel, Denmark	-	-	100.0 %	143	
99	affilinet Austria GmbH, Vienna, Austria	100.0 %	5	100.0 %	5	
100	affilinet Benelux B.V., Amsterdam, Netherlands	100.0 %	5	100.0 %	5	
101	affilinet España SLU, Madrid, Spain	100.0 %	5	100.0 %	5	
102	affilinet France SAS, Saint-Denis, France	100.0 %	5	100.0 %	5	
103	affilinet Limited, London, United Kingdom	100.0 %	5	100.0 %	5	
104	affilinet Schweiz GmbH, Zurich, Switzerland	100.0 %	5	100.0 %	5	
105	APM Print d.o.o., Belgrad, Serbia	100.0 %	177	100.0 %	177	
106	Appcast, Inc., Lebanon, USA	91.2 %	78	-	-	9)
107	Appcast.IO LTD, Bristol, United Kingdom	100.0 %	106	-	-	
108	AS-NYOMDA Kft, Kecskemét, Hungary	100.0 %	178	100.0 %	178	
109	Autobazar.EU portál s.r.o., Nové Mesto nad Váhom, Slowakia	100.0 %	204	100.0 %	204	
110	AWIN AB, Stockholm, Sweden	100.0 %	5	100.0 %	5	
111	AWIN B.V., Amsterdam, Netherlands	100.0 %	5	100.0 %	5	
112	AWIN Global Affiliate Network S.L., Madrid, Spain	100.0 %	5	100.0 %	5	
113	AWIN Inc., Wilmington, USA	100.0 %	114	100.0 %	114	
114	AWIN Ltd., London, United Kingdom	100.0 %	5	100.0 %	5	

No.	Company	12/31/2019 Share-holding	12/31/2019 via No.	12/31/2018 Share-holding	12/31/2018 via No.	
115	AWIN SAS, Paris, France	100.0 %	5	100.0 %	5	
116	AWIN Sp. z o.o., Warsaw, Poland	100.0 %	5	100.0 %	5	
117	AWIN SRL, Milan, Italy	100.0 %	5	100.0 %	5	
118	AWIN VEICULAÇÃO DE PUBLICIDADE NA INTERNET LTDA., São Paulo, Brazil	100.0 %	5	100.0 %	5	
		0.0 %	57	0.0 %	57	7)
119	Axel Springer Beteiligungen Schweiz AG, Zuerich, Switzerland	100.0 %	124	100.0 %	124	
120	Axel Springer España S.A., Madrid, Spain	100.0 %	1	100.0 %	1	
121	Axel Springer France S.A.S., Paris, France	100.0 %	1	100.0 %	1	
122	Axel Springer International AG, Zurich, Switzerland	100.0 %	123	100.0 %	123	
123	Axel Springer International Limited, London, United Kingdom	100.0 %	23	100.0 %	23	15)
124	Axel Springer Schweiz AG, Zurich, Switzerland	100.0 %	123	100.0 %	123	
125	Axel Springer Services Inc., Wilmington, USA	100.0 %	14	100.0 %	14	
126	Belles Demeures S.A.S., Paris, France	-	-	100.0 %	185	
127	Belvilla AG, Zuerich, Switzerland	-	-	100.0 %	96	
128	Belvilla Ferienwohnungen GmbH, Kitzbuehel, Austria	-	-	50.0 %	130	11)
129	Belvilla Nederland B.V., The Hague, Netherlands	-	-	100.0 %	96	
130	Belvilla Services B.V., Eindhoven, Netherlands	-	-	100.0 %	96	
131	Blikk Kft., Budapest, Hungary	100.0 %	179	100.0 %	179	
132	Bonial SAS, Paris, France	98.0 %	43	98.0 %	43	9)
133	Business Insider Europe Limited, London, United Kingdom	100.0 %	157	100.0 %	157	
134	Candidate Manager (US) Inc, Boston, USA	-	-	100.0 %	135	
135	Candidate Manager Ltd, Dublin, Ireland	100.0 %	184	100.0 %	184	
136	Car&Boat Media SAS, Paris, France	100.0 %	145	39.0 %	145	
		-	-	61.0 %	12	
137	CaribbeanJobs Ltd, George Town, Cayman Islands	100.0 %	184	100.0 %	184	
138	City-Nav Sp. z o.o., Poznan, Poland	69.3 %	180	69.3 %	180	
139	Concept Multimédia SAS, Aix-en-Provence, France	100.0 %	145	100.0 %	145	
140	Coral-Tell Ltd., Tel Aviv, Israel	100.0 %	4	100.0 %	12	
141	CV Keskus OÜ, Tallinn, Estonia	100.0 %	179	100.0 %	179	
142	Cybersearch S.A., Guatemala City, Guatemala	100.0 %	197	100.0 %	197	
		0.0 %	184	0.0 %	184	7)
143	DanCenter A/S, Copenhagen, Denmark	-	-	100.0 %	96	
144	DanCenter EDB Service ApS, Copenhagen, Denmark	-	-	100.0 %	143	
145	Digital Classifieds France SAS (previously Axel Springer Digital Classifieds France SAS), Paris, France	100.0 %	4	100.0 %	12	
146	eMarketer Europe Ltd., London, United Kingdom	100.0 %	147	100.0 %	147	
147	eMarketer Inc., New York, USA	100.0 %	14	95.1 %	14	9)
148	Estascontratadocom S.A., Panama City, Panama	100.0 %	197	100.0 %	197	
149	Falguière Conseil SAS, Paris, France	100.0 %	145	-	-	
150	Garantie System SAS, Paris, France	100.0 %	136	100.0 %	136	
151	G-Construct SA, Brussels, Belgium	100.0 %	156	100.0 %	156	
152	Good & Co Labs, Inc., San Francisco, USA	100.0 %	78	100.0 %	78	
153	ICI Formations SAS, Paris, France	100.0 %	190	100.0 %	190	
154	ictjob SPRL, Waterloo, Belgium	99.0 %	76	99.0 %	76	
		1.0 %	191	1.0 %	191	
155	Immoweb Financial Services SA, Brussels, Belgium	100.0 %	156	-	-	
156	Immoweb SA, Brussels, Belgium	100.0 %	145	94.5 %	145	9)
157	Insider Inc., New York, USA	100.0 %	14	100.0 %	14	
158	Interactive Junction Holdings Proprietary Limited, Rosebank/Johannesburg, South Africa	100.0 %	172	100.0 %	172	
159	Jobcity Ltd., Tel Aviv, Israel	100.0 %	140	-	-	
160	Jobmagnet Limited, London, United Kingdom	100.0 %	78	100.0 %	78	
161	Jobs LU Ltd, Dublin, Ireland	100.0 %	184	100.0 %	184	
162	Jobs.ie Ltd, Dublin, Ireland	100.0 %	184	100.0 %	184	
163	Jobsite UK (Worldwide) Limited, London, United Kingdom	100.0 %	194	100.0 %	194	
164	My Web Ltd, Ebene, Mauritius	100.0 %	172	100.0 %	172	
165	NARKS INFOSERVIS, a.s., Bratislava, Slowakia	100.0 %	204	100.0 %	204	
166	New Digital d.o.o. Belgrade, Belgrad, Serbia	100.0 %	177	100.0 %	177	
167	NIJobs.com Ltd, Belfast, United Kingdom	100.0 %	184	100.0 %	184	
168	NIN d.o.o., Belgrad, Serbia	99.7 %	177	99.7 %	177	
169	Ofertia Colombia Retail Services SAS, Bogota, Columbia	-	-	100.0 %	188	
170	OfertiaCL Retail Services SpA, Santiago de Chile, Chile	-	-	100.0 %	188	
171	OFERTIAMX RETAIL SERVICES, S. de R.L. de C.V., Mexico City, Mexico	-	-	100.0 %	188	

No.	Company	12/31/2019 Share-holding	12/31/2019 via No.	12/31/2018 Share-holding	12/31/2018 via No.	
172	Pnet (Pty) Ltd, Johannesburg, South Africa	100.0 %	184	100.0 %	184	
173	Praxis SARL, Chambery, France	-	-	100.0 %	185	
174	profession.hu Kft, Budapest, Hungary	100.0 %	179	100.0 %	179	
175	RealSoft s.r.o., Nové Mesto nad Váhom, Slowakia	50.0 %	200	50.0 %	200	
		50.0 %	204	50.0 %	204	
176	Residence de Monbrison A/S, Copenhagen, Denmark	-	-	73.2 %	143	
177	Ringier Axel Springer d.o.o., Belgrad, Serbia	100.0 %	179	100.0 %	179	
178	Ringier Axel Springer Magyarország Kft, Budapest, Hungary	100.0 %	179	100.0 %	179	
179	Ringier Axel Springer Media AG, Zurich, Switzerland	50.0 %	123	50.0 %	123	3)
180	Ringier Axel Springer Polska Sp. z o. o., Warsaw, Poland	100.0 %	179	100.0 %	179	
181	Ringier Axel Springer SK, a.s., Bratislava, Slowakia	87.5 %	179	87.5 %	179	
182	Rodacom SARL, Grenoble, France	-	-	100.0 %	139	
183	Saknai Net Ltd., Tel Aviv, Israel	100.0 %	140	100.0 %	140	
184	Saongroup Limited, Dublin, Ireland	100.0 %	194	100.0 %	194	12)
185	SeLoger SAS (previously PressImmo On Line S.A.S.), Paris, France	100.0 %	145	100.0 %	186	
186	SeLoger.com SAS, Paris, France	-	-	100.0 %	145	
187	ShareASale.com Inc., Chicago, USA	100.0 %	113	100.0 %	113	
188	SOKOWEB TECHNOLOGIES, S.L., Barcelona, Spain	-	-	70.0 %	43	
189	SPORT.SK s.r.o., Zilina, Slowakia	66.7 %	181	66.7 %	181	
190	StepStone France SAS, Paris, France	100.0 %	76	100.0 %	76	
191	StepStone NV, Brussels, Belgium	100.0 %	76	100.0 %	76	
		0.0 %	192	0.0 %	192	7)
192	StepStone Österreich GmbH, Vienna, Austria	100.0 %	77	100.0 %	77	
193	StepStone Services Sp. z o.o., Warsaw, Poland	100.0 %	76	100.0 %	76	
194	StepStone UK Holding Limited, London, United Kingdom	100.0 %	78	100.0 %	78	16)
195	StepStone.pl Sp. z o.o., Warsaw, Poland	51.0 %	179	100.0 %	179	
		49.0 %	76	-	-	
196	Tecoloco El Salvador S.A. de C.V., San Salvador, El Salvador	100.0 %	197	100.0 %	197	
		0.0 %	184	0.0 %	184	7)
197	Tecoloco International Inc, Panama City, Panama	100.0 %	184	100.0 %	184	
198	Tecoloco S.A. de C.V. Honduras, Tegucigalpa, Honduras	99.6 %	197	99.6 %	197	
		0.4 %	184	0.4 %	184	
199	Tecoloco.com S.A. de C.V. Nicaragua, Managua, Nicaragua	95.0 %	197	95.0 %	197	
		2.0 %	142	2.0 %	142	
		3.0 %	196	3.0 %	196	
200	Topreality.sk s.r.o., Nové Mesto nad Váhom, Slowakia	100.0 %	204	100.0 %	204	
201	Totaljobs Group Limited, London, UK	100.0 %	194	100.0 %	194	
202	Turijobs México S DE RL DE CV, Mexico-City, Mexico	100.0 %	197	100.0 %	197	
		0.0 %	184	0.0 %	184	7)
203	Turijobs Tourism Services S.L., Barcelona, Spain	100.0 %	76	100.0 %	76	
204	United Classifieds s.r.o., Bratislava, Slowakia	60.0 %	181	60.0 %	181	
205	Universum Business Consulting Shanghai Co. Ltd, Shanghai, China	100.0 %	214	100.0 %	214	
206	Universum Communications Holding Inc., New York, USA	-	-	100.0 %	214	
207	Universum Communications Inc., New York, USA	100.0 %	214	100.0 %	206	
208	Universum Communications Italy S.R.L., Milan, Italy	100.0 %	214	-	-	
209	Universum Communications Ltd, London, United Kingdom	100.0 %	214	100.0 %	214	
210	Universum Communications Norway AS, Oslo, Norway	100.0 %	214	100.0 %	214	
211	Universum Communications Pte Ltd, Singapore, Singapore	100.0 %	214	100.0 %	214	
212	Universum Communications SA (PTY) Ltd, Johannesburg, South Africa	100.0 %	214	100.0 %	214	
213	Universum Communications SARL, Paris, France	100.0 %	214	100.0 %	214	
214	Universum Communications Sweden AB, Stockholm, Sweden	100.0 %	78	100.0 %	78	
215	Universum Communications Switzerland AG, Basel, Switzerland	100.0 %	214	100.0 %	214	
216	upday France SARL, Paris, France	100.0 %	89	100.0 %	89	
217	upday Italia S.r.l., Milan, Italy	100.0 %	89	100.0 %	89	
218	upday Nederlands B.V., Amsterdam, Netherlands	100.0 %	89	100.0 %	89	
219	upday Nordics AB, Stockholm, Sweden	100.0 %	89	100.0 %	89	
220	upday Polska Sp. z o.o. Sp.k., Warsaw, Poland	100.0 %	89	100.0 %	89	
221	upday UK Ltd., London, United Kingdom	100.0 %	89	100.0 %	89	
222	WEBIMM SAS, Paris, France	65.0 %	185	65.0 %	186	
223	YOURCAREERGROUP Österreich GmbH, Vienna, Austria	100.0 %	76	100.0 %	76	
224	YOURCAREERGROUP Schweiz GmbH, Kloten, Switzerland	100.0 %	76	100.0 %	76	

No.	Company	12/31/2019 Share-holding	via No.	
	Other subsidiaries[1]			
	Germany			
225	Achtundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0 %	1	
226	AS Buchversand GmbH, Munich	100.0 %	38	
227	Axel Springer Corporate Solutions Verwaltungs-GmbH, Berlin	100.0 %	1	
228	Axel Springer Financial Media GmbH, Munich	100.0 %	1	
229	Axel Springer hy Technologies GmbH, Berlin	100.0 %	18	
230	Axel Springer Porsche Management GmbH, Berlin	50.0 %	14	
231	Axel Springer Security GmbH, Berlin	100.0 %	1	
232	Bonial Ventures GmbH i.L., Berlin	74.9 %	1	
233	Dreizehnte "Media" Vermögensverwaltungsges. mbH, Hamburg	100.0 %	1	
234	Einhundertachte "Media" Vermögensverwaltungsges. mbH, Berlin	100.0 %	1	
235	Einhunderterste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0 %	1	
236	Einhundertsechste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0 %	1	
237	Einhundertste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0 %	1	
238	Finanzen Corporate Publishing GmbH, Berlin	100.0 %	1	
239	Fünfundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0 %	1	
240	Fünfundsiebzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0 %	38	
241	Hammerich & Lesser Zeitschriften- und Buchverlag GmbH, Hamburg	100.0 %	1	
242	Informationsmedien Handels GmbH, Hamburg	100.0 %	1	
243	kinkaa GbR, Berlin	50.0 %	61	
		50.0 %	72	
244	Media Impact Management GmbH, Berlin	74.9 %	6	
245	meinestadt.de Vermögensverwaltungsges. mbH, Cologne	100.0 %	69	
246	myPass GmbH, Berlin	100.0 %	1	
247	Scubia GbR, Berlin	50.0 %	61	
		50.0 %	72	
248	Siebenundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0 %	1	
249	SPRING Axel Springer Digital News Media Management GmbH, Berlin	100.0 %	1	
250	Tarif24 GmbH, Berlin	100.0 %	61	
251	Transfermarkt Verwaltungs GmbH, Hamburg	51.0 %	41	
252	Umzugsauktion Verwaltungs GmbH, Schallstadt	100.0 %	64	
253	upday Management GmbH, Berlin	100.0 %	1	
254	Varsavsky Axel Springer Management GmbH, Berlin	100.0 %	14	
255	Vierundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0 %	1	
256	Visoon Video Impact Management GmbH, Berlin	51.0 %	6	
257	Zweiundsechzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0 %	1	
	Other countries			
258	Alpha Real spol. s.r.o. i.L., Zilina, Slowakia	100.0 %	181	
259	AUTOVIA, s.r.o., Bratislava, Slowakia	100.0 %	204	
260	Axel Springer Hírszolgálat Kft, Tatabánya, Hungary	100.0 %	178	
261	Axel Springer International Group Limited, London, United Kingdom	100.0 %	1	
262	Axel Springer Media France S.A.R.L., Neuilly-sur-Seine, France	100.0 %	68	
263	Axel Springer Media Italia s.r.l., Milan, Italy	100.0 %	68	
264	Axel Springer Norway AS, Oslo, Norway	100.0 %	123	
265	Axel Springer Publishing International Limited, London, United Kingdom	100.0 %	261	
266	Axel Springer TV International Limited, London, United Kingdom	100.0 %	261	
267	Azet.sk – katalóg s.r.o. i.L., Zilina, Slowakia	100.0 %	181	
268	BILD Inc., City of Wilmington, USA	100.0 %	41	
269	Car Price List Yad2 Ltd., Tel Aviv, Israel	100.0 %	140	
270	CompuTel Telefonservice AG, Chur, Switzerland	100.0 %	124	
271	Cpress Media s.r.o. i.L., Zilina, Slowakia	100.0 %	181	
272	Digitalni klik d.o.o., Zagreb, Croatia	60.0 %	63	
273	ETSBA Ltd., Tel Aviv, Israel	100.0 %	140	
274	Euro Blic Press d.o.o., Banja Luka, Bosnia Herzegovina	100.0 %	177	
275	eurobridge Inc., New York, USA	100.0 %	1	
276	Immostreet ES, Barcelona, Spain	100.0 %	185	
277	Jean Frey AG, Zurich, Switzerland	100.0 %	124	
278	NOIZZ Media, s. r. o., Bratislava, Slowakia	100.0 %	181	
279	Realty Media House s.r.o., Bratislava, Slowakia	100.0 %	165	
280	Saongroup Caribbean (Jamaica) Ltd, Kingston, Jamaica	100.0 %	137	
281	Saongroup Caribbean (Trinidad) Ltd, Port of Spain, Trinidad and Tobago	100.0 %	137	
282	Saongroup.com India Pvt Ltd, Pune, India	100.0 %	184	
283	Tecoloco.com S.A. de C.V. Panama, Panama City, Panama	100.0 %	197	
284	upday Polska Sp. z o.o., Warsaw, Poland	100.0 %	89	
285	Yad2 Internet Ads Ltd., Haifa, Israel	100.0 %	140	
286	Yad2Pay Ltd., Tel Aviv, Israel	100.0 %	140	
	Associates and joint ventures accounted for using the equity method			
	Germany			
287	AS TYFP Media GmbH & Co. KG, Berlin	50.0 %	1	
288	Axel Springer Plug and Play Accelerator GmbH, Berlin	50.0 %	14	
289	Axel Springer Porsche GmbH & Co. KG, Berlin	50.0 %	14	
290	Boerse Stuttgart Digital Exchange GmbH, Stuttgart	10.0 %	58	
		20.0 %	1	
291	Einhundertsiebte "Media" Vermögensverwaltungsges. mbH, Berlin	50.0 %	4	
		50.0 %	303	
292	Goggo Network GmbH (previously Einhundertfünfte "Media" Vermögensverwaltungsges. mbH), Berlin	35.7 %	14	
293	InterRed GmbH, Haiger	24.0 %	1	
294	Media Pioneer Publishing GmbH, Berlin	46.5 %	56	
295	Oskar.de GmbH, Karlsruhe	44.4 %	58	
296	Project A Ventures GmbH & Co. KG, Berlin	26.3 %	13	
297	Radio Hamburg GmbH & Co. KG, Hamburg	35.0 %	8	
298	Varsavsky Axel Springer GmbH & Co. KG, Berlin	93.3 %	14	4)
	Other countries			
299	Commission Factory Pty Ltd, Sydney, Australia	25.0 %	5	
300	Custeed SAS, Arcueil, France	16.2 %	136	8)

No.	Company	12/31/2019 Share-holding	via No.	
301	Editions Mondadori Axel Springer (EMAS) S.E.N.C., Montrouge Cedex, France	50.0 %	121	
302	No Fluff Jobs Sp. z o.o., Gdansk, Poland	44.0 %	179	
303	Purplebricks Group plc, Solihull, Uited Kingdom	26.6 %	4	
304	QWANT SAS, Paris, France	18.1 %	14	8)
305	Ringier Axel Springer Schweiz AG, Zurich, Switzerland	50.0 %	119	
	Other associates and joint ventures [2)]			
	Germany			
306	Berliner Pool TV Produktion Gesellschaft mbH, Berlin	50.0 %	94	
307	Blitz-Tip Radio Hessen Beteiligungsges. mbH & Co. KG, Bad Soden at Taunus	33.3 %	8	
308	Dalim Software GmbH, Kehl	21.9 %	1	
309	Filmgarten GmbH, Berlin	42.0 %	61	
310	Gertrud digital GmbH, Hamburg	24.0 %	1	
311	Ges. für integr. Kommunikationsforschung mbH & Co. KG, Munich	20.0 %	1	
312	Ges. für integr. Kommunikationsforschung Verwaltungs GmbH, Munich	20.0 %	1	
313	Intermedia Standard Presse-Code GmbH, Hamburg	32.0 %	1	
314	ISPC Intermedia Standard Presse-Code GmbH & Co.KG, Hamburg	32.0 %	1	
315	LAUT AG, Konstanz	25.0 %	1	
316	Project A Management GmbH, Berlin	26.3 %	13	
317	Qivive GmbH i. L., Bad Homburg	33.3 %	1	
318	Sparheld International GmbH, Berlin	30.0 %	61	
	Other countries			
319	1plusX AG, Pfaeffikon, Switzerlandz	10.0 %	6	8)
320	Asocijacija Privatnih Media, Belgrad, Serbia	20.0 %	177	
321	BULGARPRESS OOD, Veliko Tarnovo, Bulgaria	25.5 %	1	
322	EMAS Digital SAS, Montrouge Cedex, France	50.0 %	121	
323	Inoveo Holding SA, Sugiez, Switzerland	20.0 %	185	
324	Real Estate Media S.A., Esch-sur-Alzette, Luxembourg	35.0 %	156	
325	SereniPay SAS i.L., Paris, France	19.4 %	136	
326	Vooop GmbH, Vienna, Austria	30.0 %	67	
327	WeCheck Ltd., Ramat Hasharon, Israel	25.0 %	140	

No.	Company	12/31/2019 Share-holding	via No.	Equity € million [13)]	Net Income € million [13)]	
	Other significant investments					
	Germany					
328	ANTENNE BAYERN GmbH & Co. KG, Ismaning	16.0 %	1	-	-	14)
329	Project A Ventures II GmbH & Co. KG, Berlin	2.1 %	13	83.9	– 3.2	
330	RADIO/TELE FFH GmbH & Co. Betriebs-KG, Bad Vilbel	15.0 %	8	-	-	14)
331	Verimi GmbH, Frankfurt am Main	6.5 %	1	54.8	– 28.7	
	Other companies					
332	Airbnb, Inc., San Francisco, USA	0.1 %	1	-	-	14)
333	Blendle B.V., Utrecht, Netherlands	14.6 %	14	– 3.5	– 4.1	
334	Group Nine Media, Inc., New York, USA	10.4 %	14	64.9	– 37.5	
335	Housell Inmo Online, S.L., Madrid, Spain	16.3 %	4	1.8	– 10.7	
336	Lakestar II LP, Guernsey, Guernsey	5.7 %	14	281.5	26.7	
337	Lamudi Global S.à.r.l., Senningerberg, Luxembourg	10.0 %	4	51.9	– 1.0	
338	Lerer Hippeau Ventures IV, LP, New York, USA	1.6 %	14	178.1	86.3	
339	Lerer Hippeau Ventures V, LP, New York, USA	1.8 %	14	159.7	40.5	
340	Ozy Media, Inc., Mountain View CA, USA	14.0 %	14	– 12.8	– 4.5	

1) No full consolidation due to immaterial impact (relation of revenues, net income and balance sheet total for the company to revenues, net income and balance sheet total of the Group).
2) No at-equity consolidation due to immaterial impact (relation of net income of the company to net income of the Group).
3) Control due to existing option rights exercisable at any time.
4) In the reporting year and/or the previous year, no control due to the lack of contractual agreements, which exclude the power of control and the possibility to influence the variable outflows.
5) The company has exercised the exemption rights of Section 264 (3) of the German Commercial Code (Handelsgesetzbuch - HGB).
6) The company has exercised the exemption rights of Section 264b of the German Commercial Code (Handelsgesetzbuch – HGB).
7) Shares less than 0.1 % in the reporting year and/or in the previous year.
8) Significant influence on the basis of contractual agreements.
9) Due to option rights in the reporting year and/or in the previous year a share of 100 % consolidated.
10) Due to option rights in the reporting year and in the previous year a share of 89.99 % consolidated.
11) Control due to contractual agreements and rights to obtain power.
12) Applying rules of Section 357(1) of the Companies Act 2014.
13) Unless otherwise stated, equity and profit for the year according to local annual financial statements for the financial year 2018. Values translated into foreign currency using the closing rate as at December 31, 2019.
14) No statement of equity and profit for the year as the annual financial statements are not published.
15) Application of the exemption pursuant to Section 479(A) of the UK Companies Act 2006.
16) Application of the exemption pursuant to Section 479(A)/(C) of the UK Companies Act 2006 (Company no. 08574775).

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the financial position, liquidity, and financial performance of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal rewards and risks associated with the expected development of the Group.

Berlin, February 18, 2020

Axel Springer SE

Dr. Mathias Döpfner

Jan Bayer

Dr. Stephanie Caspar

Dr. Julian Deutz

Dr. Andreas Wiele

Independent Auditor's Report

To Axel Springer SE

Report on the audit of the consolidated financial statements and of the Group management report

Opinions

We have audited the consolidated financial statements of Axel Springer SE, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of Axel Springer SE and the Axel Springer Group (hereinafter "Group management report") for the fiscal year from January 1 to December 31, 2019. In accordance with the German legal requirements, we have not audited the content of the components in the Group Management Report included in the annex to the Auditor's Report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the fiscal year from January 1 to December 31, 2019, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Group management report does not cover the content of the components in the Group Management Report included in the annex to the Auditor's Report.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

[1] Goodwill impairment test

Reasons why the matter was determined to be a key audit matter

In the consolidated financial statements of Axel Springer SE, the balance sheet item "Intangible assets" showed goodwill in the amount of € 2.462 million, which represented approximately 36 % of the balance sheet total, and approximately 99 % of the Group's balance sheet equity.

On November 30 of each year, the company carries out a goodwill impairment test in order to determine whether there are impairment loss requirements. The result of these valuations depends to a large extent on how the executive directors estimate future cash inflows and derive relevant discount rates.

Given the complexity in connection with the valuation as well as the professional judgment that can be exercised as part of the valuation process, the impairment test for goodwill constitutes a key audit matter within the scope of our audit.

Auditor's response

As part of our audit, we have examined the process implemented by the executive directors of Axel Springer SE, as well as the accounting and valuation guidelines that have been used to calculate the recoverable amounts from cash-generating units or groups of such units to which goodwill has been allocated, in order to determine the possible risk of errors. In addition, we have gained an understanding of the steps involved in the process and of the internal controls implemented.

We have determined that the approach adopted by the executive directors of Axel Springer SE is in accordance with IAS 36.

We have analyzed the business plans by comparing actual past earnings with the current performance of business figures. As part of our analysis, we have also examined the market performance of comparable companies based on figures from the actual financial year and forecasted figures for future financial years. We have reviewed the key assumptions made in the business plans for development and growth of the business by discussing these in detail with the executive directors of Axel Springer SE. This is the basis on which we have assessed the appropriate-ness of these assumptions.

The appropriateness of the various key valuation assumptions, such as the discount rate and the terminal growth rate, was examined with the support of our internal valuation experts based on an analysis of market indicators. We have analyzed the parameters that were ap-plied when calculating the discount rates to ensure correct derivation and have verified that the calculation is in accordance with the corresponding IAS 36 requirements.

By means of sensitivity analyses, we have assessed the risk of impairments in the event of changes to key valuation assumptions. Further, we have verified the mathematical correctness of the valuation model taking into account the requirements of IAS 36.

Based on our audit procedures, no reservations apply in relation to the valuation of goodwill.

Reference to related disclosures

Information relating to the accounting and valuation methods applied to goodwill can be found in the notes to the consolidated financial statements in section (3) "Explanation of significant accounting and valuation methods", regarding impairments of intangible assets to section (c) and (e). Related information concerning the exercise of professional judgment by the executive directors and the sources of uncertainties in relation to estimates as well as disclosures relating to goodwill can be found in the notes to the consolidated financial statements in the section "Notes to the consolidated statement of financial position", note (4) "Intangible assets". This note also includes information with respect to sensitivity.

[2] Revenue recognition

Reasons for classification as a key audit matter

For the fiscal year 2019, the Axel Springer Group recognized total revenues of € 3,112 million, predominantly from circulation and advertising activities. Circulation revenues are generated from the sales of newspapers and magazines ("print media") as well as digital subscription models. Advertising revenues are generated from the marketing of advertisements and advertising space in online and print media. Of the total revenue figure, € 1,416 million originate from revenues generated outside of Germany, which represents a share of 46 %.

The executive directors of Axel Springer SE issued detailed accounting guidelines for the recognition of revenues and implemented corresponding processes.

Given the large number of different contractual agreements for the various services in the different segments and countries included in the consolidated financial statements of Axel Springer SE, our view is that revenue recognition is complex. As the issues concerning revenue recognition are considered material and complex, we consider revenue recognition as a key audit matter.

Auditor's response

As part of our audit, we have verified the processes implemented by the executive directors of Axel Springer SE in relation to revenue recognition, particularly by ensuring that returns and further sales discounts have been taken into account correctly.

In order to proof the existence of revenues, we analyzed whether, inter alia, trade receivables were recorded, and these were offset with payments received. Furthermore, we have randomly verified appropriate revenue recognition on the basis of contractual agreements in regard to the requirements of IFRS 15. In addition, we obtained balance confirmations from customers on a random basis.

Based on our audit procedures, no reservations apply in relation to revenue recognition from the sale of circulation and advertising services.

Reference to related disclosures

For information concerning the accounting and valuation methods used for revenues, see the notes to the consolidated financial statements, section (3) "Explanation of significant accounting and valuation methods", in section (b) "Recognition of income and expenses". The explanations concerning the composition of revenues can be found in the notes in section (16) "Revenues".

Other information

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

Of this other information, we have received a version previous to the issuing of this Auditor's Report.

Our opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion there-on.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the Group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabili-ties, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined neces-sary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures;

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;

- evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Company's position it provides;

- perform audit procedures on the prospective information presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on April 17, 2019. We were engaged by the Supervisory Board on May 20, 2019. We have been the group auditor of Axel Springer SE without interruption since fiscal year 2007.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the Group management report: mandatory audits of financial statements, services relating to enforcement examinations, review of interim financial statements, the audit of financial statements according to IDW PS 480, which prescribes the audit of financial statements compiled for a special purpose, advice concerning income tax and social security, tax advice in matters of transfer prices as well as the audit of internal control systems in service companies according to IDW PS 951.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Kristian Ludwig.

Attachments to the Auditor's Report:

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

- information contained in the "Corporate Governance Report" of the Group Management Report, except for the Compensation Report
- information contained in the „Economic Report" of the Group Management Report in the sections „Human resources development" and „Sustainability and social responsibility"

Berlin, February 19, 2020

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Ludwig	von Michaelis
Wirtschaftsprüfer	Wirtschaftsprüfer

Boards

Supervisory Board

The Supervisory Board was composed of the following persons in the financial year 2019:

Name, occupation	Seats on other mandatory supervisory boards in Germany	Seats on comparable boards in Germany and abroad
Dr. Giuseppe Vita (until April 17, 2019, Chairman of the Supervisory Board of Axel Springer SE) Honorary Chairman of Axel Springer SE		
Ralph Büchi (Chairman of the Supervisory Board of Axel Springer SE since April 17, 2019) COO of Ringier AG until end of January 2020, CEO of Ringier Axel Springer Schweiz AG until end of March 2020		DeinDeal AG, Switzerland (Board of Directors, subsidiary of Ringier AG) Le Temps SA, Switzerland (Delegate of the Board of Directors, subsidiary of Ringier AG) Ringier Africa AG, Switzerland (Board of Directors, subsidiary of Ringier AG) Ringier Axel Springer Media AG, Switzerland (Chairman of the Board of Directors until March 31, 2019)
Dr. h. c. Friede Springer Vice Chairwoman of the Supervisory Board of Axel Springer SE		
Oliver Heine Attorney at law and partner in the law firm Kanzlei Heine & Partner	Lloyd Fonds AG (since June 2019)	
Dr. Alexander Karp (until December 2019) CEO Palantir Technologies Inc.	BASF SE (since May 2019)	The Economist Newspaper Limited, United Kingdom (Board of Directors until November 2019)
Iris Knobloch (until December 2019) Président Warner Bros. Entertainment France S.A.S.		Accor S.A., France (Vice Chairwoman of the Board of Directors and Lead Independent Director) Larzard Ltd., Bermuda (Board of Directors) LVMH Moet Hennessy – Louis Vuitton SE, France (Board of Directors since April 2019)
Lothar Lanz (until April 2019) Member of various Supervisory Boards	Bauwert AG (Vice Chairman) Dermapharm Holding SE Home24 AG (Chairman) TAG Immobilien AG (Vice Chairman) Zalando SE (Chairman until May 2019)	
Dr. Nicola Leibinger-Kammüller (until December 2019) President and Chairwoman of the Managing Board of TRUMPF GmbH + Co. KG	Siemens AG	Berthold Leibinger Beteiligungen GmbH, Germany (Board of Directors) TRUMPF Schweiz AG, Switzerland (Chairwoman of the Board of Directors)
Ulrich Plett (since April 2019) Auditor		KIRON Open Higher Education gGmbH, Germany (Advisory Board) Corestate Capital Holding S.A., Luxembourg (Supervisory Board)
Prof. Dr.-Ing. Wolfgang Reitzle Entrepreneur	Continental AG (Chairman) Linde AG (Chairman until April 2019) Medical Park AG (Chairman until September 2019) Willy Bogner GmbH & Co. KGaA (Chairman until September 2019)	Ivoclar Vivadent AG, Liechtenstein (Board of Directors) Linde plc, Ireland (Chairman of the Board of Directors)
Martin Varsavsky Entrepreneur		

Since January 7, 2020 the following persons belong to the Supervisory Board of Axel Springer SE:

Name, occupation	Seats on other mandatory supervisory boards in Germany	Seats on comparable boards in Germany and abroad
Philipp Freise Partner and Co-Head of European Private Equity at KKR	GfK SE (Vice Chairman)	Leonine Holding GmbH, Germany (Advisory Board)
Johannes P. Huth Partner and Head of KKR EMEA	Hensoldt Holding GmbH (Chairman)	SoftwareOne Holding AG, Switzerland (Board of Directors)
Franziska Kayser Director Private Equity KKR	GfK SE	

Executive Board

The Executive Board is composed of the following persons:

Name, occupation	Seats on other mandatory supervisory boards in Germany	Seats on comparable boards in Germany and abroad
Dr. Mathias Döpfner Chairman and Chief Executive Officer Journalist		Axel Springer Schweiz AG, Switzerland (Chairman of the Board of Directors) eMarketer Inc., USA (Chairman of the Board of Directors) Insider Inc., USA (Board of Directors, Chairman until March 2019) Netflix Inc., USA (Board of Directors) Ringier Axel Springer Schweiz AG, Switzerland (Board of Directors until April 2019) upday GmbH & Co. KG, Germany (Chairman of the Advisory Board since November 2019) Warner Music Group Corp., USA (Board of Directors)
Jan Bayer President News Media International Media scholar		eMarketer Inc., USA (Board of Directors) Insider Inc., USA (Chairman of the Board of Directors, until March 2019 ordinary member) Media Impact GmbH & Co. KG, Germany (Chairman of the Advisory Board until January 2019) ONET S.A., Poland (Supervisory Board) Ringier Axel Springer Media AG, Switzerland (Chairman of the Board of Directors since April 2019, formerly Vice Chairman) Ringier Axel Springer Schweiz AG, Switzerland (Chairman of the Board of Directors until April 2019) upday GmbH & Co. KG, Germany (Vice Chairman of the Advisory Board since November 2019) Visoon Video Impact Management GmbH, Germany (Advisory Board)
Dr. Stephanie Caspar President News Media National & Technology Master's Degree in Business Administration		Media Impact GmbH & Co. KG, Germany (Chairwoman of the Advisory Board since February 2019)
Dr. Julian Deutz Chief Financial Officer Master's Degree in Business Administration	AWIN AG	Axel Springer Beteiligungen Schweiz AG, Switzerland (Chairman of the Board of Directors) Axel Springer International AG, Switzerland (Chairman of the Board of Directors) Axel Springer Schweiz AG, Switzerland (Board of Directors) CompuTel Telefonservice AG, Switzerland (Chairman of the Board of Directors) Digital Classifieds France SAS, France (Supervisory Board) eMarketer Inc., USA (Board of Directors) Insider Inc., USA (Board of Directors) Jean Frey AG, Switzerland (Chairman of the Board of Directors) Ringier Axel Springer Media AG, Switzerland (Board of Directors) StepStone GmbH, Germany (Supervisory Board)
Dr. Andreas Wiele President Classifieds Media Lawyer	AWIN AG (Chairman) Immowelt AG (Chairman) Immowelt Holding AG (Chairman)	@Leisure Holding B.V., Netherlands (Chairman of the Board of Directors until April 2019) Car&Boat Media SAS, France (Chairman of the Supervisory Board) Coral-Tell Ltd., Israel (Chairman of the Board of Directors) Digital Classifieds France SAS, France (Chairman of the Supervisory Board) Elvaston Capital Management GmbH, Germany (Advisory Board) Homeday GmbH, Germany (Supervisory Board) Immoweb SA, Belgium (Chairman of the Board of Directors) Insider Inc., USA (Board of Directors until March 2019) Magnolia International AG, Switzerland (Chairman of the Board of Directors) Project A Ventures GmbH & Co. KG, Germany (Advisory Board) Purplebricks Group plc, United Kingdom (Board of Directors) StepStone GmbH, Germany (Chairman of the Supervisory Board)

Imprint

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The annual report as well as up-to-date information about Axel Springer are available on the Internet at:
www.axelspringer.com

The English translation of the Annual Report is provided for convenience only. The German original is legally binding.