16

Annual Report

axel springer

Contents

Group Key Figures

in € millions	Change	2016	2015
Group			
Revenues	**–0.1 %**	**3,290.2**	**3,294.9**
Digital media revenue share[1]		*67.4 %*	*61.7 %*
EBITDA[2]	**6.5 %**	**595.5**	**559.0**
EBITDA margin[2]		*18.1 %*	*17.0 %*
Digital media EBITDA share[1]		*72.5 %*	*69.6 %*
EBIT[2]	4.9 %	471.1	449.0
Net income[3]	47.7 %	450.0	304.6
Net income, adjusted[2] [3]	7.4 %	299.9	279.3
Segments			
Revenues			
Classified Ad Models	16.8 %	879.5	753.1
Paid Models	–6.4 %	1,481.6	1,582.2
Marketing Models	–2.6 %	856.2	878.9
Services/Holding	–9.7 %	72.9	80.7
EBITDA[2]			
Classified Ad Models	16.3 %	354.6	305.0
Paid Models	–3.9 %	214.4	223.2
Marketing Models	–6.6 %	82.2	88.0
Services/Holding	–	–55.7	–57.1
Liquidity and financial position			
Free cash flow (FCF)[2]	–9.8 %	270.5	299.8
FCF excl. effects from headquarter real estate transactions[2] [4]	–16.6 %	229.7	275.4
Capex[5]	–	–156.8	–131.4
Capex excl. effects from headquarter real estate transactions[4] [5]	–	–130.4	–116.9
Total assets[6]	–0.7 %	6,456.2	6,504.7
Equity ratio[2] [6]		*40.9 %*	*38.6 %*
Net liquidity/debt[2] [6] [7]	–	–1,035.2	–1,066.6
Share-related key figures[8]			
Earnings per share, adjusted (in €)[2] [3] [9]	8.5 %	2.41	2.22
Earnings per share (in €)[3] [9]	57.5 %	3.94	2.50
Dividend (in €)[10]	5.6 %	1.90	1.80
Year-end share price (in €)	–10.1 %	46.13	51.34
Market capitalization[11]	–10.1 %	4,977.2	5,539.3
Average number of employees	**2.0 %**	**15,323**	**15,023**

1) Based on the operating business (without the segment Services/Holding).
2) Further explanations with respect to the relevant key performance indicators on page 35.
3) Continuing operations see also notes to the consolidated financial statements under note (2d).
4) Referring to the new headquarter building in Berlin as well as to the sale of the office building complex in Hamburg.
5) Cash flow from operating activities minus capital expenditures, plus cash inflows from disposals of intangible assets and property, plant and equipment.
6) As of December 31, 2016 and December 31, 2015, respectively.
7) In 2015, without the purchase price received in connection with real estate sales amounting to € 67.5 million, attributable to the plan assets created for our pension obligations.
8) Quotations based on XETRA closing prices.
9) Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 99.7 million).
10) The dividend for the financial year 2016 is subject to the condition of approval by the annual shareholders' meeting.
11) Based on shares outstanding at the closing price as of December 31, 2016, excluding treasury shares (107.9 million; PY: 107.9 million).

Foreword

Dr. Mathias Döpfner
Chairman of the Executive Board

Dear Shareholders!

A successful year lies behind us. And thus also behind you. We have achieved our goals and further expanded our business. The prerequisite for this was the outstanding commitment of our more than 15,000 employees worldwide. They make Axel Springer what it is.

With an EBITDA of € 595.5 million and an increase of 6.5 %, we have achieved the upper end of our forecast. The same applies to the adjusted earnings per share with an increase of 8.5 % to € 2.41. We propose an increase in dividends from € 1.80 to € 1.90.

We have consistently pursued our digitization strategy. Our digital business generated 67.4 % of total revenues and 72.5 % of EBITDA. We generated 84.8 % of the advertising revenues with the marketing of digital products.

More specifically: The Classified Ad Models have once again made the largest contribution to earnings in all segments in 2016. Axel Springer holds the world's top-selling portfolio in this division. It consists mainly of market leaders, which contributed 82 % of the revenues in this segment. In particular, we concentrated on organic growth. This was again very strong and exceeded our expectations. We are excellently positioned to benefit from the structural change from print to online and an expansion of the value chain.

Within the classified portals, the job portals have shown the strongest organic growth - from a previously already outstanding level. In the German real estate market, the Immowelt Group has developed very well after the merger of Immowelt and Immonet. Finally, we expanded the business of vacation rental portals as a further important pillar with strong brands such as Traum-Ferienwohnungen, DanCenter and Danland.

Our journalistic products have also developed positively. Organically, the focus was on expanding our strong media brands. These have achieved high reach, especially through the dissemination of content via digital platforms. Our video views have risen to an average of around 2.7 billion per month.

With the internationalization in what is now 15 countries, the growth of Business Insider has continued to advance. In 2016, we reached for the first time more than 100 million people worldwide in one month. Revenues increased by 29 %. In addition, we have expanded our US portfolio by acquiring eMarketer, a provider of high-quality analyzes, studies and online market data, which is highly profitable through subscription revenues. In partnership with Discovery Communications, Axel Springer has also added the shares in NowThis and Thrillist to the new company Group Nine Media in the USA. Group Nine Media, headquartered in New York, including the digital network Seeker and the online media The Dodo, was already one of the largest digital media companies with a total of 3.5 billion monthly video views and more than 500 full-time employees.

The subscriber numbers of our BILD and WELT Paid Models continue to grow strongly. At the end of the year we had 421,000 digital subscriptions.

upday, our start-up for aggregated and journalist-curated news content, developed together with Samsung in 2015, has developed very positively. The offering, which has been established in several European countries, has already reached the top ten of the online news brands in Germany at the end of 2016, with 89 million visits and just about a billion page impressions.

The past year was eventful not only for us as a media company but also for our society. The British have voted for leaving the European Union, the Americans elected an extremely controversial candidate to their presidency. A discussion about fake news and the influence of digital media on voters has flared up. Wars, crises and expulsions in other parts of the world have led to a mass exodus to Europe. A terrorist attack in Berlin just before Christmas marked an alarming close to the year.

These events show: Strong, reliable media brands and quality journalism with responsible publishers are indispensable. Both for our business and for our free and democratic society. Attitude, information and reliability count. This is what we stand for.

We remain focused and passionate. Particularly at this moment. And we are confident that we will further expand and strengthen our business in the new financial year. We can do this best with your trust and support.

Thanks for being part of it.

Sincerely yours,
Mathias Döpfner

Executive Board

Dr. Mathias Döpfner

Chairman

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 Paid Models

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. 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 Marketing and Classified Ad Models

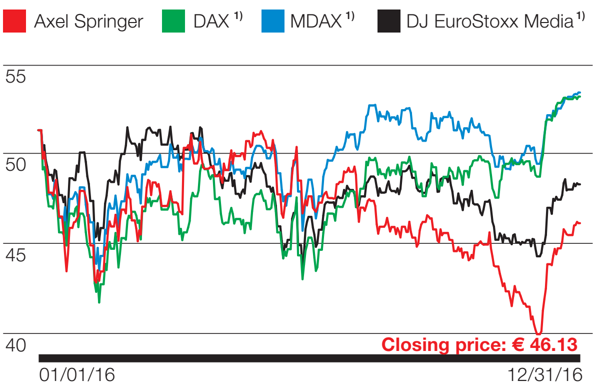
Born 1962, lawyer. Career milestones: Editor, Hamburger Morgenpost; Head of Publishing Capital and Geo, Gruner+Jahr, Paris/France; Executive Vice President and Chief Operating Officer of Gruner+Jahr USA Publishing, New York. Member of the Executive Board since 2000.

The Axel Springer share

Difficult year on the Stock Exchange in 2016

The stock market has seen a turbulent year. While the overall market at the end of the year slightly improved on average, the media sector suffered losses overall. The German DAX index ended the financial year with a slight gain of 3.7 %, the MDAX index in which the Axel Springer share is also listed increased by 4.1 %. At the end of the year, the European media sector index DJ EuroStoxx Media was down 5.9 % on the previous year. The Axel Springer share, which developed better than most of the benchmark indices at mid-year, recorded a loss of 10.1 % at the end of the year. Market capitalization was approximately € 5.0 billion at the End of 2016.

Performance Axel Springer Share



[1] Indexed on the year-end share price of Axel Springer SE as of December 31, 2015.

Analyst coverage

The number of analysts publishing ratings of the Axel Springer share decreased from 19 to 17 during financial year 2016. Currently, seven brokers recommend buying our shares, while the remaining ten are holding them with "hold/neutral". You can find the latest recommendations and share price targets in the Investor Relations section of our website at www.axelspringer.de.

Investor Relations

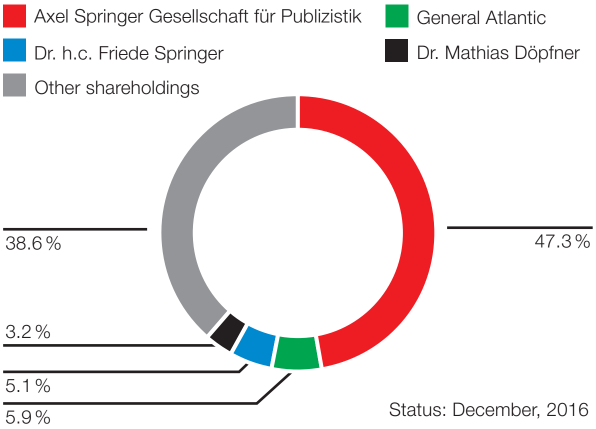
The company's Management and Investor Relations team presented the company and its strategy at investor conferences and road shows in Europe and the United States on a total of 19 days. In addition, we maintained an ongoing dialog with investors, analysts, and other capital market players in numerous discussions and telephone conferences throughout the year. As usual, the telephone conferences held in connection with the publication of our financial reports were broadcast live on the Internet as audio webcasts, after which they remained available to users of our website. The ninth annual Capital Markets Day for analysts, institutional investors, and bank representatives was held at our company headquarters in Berlin on December 8, 2016. This event was broadcast live as a video webcast and is available as a download from our website, together with the presentations shown at the event. Finally, we inform you regularly of current events in the Investor Relations section of our website at www.axelspringer.de.

Share Information

€	2016	2015	Change
Earnings per share (adjusted)[1) 2) 3)]	2.41	2.22	8.5 %
Earnings per share[2) 3)]	3.94	2.50	57.5 %
Dividend[4)]	1.90	1.80	5.6 %
Total dividend payout (€ millions)	205.0	194.2	5.6 %
Year-end share price	46.13	51.34	–10.1 %
Highest price	51.34	59.04	–13.0 %
Lowest price	39.91	46.46	–14.1 %
Market capitalization (€ millions)[5)]	4,977.2	5,539.3	–10.1 %
Daily traded volume (Ø, € thousands)	6,799.2	8,386.7	–18.9 %
Dividend yield[4) 5)]	4.1 %	3.5 %	-
Total yield per share per year[6)]	–6.6 %	6.1 %	-

[1)] Further explanations regarding relevant key performance indicators on page 35.
[2)] Continuing operations see also notes to the consolidated financial statements under note (2d).
[3)] Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 99.7 million).
[4)] The dividend for the financial year 2016 is subject to the condition of approval by the annual shareholders' meeting.
[5)] Based on shares outstanding at the closing price as of December 31, 2016, excluding treasury shares (107.9 million; PY: 107.9 million).
[6)] Share price development plus dividend payment.

Shareholder Structure



Status: December, 2016

Annual shareholders' meeting

The annual shareholders' meeting of Axel Springer SE took place in Berlin on April 13, 2016. Approximately 435 shareholders or 88.7 % of capital carrying voting rights participated. All resolutions proposed by the Management – including the proposal to pay a dividend of € 1.80 (PY: € 1.80) per qualifying share – were approved by majorities of at least 92.7 %. Based on the closing price of the company's share at year-end 2015, the dividend yield came to 3.5 %. The total dividend pay-out to our shareholders was € 194.2 million. This corresponds to a gain of 9.0 % compared with the prior-year figure.

Share ownership program

In previous years, our employees had the opportunity to benefit directly from the appreciation of the company's value by participating in our share ownership program. To date, the participation of employees of Axel Springer SE and its domestic subsidiaries has been possible. In 2016, the existing share participation program was suspended and fundamentally revised, with the aim, among other things, of extending the number of eligible persons to a larger number of companies belonging to the group. A new program is expected to be launched in mid 2017 and will be gradually extended after a successful pilot phase in the following years. A monthly purchase of shares is planned through the basic salary of employees with a grant of 30 % and a subsequent holding period of two years.

Information on Listing

Share type	Registered share with restricted transferability
Stock exchange	Germany (Prime Standard)
Security Identification Number	550135, 575423
ISIN	DE0005501357, DE0005754238
Thomson Reuters	SPRGn.DE
Bloomberg	SPR GY

Combined Management Report

Summary of business performance and operating results in 2016

Axel Springer has had a successful conclusion to the 2016 financial year. The forecast targets published in March 2016 were essentially attained (see page 59).

During the reporting year, **revenues** were € 3,290.2 million and 0.1 % below the prior-year figure (€ 3,294.9 million). Consolidation and currency effects played an essential role. Adjusted for these effects, total revenues were 4.1 % higher than the previous year. While Classified Ad Models increased significantly, revenues from Paid Models and Marketing Models were below the prior- year level.

The transformation towards an increasingly digital company is reflected in the share of digital business in our key figures: in 2016, we generated 67.4 % of our revenues and 84.8 % of our advertising revenues in the digital market.

EBITDA rose, compared with the previous year, by 6.5 % to € 595.5 million (PY: € 559.0 million). The generated EBITDA margin thus improved to 18.1 % (PY: 17.0 %). The significant growth in earnings in our Classified Ad Models and the slight profit improvement within the Services/Holding segment were offset by the declines in the Paid Models and Marketing Models. Altogether, we generated 72.5 % of our operating profit with digital activities.

Adjusted earnings per share from continuing operations of € 2.41 were 8.5 % above the prior year's figure of € 2.22.

At the annual shareholders' meeting to be held on April 26, 2017, the Executive Board and Supervisory Board will propose a **dividend** of € 1.90 (PY: € 1.80) per qualifying share.

Outlook for 2017

For the financial year 2017, we expect Group **revenues** to increase by an amount in the medium single-digit percentage range. We assume that the planned increase in advertising revenues will overcompensate the slight decline in circulation revenues and the decline in other revenues.

For **EBITDA**, we expect a rise in the medium to high single-digit percentage range. An increase in EBITDA in the Classified Ad Models and Marketing Models segment is expected, while the earnings in the Paid Models segment should be roughly on par with the prior-year level. For the Services/Holding segment an EBITDA below the prior-year level is expected.

For **EBIT**, due to higher depreciation, we expect an increase in the medium single-digit percentage range.

For the **adjusted earnings per share**, we expect a rise in the medium to high single-digit percentage range.

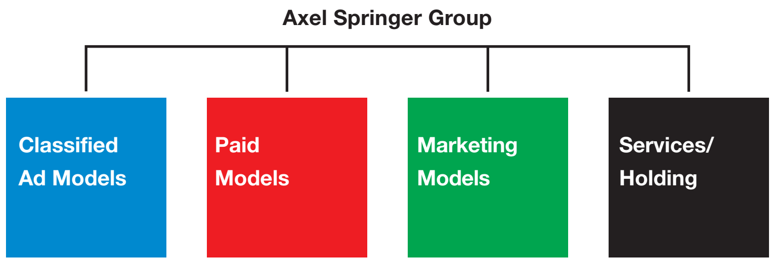
Introductory remarks

The combined management report for Axel Springer SE and the Group are summarized. The current combined management report for Axel Springer SE and the Group contains statements concerning the economic situation and business performance of the Axel Springer Group. These statements are also largely applicable to Axel Springer SE. Additional information on the economic situation of the parent company Axel Springer SE is provided in a separate chapter on page 39.

For further information on the performance indicators used and the adjustments to our performance indicators, please refer to page 35 of the management report and the notes to the consolidated financial statements section (32).

Fundamentals of the Axel Springer Group

Segments



Business model

Axel Springer is a leading digital publisher in Europe and operates the world's largest portfolio of digital classifieds. Journalism is the foundation of the business model and the focus of the company is on the transformation towards an increasingly digital company. Today 67.4 % of total revenues and 72.5 % of EBITDA are generated by digital activities. In addition to our Classified Ad Models, whose revenues are mostly generated by job, real estate and car ads, the Paid Models include a broad-based media portfolio of successfully established brand families, such as the BILD Group and the WELT Group. Journalistic content is delivered to Internet users, readers, viewers, and advertising customers via digital, print, and TV channels. The Marketing Models segment comprises all business models that generate revenues predominantly through advertising customers.

Legal structure, business locations

Axel Springer SE, as the flagship company of the Axel Springer Group, is an exchange-listed stock corporation with its registered head office in Berlin. The Group also maintains offices at other locations in Germany. In addition, the Group comprises numerous companies in other countries. The consolidated shareholdings of the Group are listed in Section (43) in the notes to the consolidated financial statements.

Segments of the Axel Springer Group

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

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

Classified Ad Models

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

Portfolio and market position

Axel Springer has established the world's largest portfolio of leading online classified ad portals over the last few years. The main activities of the Classified Ad Model segment are bundled in the areas of jobs, real estate, general and other, such as vacation home rentals and automobiles, and are shown in the following graph.

Portfolio Classified Ad Models

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

Jobs comprises the StepStone Group and its subsidiaries, the leading company among the private-sector job exchanges in Germany, Belgium, Luxembourg, the UK, Ireland and South Africa. With its portals specialized in specialist and managerial staff, StepStone in Germany, according to the market research institute TNS, delivers around three times more applications than the nearest competitors. The Totaljobs Group and the Jobsite Group, the two generalist main brands, which include, among others, the specialist portals Caterer.com, CWJobs.co.uk, CityJobs.com and eMedcareers.com, also deliver significantly more applications in the UK than their competitors. The specialty provider YourCareerGroup is the leading niche portal in the German speaking countries for online ads for hotel and restaurant jobs. Ictjob operates the leading IT job portals in Belgium and Luxembourg.

In **Real Estate**, Axel Springer is the leader in France (with SeLoger) and Belgium (with Immoweb). SeLoger's portfolio also includes some highly-specialized niche portals such as vacances.com and a-Gites.com for vacation home rentals, and belles-demeures.com for luxury properties. Seloger is the largest company in France in the field of real estate offers and has been able to increase its average revenue per agent through price measures as well as an expansion of its offer in recent years and reached an average value of € 676 per month in 2016 (PY: € 615). Since July 2015, the real estate segment has also included the German real estate portal Immowelt, which together with Immonet is the clear number two of the German real estate portals. In the year 2016, the focus of the Immowelt Group was on the marketing of the DUO offer, which allows agents to place their properties on both portals. This resulted in a significant increase in the average contact requests brokered by the agents. At the same time, Immowelt with € 239 (PY: € 207) per month was able to significantly increase the average revenue per agent in 2016.

General/Other includes @Leisure, a leading provider of online travel agencies for holiday homes. The company, headquartered in Amsterdam, runs among others the portals belvilla, casamundo, TopicTravel, Aanzee and VillaXL. In 2016, the company Traum-Ferienwohnungen as well as the Land & Leisure group, which, among others, runs the portal DanCenter, were taken over. Car&Boat Media, based in Paris, also belongs to the segment. This company operates LaCentrale, the leading specialist classified ad portal for used cars in France, as well as other portals related to cars and boats. Yad2 is the leading general classified ad portal in Israel for real estate, automobile and classified ads. The German regional portal meinestadt.de consists of marketplaces for jobs, automobiles, real estate and classified ads.

Business model and key factors

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

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

Real Estate primarily generates revenues by selling advertising and display space to agents, project developers, housing agencies, or private individuals.

Within **General/Other**, revenues are based on the focus of the relevant portal. These include, among others, commercial automobile retailers, landlords of vacation homes, real estate agents and project developers. The portals are also partially aimed at private individuals who predominantly sell second-hand goods via this marketplace.

Paid Models

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

Portfolio and market position

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

Portfolio Paid Models

National	International	
■ BILD Group	■ Switzerland[1]	■ Spain
■ WELT Group	■ USA	■ France
	■ Belgium	
	Ringier Axel Springer Media	
	■ Poland	■ Slovakia
	■ Hungary	■ Serbia

[1] Since January 1, 2016 part of Ringier Axel Springer Schweiz AG.

Paid Models National mainly comprises the BILD Group and the WELT Group, as well as the magazine portfolio.

The BILD Group comprises the digital media offerings and the newspapers and magazines of the BILD family of brands and B.Z. BILD.de is Germany's largest news and entertainment portal with the widest reach in the country with a digital subscription model. BILD.de is also distributed via mobile channels, with apps for nearly every kind of smartphone, tablet PC, and smart TV, not to mention the mobile portal, once again one of Germany's most-visited mobile media brands in 2016 ("digital facts 2016-10", AGOF - Working Group for Online Research). BILD.de also offers the products stylebook.de, travelbook.de, techbook.de, BUNDESLIGA bei BILD, and BILD Shop.

BILD is Europe's biggest daily newspaper with the widest reach, as well as the unchallenged number one in Germany, with a share of 75.2 % of newsstand sales. (All figures for the German newspapers and magazines are based on paid circulation as per German Audit Bureau of Circulations "IVW - Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern") as of December 31, 2016). In August 2016, the daily football newspaper FUSSBALL BILD was test launched in the large urban areas of Munich and Stuttgart initially on a trial basis from Mondays to Saturdays. Due to success in the test phase, FUSSBALL BILD has been published nationwide since January 2017. BILD am SONNTAG is Germany's best-selling nationwide Sunday newspaper in 2016, with a share of 61.0 %. B.Z. is one of Berlin's biggest newspapers. The automotive, computer, and sports media of the BILD brand family make up a magazine and online portfolio built on the core brands of AUTO BILD, COMPUTER BILD, and SPORT BILD. With a share of 51.7 %,
AUTO BILD is still the largest car magazine in Germany. Autobild.de is the clear leader among automotive portals featuring editorial content in Germany. Furthermore, the magazine SPORT BILD reached a share of 49.7 % in Germany based on paid circulation. COMPUTER BILD is a leading computer magazine with a share in Germany of 35.3 %, measured by the paid circulation.

The WELT Group (WeltN24-GmbH) is a multi-media news organization for quality journalism which comprises the digital media offering, the newspapers DIE WELT and WELT AM SONNTAG along with their compact publications and magazine inserts, such as BLAU and BILANZ and the television channel N24.

WELT digital products are some of the most successful stationary and mobile internet sites in the segment of German premium newspapers. The offering is also available on PC tablets, smartphones, e-readers, and via digital subscription models. The WELT AM SONNTAG is the clear number one in the area of the supraregional quality Sundays based on circulation. DIE WELT (including WELT KOMPAKT) is the third-biggest premium newspaper in Germany, with a share of 18.2 %, based on paid circulation. N24 is the leader in the news channel segment and in 2016 was able to expand its market share to 1.5 % among the advertising group of 14 to 49-year-olds.

As part of merging the brands DIE WELT and N24, a process began in 2015 to develop a common brand identity for all products. In September 2016, the design change of the TV station as well as the relaunch of the digital offer WELT.de, including the conversion of the digital subscription model from the initial pay model to a “freemium” model, took place. At the end of 2016, the online brands WELT and N24 were merged with the aim of developing the Group to become the leading multi-media news organization for quality journalism in German-speaking countries.

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

Paid Models International comprise Axel Springer’s digital and print activities in Europe and the USA.

In Eastern Europe, Axel Springer with Ringier Axel Springer Media is the leader in the segment of mass-circulation dailies in Poland, Hungary, Slovakia, and Serbia. The media offering currently comprises a variety of digital and printed products. The digital EBITDA share amounted to 54.6 % in 2016, with digital revenues amounting to 42.2 %.

We reach 75.5 % of Internet users in Poland through the leading Polish online group Onet. With FAKT as the largest newsstand newspaper and PRZEGLAD SPORTOWY as the country’s only national sports daily, we control 43.1 % of the market for national dailies (based on paid circulation), making it the biggest newspaper publisher in Poland. Moreover, we are represented by Media Impact Polska, the largest marketing organization on the Polish market. The range consists of strong brands and offers clients innovative, integrated advertising solutions.

In Hungary, profession.hu, the country's leading job portal belongs to Ringier Axel Springer Media's portfolio. In addition, the portfolio comprises titles with a strong market position in their respective sectors and with excellent potential for digitization, which predominantly include mass-circulation dailies, including the leader BLIKK, and women’s magazines.

In Slovakia, azet.sk is the leading Internet portal reaching 82.4 % of Internet users in that country. The leading position in the print business is mainly based on the NOVY CAS family of brands, consisting of two newspapers and four magazines. The mass-circulation daily of the same name is the country’s biggest newspaper, with a share of 38.2 %, based on paid circulation. In total, Ringier Axel Springer Media publishes nine magazines in Slovakia. In addition, the largest marketing organization in Slovakia was launched in the form of Media Impact Slovakia.

In Serbia, Ringier Axel Springer Media is the publisher with the highest total circulation and reach, with three newspapers and four magazines and the corresponding web portals. ALO! And BLIC are among the largest mass circulation dailies in Serbia. Blic.rs is the leading online portal with the highest reach. Media Impact Srbija is also the largest marketing organization in Serbia.

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

In France, Axel Springer is represented in a joint venture with the Mondadori Group with three automobile magazines (AutoPlus, L'AutoJournal, Sport Auto), the related online portals and seven other sister magazines.

In Switzerland, Ringier Axel Springer Schweiz was launched at the beginning of 2016. The company, jointly founded by Axel Springer and Ringier, combines all Axel Springer’s Swiss activities and a portion of Ringier’s Swiss activities. For more information on this subject, please refer to page 24.

The 50:50 joint venture between POLITICO, the leading media brand for political journalism in Washington D.C., and Axel Springer, expanded its operations in 2016. The offer now consists of seven different sector-specific paid newsletters (so-called PRO Verticals), the politico.eu website, a weekly paper, as well as conferences. The POLITICO Group, headquartered in Brussels, also has France's leading events agency in the field of public affairs, Development Institute International.

In the US, Axel Springer is represented by the leading digital offering for business and financial news, Business Insider. In addition to the US portal, the company also operates other services, such as the Insider portal in the

USA and Business Insider UK in Great Britain. In cooperation with our Marketing Model finanzen.net, Business Insider has been running a German portal since November 2015 and the Markets Insider portal since October 2016 in the USA. Since May 2016, a third European edition of Business Insider and Axel Springer exists in the form of a license to Onet in Poland. Overall, Business Insider is now active in 15 countries.

Since July 2016 eMarketer belongs to Axel Springer and complements the portfolio of innovative digital paid content in the English-speaking world, especially on the US market. eMarketer is based in New York and is a leading provider of analysis, studies and digital market data for companies and institutions. With the acquisition of approximately 93 % of the shares, Axel Springer also strengthens its position in business-related news and content.

In December 2016, Axel Springer acquired 13 % of the shares in Group Nine Media, a new, leading digital media company based in New York, against the transfer of shares in Thrillist and NowThis Media. GroupNine Media bundles the Thrillist, NowThis Media, The Dodo, and Seeker, Discovery's digital networks, focused on “Millennial” needs.

Furthermore, over the past few years, Axel Springer has also established an early-phase portfolio in the USA that focuses on digital journalism and includes, among others, minority interests in Ozy, Mic and Jaunt.

In 2016 the news aggregator upday, developed in partnership with Samsung, was launched in four countries: Germany, Great Britain, France and Poland. It is planned that upday will start in Spain and Italy in March 2017 and expand into ten other European countries in the second quarter of 2017. The platform upday aggregates content from more than 2,000 different sources. In addition to “Top News”, selected and summarized by journalists, messages are processed in the “My News” section by means of an algorithm that reflects the individual interests of the users. In December 2016 upday was shown for the first time in the IVW and landed with 89 million visits and nearly one billion page impressions from the starting blocks in the top ten of German news portals.

Business model and key factors

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

All journalism content is collected in integrated newsrooms, some of which are used for more than one publication, and processed there in accordance with the demands of our print and online media. The production process for digital paid content involves the production of editorial content, which we then post on our websites or other digital resources such as smartphones, PC tablets, and smart TVs, or the processing and aggregation of information in databases. Our newspapers are produced, among others, in the three offset printing plants in Hamburg-Ahrensburg, Essen-Kettwig, and Berlin-Spandau. We therefore carry out all steps in the value chain ourselves, from production to monitoring dispatch logistics. Distribution of digital products takes place predominantly via our own Internet pages or download platforms such as the app stores of Apple and Google. The print media are distributed nationally and internationally mainly via wholesale press distribution companies, train station bookstores, and press import companies. In Germany there are about 104 thousand retail outlets where our newspapers and magazines are sold.

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

Business development in this segment is, among other things, strongly influenced by the growing use of digital content. Key growth drivers are moving images and the mobile Internet, via smartphones and tablets, which are mostly used in addition to stationary Internet connections (source: AGOF "digital facts 2016-10"). Other key factors besides online usage behavior are the willingness of consumers to pay for online content and the development of the market for paid content. Digital content is also driving the growth of the advertising market, while print media advertising revenues are declining across the board. To counteract this development, in January 2017 Red Impact, a marketing alliance between Media Impact and other media groups, entered the market.

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

Marketing Models

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

Portfolio and market position

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

Portfolio Marketing Models

Reach Based Marketing	Performance Marketing
■ idealo	■ zanox/Digital Window
■ aufeminin	
■ Bonial	
■ finanzen.net	

Axel Springer's **Reach Based Marketing** portfolio includes idealo.de, Germany's leading portal with the widest reach for product searches and price comparisons. idealo searches nearly 1.9 million products and more than 295 million offers of online dealers (December 2016 average) and is also internationally represented with numerous offers. The product comparison portal ladenzeile.de is also part of the idealo Group.

The aufeminin Group is the world's largest digital publishing company for women. The group offers digital magazines and product subscriptions in more than 20 countries on topics such as fashion, beauty, lifestyle, cooking and health. These include, in addition to the internationally represented aufeminin portals, Marmiton, France's largest digital offer on the subject of cooking, the lifestyle brand My Little Paris with leisure tips, local recommendations and subscriptions such as My Little Box, the British parenting portal netmums, the health care portal Onmeda in Germany, France and Spain, as well as the Californian company Livingly Media with its four different lifestyle portals Livingly, Zimbio, StyleBistro and Lonny.

kaufDA.de and MeinProspekt.de operate under the auspices of the Bonial International Group as Germany's leading consumer information portals regarding local shopping. The offerings distribute digitized retail advertising circulars predominantly via mobile Internet at a regional level. The services are offered under local brands also in France, Sweden, Norway, Denmark (all Bonial), Spain, Mexico, Chile, Colombia (all Ofertia) and the USA (Retale).

Germany's widest-reaching finance portal, finanzen.net, provides its users with up-to-date financial markets data on every business day. The portal is, as part of its internationalization strategy, among others also represented in Switzerland, Russia, Austria, and the Netherlands. In addition, finanzen.net operates two portals in cooperation with Business Insider: the German edition of Business Insider as well as Markets Insider, an American stock market portal launched in October 2016.

With direct and indirect investments in leading private-sector radio stations in the TV and private radio sector, Axel Springer holds one of the biggest radio portfolios in Germany. Axel Springer continues to hold a minority interest in Turkey's biggest private-sector TV and radio company, the Doğan TV Holding.

The **Performance Marketing** activities are bundled within the zanox Group. The leading provider of success-based online marketing in Europe brings advertisers and publishers together, giving advertisers an efficient way to market their products and services on the Internet. The corporate group comprises the companies ZANOX AG, including Digital Window, and the performance marketing agency eprofessional. Since January 2017, the US company ShareASale has also been part of the zanox Group.

Business model and key factors

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

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

Performance marketing gives advertisers the chance to advertise their products on websites and publishers' offerings via text links, banners, and online videos. The advertisers only pay a success-based 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 the data flows and transactions, and allow for a variety of services for advertisers and publishers.

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

Services/Holding

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

Discontinued Operations

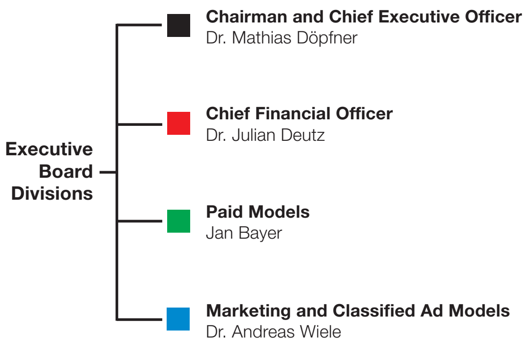
In 2014, we sold our German regional newspapers, program and women's magazines. We reported separately the resulting income and expenses under review as discontinued operations. (See note (2d) in the notes to the consolidated financial statements).

Management and supervision

Executive Board divisions

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

Axel Springer Executive Board Divisions



Executive Board responsibilities are divided as follows:

Dr. Mathias Döpfner is Chairman and Chief Executive Officer of Axel Springer SE. All editors-in-chief and the corporate staff departments of corporate communications, public affairs, strategy, executive personnel as well as the Axel Springer Academy report to him.

Dr. Julian Deutz is responsible for the Finance and Personnel Executive Board division. In addition to the commercial sectors, the department also includes, among others, the Audit, Personnel, Law, Group Purchasing, Group Security and Governance, Risk & Compliance sectors.

Jan Bayer is the President of the Paid Models segment. Apart from the journalistic product portfolio, Media Impact (Marketing), Sales Impact (Sales), IT, Printing Plants and Customer Services are also assigned to this segment.

Dr. Andreas Wiele is the President of Marketing and Classified Ad Models and is responsible for the corresponding segments including the associated investments.

Corporate governance principles

Axel Springer's corporate governance principles are aligned with our core values of creativity, entrepreneurship, and integrity. To this are added five principles enshrined in Axel Springer's own corporate constitution. You can learn more about our internal guidelines in the section entitled "Important Management Practices" in the declaration of corporate governance law pursuant to Section 289a HGB on page 69 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 component and – for qualifying employees an additional – variable component. Variable compensation is determined on the basis of individual performance and the company's success. To this end, individual target agreements encompassing both Group-wide targets and division targets are adopted every year anew. The part of variable compensation that reflects the attainment of Group-wide targets in 2016 is determined mainly with reference to the financial indicators EBITDA and EBIT. A description of Executive Board compensation can be found in the "Compensation Report" section of the "Corporate Governance" chapter (starting on page 67). There, you will also find information on the compensation of our Supervisory Board members (starting on page 83).

Goals and strategy

Axel Springer pursues a strategy of profitable growth, with the overarching goal of becoming the leading digital publisher. This goal will be attained when the Group is the leader in every one of the market segments and countries in which it operates. Furthermore, journalism is and always will be the foundation of our business model.

Segment strategies

In the **Classified Ad Models** segment, Axel Springer will strive to further extend its position as leading international provider. Here organic growth depending on complementary acquisitions will contribute to the growth of this business. Synergies within the Group are used consistently.

Early-phase activities have also been started in the classified ads segment in order to identify innovative business models and providers at an early stage.

In the **Paid Models** segment, Axel Springer will strive to realize the full potential of its strong brands BILD and WELT, as well as its international brands such as Business Insider and eMarketer.

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

WELT, together with N24, wants to become the leading multimedia provider of quality journalism that is able to optimally serve print, digital and TV as well as out of home. The two companies will contribute their respective strengths to this endeavor. Thus, the WELT Group can make good use of the video inventory of N24 in its media offerings, and the quality TV news station can expand its leading market position and better exploit its full online potential in cooperation with the WELT Group. Furthermore, the WELT Group will use its digital subscription model to further increase the base of paying readers on the Internet.

The Group's centralized marketing company Media Impact offers an attractive, cross-media platform for advertising campaigns – with a reach that is rivaled only by the big TV marketing firms. As one of the leading cross-media marketing firms (based on gross market shares), Media Impact will continue to expand its external marketing portfolio in the print and digital segments. Together with Viacom International Media Networks, Axel Springer has founded the company Visoon Video Impact for TV and motion picture marketing in Germany. Since January 2016, Visoon Video Impact has been marketing the entire portfolio of Axel Springer and Viacom (Comedy Central, MTV, N24, Nickelodeon/Nicknight, VIVA) in the TV sector in Germany.

The strategy of sustainable growth in the **Marketing Models** segment is followed both in Reach Based Marketing and Performance Based Marketing. In the area of Reach Based Marketing, the strategy is focused on expanding the reach and usage of products, increasing the ad space utilization rate, and developing new advertising, pricing and business models. The continued internationalization of services is also a growth driver. Furthermore, innovative products and business models are promoted, developed and, if successful, expanded further via capital expenditures in early-stage activities. In the performance marketing sector, the focus is on the increased interlinking of the activities combined within the zanox Group, primarily through standardizing the technical platform, as well as the expansion of services and the publisher network.

Organic and acquisitions-driven growth

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

In all segments, Axel Springer seizes opportunities to expand the business model by investing in companies with innovative business ideas which are still in an early phase of their development. In addition to indirect participation in start-ups as part of our participation in the early-phase fund Project A Ventures, the Axel Springer Plug & Play Accelerator GmbH, which was founded together with the Silicon Valley-based Plug & Play Techcenter, is the main example. Furthermore, Axel Springer has an equity stake in LAKESTAR II. The investment fund concentrates on digital companies with a focus on Europe and the USA. A number of direct minority interests are also assigned on a selective basis to these indirect interests in startups. Over the past few years, Axel Springer has also established an early-phase portfolio in the USA that focuses on digital journalism.

Above all, when the opportunities arise, companies that are well-established in the market will be acquired. Suitable acquisition targets are chosen on the basis of complementary business strategies, as well as the quality of management, and the profitability and scalability of the business model.

We employ a capitalized earnings approach based on weighted capital costs to assess the economic efficiency of investments in new or existing business segments.

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

Internal management system

We have designed our internal management system and defined suitable control parameters in alignment with our group strategy. We use both financial and non-financial performance indicators to measure the success of our strategy.

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

These reports are supplemented by periodic forecasts of anticipated advertising revenues in the following weeks and months as well as by forecasts of the probable development of our financial performance.

Financial performance indicators

Our central focus is to sustainably increase both the profitability and the value of our company. The most important target and control parameters for the company's financial performance are revenues, EBITDA, and EBIT. EBITDA and EBIT also form the basis for the performance-based compensation of leadership (please refer to page 76 for more information on the compensation system). These performance indicators and the EBITDA margin are anchored in our internal planning and controlling system.

Financial Control Parameters

Selected financial control parameters on the Group level, € millions	**2016**	**2015**
Revenues	3,290.2	3,294.9
EBITDA[1]	595.5	559.0
EBITDA margin[1]	*18.1 %*	*17.0 %*
EBIT[1]	471.1	449.0

[1] Further explanations regarding relevant key performance indicators on page 35.

Non-financial performance indicators

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

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

Economic Report

General economic conditions and business developments

According to estimates by the International Monetary Fund (IMF), the **global economy** grew by 3.1 % in 2016, slightly below the previous year's growth (PY: +3.2 %). Global growth was the weakest in 2016 since the global financial and economic crisis of 2008/2009.

According to the IMF, the increase in the industrialized countries was markedly lower, with a plus of 1.6 % compared to the previous year (+2.1 %). Essential for the weaker growth is the disappointing development in the US, the world's largest economy, which with +1.6 % - due to a weak first half-year - notably remained behind the previous year (PY+2.6 %). According to the IMF, the euro zone has increased by +1.7 % in 2016 (PY +2.0 %). For Great Britain, growth for the full year 2016 will be +2.0 % (PY: +2.2 %); here the domestic demand after the unexpected outcome of the EU referendum was better than expected. Growth in emerging and developing countries remained at the previous year's level at +4.1 %, although the economic situation in the individual countries varies considerably. The growth rate in China (+6.7 %) turned out to be stronger than expected which is also due to government support measures. The recession in countries such as Argentina, Brazil and Turkey has led to a weaker than expected development.

The economic situation in **Germany** was also characterized by solid and steady economic growth in 2016. According to calculations by the Federal Statistical Office, the price-adjusted gross domestic product was 1.9 % higher than in the previous year. The decisive factor for the positive development of the German economy was domestic demand. Personal consumer spending increased by 2.0 % in real terms over 2015. Public consumption spending rose even more sharply, at 4.2 %. This strong increase is partly due to the high level of immigration of refugees and the resulting expenditure. Investments also contributed to this economic growth. The price-adjusted construction investment rose by 3.1 % in 2016, which was mainly due to higher investment in residential buildings. In equipment, 1.7 % in real terms was also up compared to a year earlier. Exports rose by 2.5 % in real terms, while imports rose by 3.4 %. In 2016 the number of unemployed fell by 3.7 % to an average of 2.7 million persons. The unemployment rate was 6.1 %. The consumer climate, determined by the Consumer Research Corporation, has deteriorated slightly in the last quarter of 2016, based on a relatively high level in the third quarter. However, consumer expectations about the economy and their income were higher by the end of the year. According to calculations from the German Federal Statistical Office, consumer prices rose by 0.5 % during 2016. The slight rise in the inflation rate was mainly caused by the rise in energy prices.

In **Central and Eastern Europe**, growth in the third quarter slowed. According to the DIW (German Institute for Economic Research) this is mainly due to lower investment activity. Thus investment projects from the new EU funding line are still in the start-up phase up to the year 2020 and the implementation was therefore initially low. This was reflected in weak construction activity in most countries. Growth in the region will continue to be supported by private consumption, given the decline in unemployment and the growth in real wages.

Industry environment

Press Distribution market

Whereas the circulation volumes of print media declined again in 2016, online media continued the growth trend of prior years. According to the study “digital facts 2016-10”, AGOF - Working Group for Online Research - 54.2 million people in Germany use the Internet today (Internet users within the last three months). That number represents 78.0 % of German residents aged 14 and older. Of the total regular Internet users, 70.0 % go online to obtain information about world events and 62.1 % use the Internet for regional or local news. Thus, reading the news is one of the main thematic priorities, besides online searches, email, online shopping, and weather forecasts. Job listings are also one of the 20 most-used online categories. Alongside the wired Internet, the mobile Internet continues to gain in importance according to the study. In the last three months, 43.4 million people were mobile on the Internet (62.3 % of the German-speaking population in Germany aged 14 or over). In most cases (95.5 %) mobile internet usage is predominantly in addition to stationary use. According to the German Audit Bureau of

Circulations "IVW -Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern", content portals of German print media were visited somewhat more frequently in 2016 compared to the previous year. The 20 most popular portals of German daily newspapers therefore increased the number of visits aggregated by 10.7 %, while the number of visits to portals of the magazines increased by 8.0 %.

The domestic **press distribution market** again declined. The total paid circulation of newspapers/-magazines was 4.9 % below the corresponding prior-year figure. Thanks to the price increases implemented in the past four quarters, however, circulation revenues declined by only 1.9 %.

The 340 IVW-reported daily and Sunday newspapers reached a total sales of 17.3 million copies per publication day. Compared to the prior-year figure, this corresponds to a fall of 7.4 %. Newsstand sales (– 10.5 %) – as in the prior year – suffered a much greater decline than subscription sales (– 7.2 %). Demand in the segment of daily and Sunday newspapers within the press distribution market weakened by 4.9 %, according to the respective frequency of publication.

The total sales of the public magazines including the members and club magazines amounted to 94.6 million copies per publication day. Compared to the prior-year figure, this corresponds to a decline of 3.6 %. The number of IVW registered titles was 773 (– 2.0 % compared to the previous year). Demand in the segment decreased - weighted according to the frequency of publication - by 5.0 %.

Advertising market

The German Advertising Association (ZAW) assumes in its current forecast for 2016, issued in November 2016, that net advertising revenues will be approximately 2.5 % higher than the prior-year figure.

According to the latest advertising market forecast of ZenithOptimedia ("Advertising Expenditure Forecast", December 2016), the advertising market in Germany in 2016 grew by 3.1 % over the prior-year figure.

According to these surveys, net revenues of the **total advertising market** during the reporting period were € 19.9 billion (including classified ads and advertising supplements, less discounts granted and agency commissions, and excluding production costs), reflecting a nominal increase of 3.1 % from the prior-year figure.

In the German **online market** (display ads, search term marketing, and affiliates), net advertising revenues rose by 8.4 % to € 6.3 billion in 2016.

In the category of print media, the net advertising revenues of **newspapers** (newspapers, advertising supplements, and newspaper supplements) amounted to € 4.7 billion in the reporting period, reflecting a 0.3 % decrease from the prior-year figure. The net advertising revenues of **magazines** (general interest and trade magazines, directory media) declined by 3.8 % compared with the prior year to € 2.4 billion.

In 2016, **television advertising** in Germany rose by 3.0 % to € 4.6 billion, and net advertising revenues in **radio advertising** rose by 3.8 % to € 771 million. The net advertising revenues of **outdoor advertising** rose by 6.4 % to € 1.1 billion in 2016.

According to ZenithOptimedia, the following advertising revenue developments are expected for selected countries in 2016:

Anticipated Advertising Activity 2016 (Selection)

Change in net ad revenues compared to prior year (nominal)	Online	Print
Germany	8.4 %	−1.5 %
United Kingdom	11.2 %	−10.2 %
France[1]	5.9 %	−7.0 %
Poland[1]	12.0 %	−16.7 %
Switzerland[2]	12.0 %	−3.5 %
Hungary	10.3 %	3.5 %
Belgium[2]	15.0 %	0.7 %
Slovakia[1]	14.5 %	−4.8 %
Netherlands	10.4 %	−8.6 %
Serbia[1]	13.0 %	1.7 %
Ireland	12.9 %	−5.3 %
Italy[1]	7.6 %	−5.3 %
Spain[1]	13.0 %	−5.2 %
USA	16.9 %	−6.4 %
Israel	7.5 %	−5.2 %
Brazil	10.0 %	−8.1 %

Source: ZenithOptimedia, Advertising Expenditure Forecast (December 2016).
[1] Excluding Classified ads, that means exclusively sales from display advertising.
[2] Gross advertising revenues (excluding classified ads).

Business performance

On January 1, 2016, together with Ringier, we jointly founded the company **Ringier Axel Springer Schweiz AG** in Switzerland. Since then, all Swiss-German and West Swiss newspaper titles (including their associated online portals) of Ringier as well as the West Swiss broadsheet, Le Temps, and all of Axel Springer's business in Switzerland have been combined under the new company. Axel Springer is consolidating the income from investments on a pro-rated basis.

In January 2016, as part of its efforts focusing on the digital growth strategy, Axel Springer closed the sale of **CarWale**, a leading online portal for automobiles in the Indian market, at a converted purchase price (after deduction of taxes) of € 64.0 million.

The sale of the first part of our **Hamburg office building complex** was also completed in January 2016. The sale of the second part took place in the third quarter. In **Berlin**, the construction of the **Axel Springer new headquarter building** in the past financial year was started in the immediate vicinity of the current publishing house. Up to 3,500 employees are to work on approximately 52,000 square meters from 2020 onwards. The total volume of the construction project will be around € 300 million. The cumulative investments made up to the balance sheet date amounted to € 42 million; Investments of around € 50 million are planned for the 2017 financial year.

Furthermore, in the first quarter of 2016, we additionally sold about 2.3 % of our equity stake in **Doğan TV Holding A.S.**, Istanbul, Turkey, at a purchase price of € 55.3 million.

At the end of April 2016, **FUNKE Mediengruppe** prematurely repaid the 2014 vendor loan, including the accrued interest in connection with the sale of our national regional newspapers, as well as TV program guides and women's magazines. The loan, including capitalized interest, was reported in other non-current financial assets at € 247.9 million. The repayment was initially budgeted for a period of up to two years, starting mid 2018.

In the second and third quarters of the last financial year, **@Leisure Group**, a leading operator of online portals for vacation rentals in Europe that is majority owned by Axel Springer, made two acquisitions for the purpose of expanding its portfolio:

In April, the company acquired the majority shareholding (50.01 %) of **Traum-Ferienwohnungen GmbH**, which has its registered office in Bremen. Traum-Ferienwohnungen is a leading online marketplace for vacation rentals in Germany and operator of the booking platform "traum-ferienwohnungen.de".

At the end of July 2016, the @Leisure Group acquired a total of 75.96 % of the shares in **Land & Leisure A/S**. In a second step, in September we increased our share to 93.17 %, and in early October requested the minority shareholders to transfer their shares to the @Leisure Group in return for cash compensation (squeeze-out). Squeeze-out took place in November. The total acquisition costs for the acquisition of the shares amounted to € 61.0 million. Land & Leisure A/S, under the brands DanCenter Ferienhäuser and Danland Ferienpark, provides holiday homes in Denmark, Sweden, Norway and Germany. With the takeover, the @Leisure Group strengthens its market position in Scandinavia.

In July, Axel Springer acquired approx. 93 % of the shares in **eMarketer Inc.**, New York, USA, a leading provider of high-quality analyses, studies and digital market data for companies and institutions. The transaction is another milestone in the strategy of growing in the English-speaking regions – particularly the US market – through digital activities and expanding the portfolio of innovative Paid Models. With this takeover, Axel Springer also strengthens its position in business-related news and content. The acquisition costs amounted to € 219.0 million.

In October, we added our holdings in NowThis Media and Thrillist to Group Nine Media, which also includes, besides our activities, the The Dodo and Seeker brands. The valuation of Group Nine Media, on the basis of which US Discovery Communications invested in addition to Seeker's contribution of USD 100 million in cash, equals a valuation premium of over 70 % compared to the valuation that was the basis for our 2015 investments in NowThis and Thrillist.

In the year under review, Axel Springer acquired a 10 % stake in the second quarter and the outstanding 39 % stake in Car&Boat Media in the fourth quarter for a purchase price of € 89.7 million. Car&Boat Media operates **LaCentrale**, the largest specialized car classifieds portal in France.

In January 2017, Digital Window, a majority-owned subsidiary of the Axel Springer Group, acquired 100 % of the shares in **ShareASale**, a leading affiliate network in the USA (see also notes to the consolidated financial statements under note (41)). The preliminary acquisition costs amounted to € 43.0 million.

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

Digitization continues to be the defining trend for the economic environment for media companies. This reflects the development of the Axel Springer Group segments. While the two fully digitized segments, the Classified Ads and Marketing, recorded significant organic revenue growth, revenue declined slightly in the Paid Models segment due to the higher proportion of the structurally declining print business. Once again, business development was characterized by acquisitions of digital business models and active portfolio management. The overall positive development in the financial year confirms our strategy of rigorously digitizing the company.

Financial performance, liquidity, and financial position

Financial performance of the Group

During the reporting year, **revenues** were € 3,290.2 million, and thus on par with the prior-year level (€ 3,294.9 million). An increase in revenues in the Classified Ad Models was offset by declines in the other segments. The organic growth in revenues showed a positive picture - adjusted for consolidation and currency effects, revenues increased by 4.1 %.

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	2016
Digital Media	**10.7 %**
Classified Ad Models	12.5 %
Paid Models	14.7 %
Marketing Models	7.5 %

Adjusted for consolidation and currency effects, organic growth in revenues for digital media was at 10.7 %. Paid Models showed the highest organic growth in revenues with 14.7 %, followed by Classified Ad Models with 12.5 % and Marketing Models with 7.5 %.

The **pro-forma revenue development for digital media** is illustrated in the following table:

Revenue Development Digital Media, pro forma

yoy	2016
Digital Media	**7.7 %**
Classified Ad Models	10.0 %
Paid Models	13.2 %
Marketing Models	2.8 %

The pro-forma revenues, which increased from € 2,057.2 million by 7.7 % to € 2,216.5 million during the business year, take into account the development of companies currently belonging to Axel Springer for the complete reporting and prior-year period, partially on the basis of unaudited financial data.

International revenues of € 1,564.3 million were slightly below the prior-year figure of € 1,573.5 million and amounted to 47.5 % (PY: 47.8 %) of Axel Springer's total revenues. The decline is attributable to the deconsolidation of Swiss activities in the course of the jointly founded company with Ringier (see page 24).

The increase in **advertising revenues** of 5.5 % to € 2,223.1 million (PY: € 2,107.6 million) was largely attributable to growth in the Classified Ad and Marketing Models. The decrease in advertising revenues in the Paid Models segment was primarily due to consolidation effects. Adjusted for consolidation and currency effects, advertising revenues within the Group increased by 6.4 %. Advertising revenues as a proportion of total revenues were 67.6 % (PY: 64.0 %). Of the total advertising revenues, 84.8 % were generated by **digital activities**.

The decrease in **circulation revenues** of 10.4 %, from € 721.7 million to € 646.9 million, was particularly due to consolidation effects. Adjusted for consolidation and currency effects, they were only 3.5 % below the prior-year figure. Circulation revenues as a proportion of total revenues still only accounted for 19.7 % (PY: 21.9 %).

Other revenues amounting to € 420.2 million were 9.8 % below the prior-year figure (€ 465.7 million). Consolidation and currency effects likewise had an impact. Adjusted for these effects, they showed an increase of 5.0 %. Overall, other revenues represented a share of 12.8 % (PY: 14.1 %) of total revenues.

Other operating income of € 339.9 million was significantly above the prior-year level (PY: € 271.8 million). In addition to income relating to the establishment of Ringier Axel Springer Schweiz AG (€ 102.2 million), as well as the sale of CarWale (€ 83.3 million), the reporting period also includes income from the disposal of our real estate in Hamburg (€ 71.3 million). The previous year was characterized, in particular, by the sale of Runtastic and the Smart-AdServer Group.

Changes in inventories and internal costs capitalized increased to € 82.6 million (previous year: € 47.3 million) in the reporting year, mainly related to extensive IT development projects to develop and expand our digital business models.

Compared with the prior-year period, **total expenses** decreased by 0.6 % to € 3,155.5 million (PY: € 3,175.7 million).

The decline in **purchased goods and services** of 4.1 % to € 971.5 million (PY: € 1,013.5 million) resulted, in particular, from company disposals in the prior year, as well as from the deconsolidation of our business in Switzerland during the reporting period. Effects from the first-time inclusion of subsidiaries were mostly compensated for by circulation-related declines in the print business. The ratio of purchased goods and services to total revenues decreased to 29.5 % (PY: 30.8 %).

Personnel expenses were € 1,100.1 million and on par with the prior-year level (PY: € 1,100.3 million). Lower restructuring costs and a reduction of personnel in the print sector were offset by an increase in personnel in the digital business models segment and a heightening effect on total amounts resulting from the acquisition and sale of subsidiaries. The average number of employees increased by 2.0 % in 2016.

Depreciation, amortization, and impairments amounted to € 232.6 million and were above the prior-year figure of € 199.8 million, due to consolidation related increases in depreciation, amortization and impairments from purchase price allocations, as well as higher investments in intangible assets.

Other operating expenses were € 851.2 million and slightly below the prior-year level (PY: € 862.2 million). Effects of the first-time inclusion of subsidiaries were compensated for by deconsolidation effects.

Income from investments amounted to € 40.2 million (PY: € 24.7 million) and was influenced, in particular, by the effects from the contribution of our interests in Thrillist and NowThis into the new non-controlling interest in Group Nine Media. The operating income from investments included in EBITDA amounted to € 18.7 million (PY: € 3.8 million) and was above the prior-year level, particularly due to the establishment of Ringier Axel Springer Schweiz AG.

The **financial result** was € −21.4 million and slightly above the prior-year level (PY: € −22.2 million).

Income taxes amounted to € – 126.1 million (PY: € –136.2 million) during the past financial year. The tax rate of 21.9 % (PY: 30.9 %) was influenced, in particular, by the mostly tax-neutral income in connection with the establishment of Ringier Axel Springer Schweiz AG, as well as the lower-taxed income from the sale of CarWale.

EBITDA rose by 6.5 % to € 595.5 million compared to the prior year (PY: € 559.0 million). The generated EBITDA margin increased to 18.1 % (PY: 17.0 %). The **EBITDA of digital activities** increased by 10.1 % from € 428.7 million to € 472.1 million. Based on the operating business, the digital business share in EBITDA was 72.5 % (PY: 69.6 %). Due to an increase in depreciation and amortization, as well as write-ups captured in the prior-year period, **EBIT** increased by 4.9 % compared with the prior year to € 471.1 million (PY: € 449.0 million).

Net income from continuing operations developed as follows:

Net Income[1)]

€ millions	2016	2015	Change
Net income	**450.0**	**304.6**	**47.7 %**
Non-recurring effects	–234.6	–98.9	–
Depreciation, amortization, and impairments of purchase price allocations	108.3	84.9	27.6 %
Taxes attributable to these effects	–23.8	–11.3	–
Net income, adjusted[2)]	**299.9**	**279.3**	**7.4 %**
Attributable to non-controlling interest	40.4	58.3	–30.8 %
Adjusted net income[2)] **from continuing operations attributable to shareholders of Axel Springer SE**	**259.5**	**220.9**	**17.4 %**
Earnings per share, adjusted (in €)[2) 3)]	**2.41**	**2.22**	**8.5 %**
Earnings per share (in €)[3)]	**3.94**	**2.50**	**57.5 %**

[1)] Continuing operations see also notes to the consolidated financial statements under note (2d).
[2)] Further explanations regarding relevant key performance indicators on page 35.
[3)] Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 99.7 million).

Non-recurring effects mainly included income from the sale or contribution of business activities and real estate of € 290.9 million (PY: € 79.1 million), particularly in connection with the establishment of Ringier Axel Springer Schweiz AG, the sale of CarWale, as well as the disposal of the remaining part of the office building complex at the Hamburg site (PY: particularly the sale of Runtastic). In addition, this included expenses from the subsequent valuation of contingent considerations from options for the acquisition of non-controlling interests of € –29.7 million (PY: income of € 9.2 million), as well as other effects from initial consolidations of € –20.0 million (PY: € 14.3 million), which were primarily the result of incidental acquisition costs and consequences from purchase price allocations. In the prior year, revaluation effects from existing non-controlling interests held prior to the acquisition of a majority shareholding had been included furthermore. As well as impairments of investments to the amount of € –3.0 million (PY: € –3.6 million), expenses of € –3.5 million (PY: € 0.0 million) in connection with the new Executive Board remuneration program were adjusted for the first time.

Net income attributable to non-controlling interest decreased due to the increase in our share of the Axel Springer Digital Classifieds Group completed in December 2015. By issuing 8,955,311 new Axel-Springer shares in relation to this, the earnings per share were determined on the basis of 107.9 million outstanding shares (PY: 99.7 million).

Financial performance of the operating segments

Classified Ad Models

All Business models which predominantly generate their revenues in online classified advertising are summarized in the Classified Ad Models segment. The segment is sub-divided into jobs, real estate, and general/other.

Key Figures Classified Ad Models

€ millions	2016	2015	Change
Revenues	**879.5**	**753.1**	**16.8 %**
Advertising revenues	858.5	730.7	17.5 %
Other revenues	20.9	22.4	–6.5 %
Jobs	**410.0**	**360.7**	**13.7 %**
Real Estate	**270.7**	**231.0**	**17.2 %**
General/Other	**198.8**	**161.4**	**23.1 %**
EBITDA[1)]	**354.6**	**305.0**	**16.3 %**
Jobs	175.8	157.4	11.7 %
Real Estate	121.5	107.1	13.4 %
General/Other	64.9	49.5	31.2 %
EBITDA margin	**40.3 %**	**40.5 %**	
Jobs	42.9 %	43.7 %	
Real Estate	44.9 %	46.4 %	
General/Other	32.7 %	30.7 %	

[1)] Segment EBITDA includes non-allocated costs of € 7.6 million (PY.: € 9.0 million).

In the year under review, the Classified Ad Models segment reported revenues of € 879.5 million and a year-on-year increase of 16.8 % (€ 753.1 million) achieving the largest increase in revenues of all segments. Alongside an improvement in operative revenues, particularly from job portals, consolidation effects, amongst others, had an influence due to the incorporation of Immowelt, Land & Leisure and Traum-Ferienwohnungen. Adjusted for consolidation and currency effects, revenue growth came to 12.5 %.

EBITDA for the segment increased significantly by 16.3 % to € 354.6 million (PY: € 305.0 million). EBITDA was also affected by consolidation effects. Adjusted for these and currency effects, the increase was 11.5 %. The return of 40.3 % reached almost the prior-year figure (40.5 %). Expenditure on technological developments and marketing, as well as the inclusion of acquired subsidiaries, whose return is currently below the average for the segments, was offset by increases in earnings due to higher revenues.

EBIT in the Classified Ads segment rose by 15.5 % from € 275.1 million to € 317.6 million. The depreciation, amortization and impairments rose by 23.6 % to € 37.0 million (PY: € 29.9 million).

Paid Models

The national sub-segment of the Paid Models segment mainly comprises the BILD and WELT groups and in the international sub-segment the content based, increasingly digitized, media models, as well as analog models in Europe and the USA.

Paid Models National

The circulation and reach figures for selected print offerings in the Paid Model segment as well as the associated online portals are shown in the following table:

Circulation, Digital Subscriptions, and Reach

Thousands	Circulation/ Digital-Subs[1]	Change	Reach[2]	Change[3]
Bild/B.Z.	1,927.0	−10.7 %	9,968.4	−4.2 %
Bild am Sonntag	994.7	−7.8 %	9,050.6	7.3 %
bild.de (total)	327.8	16.7 %	19,530.0	0.5 %
bild.de (stationary)	-	-	14,769.0	−11.2 %
bild.de (mobile)	-	-	11,154.0	39.7 %
Die Welt/ Welt Kompakt	181.2	−7.3 %	704.0	4.5 %
Welt am Sonntag/ Welt am Sonntag Kompakt	381.6	−4.8 %	1,028.8	12.4 %
welt.de (total)	75.6	12.7 %	15,008.0	2.1 %
welt.de (stationary)	-	-	9,650.0	−6.3 %
welt.de (mobile)	-	-	7,568.0	16.6 %

[1] Source: IVW, average paid circulations 2016; For bild.de (total)/welt.de (total): IVW, digital subscriptions (paid content), monthly average 2016.
[2] Source: ma 2017 Pressemedien I; For bild.de/welt.de: AGOF 2016 – 10, Unique Users.
[3] Compared to ma 2016 Pressemedien I; For bild.de/welt.de compared to AGOF 2015 – 10

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

In the financial year 2016, circulation numbers of the print media in the Paid Models segment declined in line with market conditions, while the reach of the BILD and WELT brands increased overall.

Paid Models International

The reach of the business portal Business Insider, circulation and reach figures for the selected mass-circulation dailies within the Eastern European countries of Ringier Axel Springer Media as well as the net reach of the corresponding online portals are presented in the table below:

Circulation and Reach

Thousands	Circulation	Change	Reach	Change
Business Insider (total)	-	-	78,367.5[1]	15.9 %
Business Insider (USA)	-	-	48,190.2[2]	16.1 %
Business Insider (USA, stationary)	-	-	16,052.9[2]	4.1 %
Business Insider (USA, mobile)	-	-	35,330.2[2]	24.4 %
onet.pl	-	-	13,861.7[3]	−9.5 %
Fakt[4]	281.6	−8.5 %	1,588.8	5.6 %
fakt24.pl	-	-	2,873.8[3]	−27.2 %
Blikk[5]	114.0	−11.0 %	661.8	−11.3 %
blikk.hu	-	-	1,051.0[3]	40.3 %
Blic[6]	83.2	−14.5 %	459.1	−34.1 %
blic.rs	-	-	2,509.1[3]	−9.6 %

[1] Source: comScore USA, own estimates, monthly average (Jan-Dec 2016).
[2] Source comScore USA, monthly average (Jan-Dec 2016).
[3] Source comScore Europa, monthly average (Jan-Dec 2016).
[4] Poland. Circulation: ZKDP, 2016 (Jan-Dec) vs. 2015 (Jan-Dec); Reach: PBC General, 2016 (Jan-Nov) vs. 2015 (Jan-Nov).
[5] Hungary. Circulation: MATESZ, 2016 (Jan-Dec) vs. 2015 (Jan-Dec); Reach: Millward Brown, TNS, 2016 (Jan-Jun) vs. 2015 (Jan-Jun).
[6] Serbia. Circulations: ABC, 2016 (Jan-Dec) vs. 2015 (Jan-Dec); Reach: Ipsos Strategic Marketing, 2016 (Jan-Nov) vs. 2015 (Jan-Nov).

In 2016, Business Insider saw significant growth in its reach, driven predominantly by very strong growth in its mobile reach. There is no comparable data for mobile reach development for the net reaches of the online portals in other European countries shown in the table. As a result, the table does not reflect the dynamic growth for these portals based on the increasing use of mobile terminal devices. However, this is of great importance to some of our digital activities. The circulation and reach figures of our international print media by and large declined in line with market conditions.

Key Figures Paid Models

€ millions	2016	2015	Change
Revenues	**1,481.6**	**1,582.2**	**− 6.4 %**
Advertising revenues	617.2	652.1	− 5.3 %
Circulation revenues	646.8	721.3	− 10.3 %
Other revenues	217.7	208.8	4.2 %
National	**1,142.4**	**1,169.7**	**− 2.3 %**
Advertising revenues	441.0	465.5	− 5.3 %
Circulation revenues	539.6	559.5	− 3.6 %
Other revenues	161.8	144.7	11.9 %
International	**339.2**	**412.5**	**− 17.8 %**
Advertising revenues	176.2	186.6	− 5.6 %
Circulation revenues	107.2	161.8	− 33.7 %
Other revenues	55.8	64.2	− 13.1 %
EBITDA	**214.4**	**223.2**	**− 3.9 %**
National	178.0	170.7	4.3 %
International	36.3	52.5	− 30.8 %
EBITDA margin	**14.5 %**	**14.1 %**	
National	15.6 %	14.6 %	
International	10.7 %	12.7 %	

Revenue in the Paid Models segment decreased by 6.4 % to € 1,481.6 million (PY: € 1,582.2 million). This is primarily attributable to the deconsolidation of the Swiss activities, which have been run in a jointly founded company with Ringier in Switzerland since the beginning of 2016. Adjusted for consolidation and currency effects, revenues were only slightly below the prior-year figure (–1.6 %). Advertising revenues in the Paid Models segment were € 617.2 million, which is 5.3 % below the value of the prior-year period (€ 652.1 million). Deconsolidation effects from the Swiss business had the greatest impact, which were primarily offset by growth based on the consolidation of Business Insider and eMarketer. Adjusted for consolidation and currency effects, the decline was reduced to –3.2 %. Circulation revenues decreased by 10.3 % to € 646.8 million (PY: € 721.3 million). Here also, deconsolidation effects from the Swiss business were the primary factor, compensated partially by growth mainly resulting from the consolidation of eMarketer. Adjusted for consolidation and currency effects, the decrease was only –3.4 %. Other revenues increased by 4.2 % to € 217.7 million (PY: € 208.8 million). Adjusted for consolidation and currency effects, the increase was even higher and came to 9.4 %.

As planned, we invested in the expansion of our digital activities in the Paid Models segment during the past financial year. Expenses for the development of new business were € 34.8 million and significantly above the prior-year figure (€ 12.4 million). This was mainly due to the expansion of the business of Business Insider and the development of upday. Despite the expenses incurred for this, the EBITDA of € 214.4 million was only 3.9 % below the prior-year figure (€ 223.2 million). Among other factors, a decrease in restructuring expenses from € 34.8 million to € 18.3 million contributed towards this. Adjusted for the expenses for Business Insiders and upday, as well as the consolidation effects due to the inclusion of eMarketer, the EBITDA of the Paid Models was slightly above the prior-year figure. The segment's earnings in the year under review were at 14.5 % (PY: 14.1 %).

EBIT in the Paid Models segment fell by 4.5 % from € 189.4 million to € 180.9 million. Depreciation, amortization and impairments decreased slightly by 0.8 % from € 33.8 million to € 33.5 million.

Marketing Models

In the Marketing Models segment, idealo, aufeminin and the Bonial Group, among others, are pooled in the reach-based marketing segment, whereas performance-based marketing consists of the zanox Group.

Key Figures Marketing Models

€ millions	2016	2015	Change
Revenues	**856.2**	**878.9**	**–2.6 %**
Advertising revenues	747.4	725.1	3.1 %
Other revenues	108.7	153.8	–29.3 %
Reach Based Marketing	**288.7**	**298.2**	**–3.2 %**
Performance Marketing	**567.4**	**580.7**	**–2.3 %**
EBITDA[1]	**82.2**	**88.0**	**–6.6 %**
Reach Based Marketing	65.5	73.6	–11.1 %
Performance Marketing	25.5	25.0	1.9 %
EBITDA margin	**9.6 %**	**10.0 %**	
Reach Based Marketing	22.7 %	24.7 %	
Performance Marketing	4.5 %	4.3 %	

[1] Segment EBITDA includes non-allocated costs of € 8.7 million (PY: € 10.6 million).

The decline in total revenues in the segment Marketing Models of 2.6 % to € 856.2 million (PY: € 878.9 million) is solely attributable to consolidation effects, primarily due to the sale of Talpa Germany and Smart AdServer concluded in the prior year, as well as the divestment of Smarthouse Media during the reporting year. Adjusted for consolidation and currency effects, total revenues rose by 7.5 %. The increase in advertising revenues of 3.1 % to € 747.4 million (PY: € 725.1 million) was achieved by growth in reach-based marketing, particularly in idealo, in the aufeminin group as well as in Bonial. Adjusted for consolidation and currency effects, the increase was 8.0 %. The decline in other revenues by

29.3 % to € 108.7 million (PY: € 153.8 million) was also caused by the aforementioned deconsolidation effects. Adjusted for consolidation and currency effects, other revenues increased by 4.0 %.

EBITDA in the segment was € 82.2 million and 6.6 % below the figure for the previous year (€ 88.0 million). The decline is primarily attributable to consolidation and currency effects. Adjusted for these effects, EBITDA was slightly higher (+ 0.7 %) than the value in the previous year. The launch costs were € 17.8million and above the prior-year figure of € 15.1 million. The EBITDA margin decreased slightly to 9.6 % (PY: 10.0 %).

EBIT in the Marketing Models segment declined by 10.6 % from € 75.3 million to € 67.4 million. Depreciation, amortization and impairments in the reporting period increased by 17.3 % to € 14.8 million (PY: € 12.6 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. The Group services are purchased by internal, Group-wide customers at standard market prices.

Key Figures Services/Holding

€ millions	2016	2015	Change
Revenues	**72.9**	**80.7**	**– 9.7 %**
EBITDA	**– 55.7**	**– 57.1**	

Total revenues in the Services/Holding segment of € 72.9 million in 2016 were down by 9.7 % compared with the prior-year figure (PY: € 80.7 million) due to market conditions.

EBITDA improved slightly from € – 57.1 million in the prior-year to € – 55.7 million.

EBIT in the segment Services/Holding was € – 94.8 million (PY: € – 90.8 million). The depreciation, amortization and impairments amounted to € 39.0 million and were above the prior-year figure (€ 33.7 million).

Liquidity

Financial management

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

Net Liquidity/Debt

€ millions	2016	2015
Cash and cash equivalents[1)]	224.1	186.3
Financial liabilities	1,259.3	1,252.9
Net liquidity/debt[2)]	**– 1,035.2**	**– 1,066.6**

1) In 2015, without the purchase price received in connection with real estate sales amounting to € 67.5 million, attributable to the plan assets created for our pension obligations.
2) Further Explanations with respect to the relevant key performance indicators on page 35.

In addition to the Schuldschein (promissory note) of € 580.5 million (December 31, 2015: € 637.0 million), with a term to April 2018 (nominal value of € 112.0 million), to October 2018 (nominal value of € 220.0 m) and to October 2020 (nominal value of € 248.5 m), there are credit lines in the amount of € 1,500.0 million, the utilization of which is due for repayment in July 2020. Both the Schuldschein and the credit facilities may be used either for general business purposes or for financing acquisitions. As of December 31, 2016, € 680.0 million (December 31, 2015: € 618.0 million) of the existing long-term credit facility (€ 1,500.0 million) was taken as a drawdown. Short-term and long-term credit facilities that were not utilized amounted to € 840.0 million as of the balance sheet date (December 31, 2015: € 902.0 million).

Cash flow development

Consolidated Statement of Cash Flows (Condensed)

€ millions	2016	2015
Cash flow from operating activities	358.8	369.6
Cash flow from investing activities	−94.3	−546.4
Cash flow from financing activities	−299.9	51.1
Change in cash and cash equivalents	−35.4	−125.8
Cash and cash equivalents as of December 31	224.1	253.8

Cash flow from operating activities amounted to € 358.8 million during the reporting period and despite the positive development of earnings it was slightly below the value of the prior-year period (€ 369.6 million). This development was due, in particular, to an increase in trade receivables, higher payments from long-term remuneration programs and higher restructuring payments.

Cash flow from investing activities amounted to € −94.3 million (PY: € −546.4 million) and was characterized in particular by payments (less cash and cash equivalents acquired) for the acquisition of shares in consolidated subsidiaries and business units (mainly eMarketer Inc., Land & Leisure A/S, and exercise of the option rights to acquire the remaining non-controlling interests in Car&Boat Media), by the premature repayment of the vendor loan granted to the FUNKE Mediengruppe (€ 247.9 million), as well as by the purchase price from the sale of our shares in CarWale (€ 64.0 million). In addition to the continued increase in current investments in intangible assets and property, plant and equipment, payments relating to the sale of 2.3 % of our shares in Doğan TV Holding (€ 55.3 million) and payments in connection with the sale of the remaining part of the office building complex in Hamburg (€ 80.5 million) were also included. The previous year was characterized in particular by payments for the acquisition of Business Insider, Immowelt, @Leisure and Thrillist, as well as proceeds from the sales of Runtastic, Smart AdServer and 2.7 % of our shares in Doğan TV. Also included in the previous year were payments allocated to Axel Springer from the purchase price of the sale of real estate assets completed at the beginning of 2016. The discontinued operations (see notes to the consolidated financial statements, note (2d)) accounted for € 3.2 million (PY: € 8.1 million).

The cash flow from financing activities of € -299.9 million (PY: € 51.1 million) was due in particular to the payment of dividends to shareholders of Axel Springer SE, as well as to the transfer to the plan assets of the purchase price (€ 67.5 million) received in the previous year from the sale of real estate completed at the beginning of 2016. The previous year was also characterized by the borrowing of financial liabilities in connection with the acquisitions that were made.

Financial position

Consolidated Statement of Financial Position (Condensed)

€ millions	12/31/2016	12/31/2015
Non-current assets	5,393.0	5,187.2
Current assets	1,063.2	1,317.4
Assets	**6,456.2**	**6,504.7**
Equity	2,638.6	2,511.5
Non-current debt	2,427.2	2,455.5
Current debt	1,390.4	1,537.8
Equity and liabilities	**6,456.2**	**6,504.7**

The increase in long-term assets resulted primarily from the increase in intangible assets of € 265.3 million, which was mainly attributable to the first-time consolidation of eMarketer Inc. and Land & Leisure, which were acquired during the reporting year. At the same time, financial assets were reduced by € 99.4 million.

At the end of April, the FUNKE Mediengruppe prematurely repaid the vendor loan, including capitalized interest, which was granted in 2014 in connection with the sale of our German regional newspapers, TV program guides as well as women's magazines. The loan was accounted for under other financial investments to the amount of € 247.9 million, including capitalized interest. In addition, financial assets decreased by € 55.3 million as a result of the sale of 2.3 % of our shares in Doğan TV on the exercise of a further put option.

At the beginning of January 2016, the joint establishment with Ringier of the company Ringier Axel Springer Schweiz AG, to which we contributed assets of € 176.7 million as well as liabilities of € 66.0 million, was completed. The assets and liabilities reported as held for sale in the previous year were derecognized. In return, we recognized an investment in Ringier Axel Springer Schweiz AG of € 140.2 million, a receivable from related parties from the disposal of the Swiss trademarks of € 40.6 million, as well as other contractual claims and obligations totaling € -16.9 million. The currency translation differences previously recognized in equity to the amount of € 49.0 million were recognized to profit and loss. The transaction resulted in a total and largely tax-exempt income from the disposal of € 102.2 million.

Furthermore, the sale of our subsidiary CarWale was completed in January 2016. We received a purchase price (after deducting taxes) of € 64.0 million. Assets of € 20.7 million and liabilities of € 21.8 million were deconsolidated and therefore no longer disclosed as held for sale. The profit resulting from the disposal totaled € 83.3 million (before tax of € 17.1 million).

A part of the office building complex that was previously used as well as rented out at the Hamburg location was sold as of January 1, 2016. The remaining carrying amount of € 105.2 million, as well as the associated liability of finance lease of € 67.7 million were derecognized. No gain or loss on disposal was recorded. The proceeds received in the previous year and recognized as obligation from down payments in the amount of € 115.6 million were realized. The portion of the purchase price received, which was attributable to the plan assets formed for our pension obligations (€ 67.5 million), was transferred to the plan assets in January 2016. The remaining part of the office building complex was sold at the beginning of August 2016 for a purchase price of € 80.5 million. The income from disposal (before taxes of € 22.1 million) amounted to € 71.3 million.

The development of current assets was, in addition to the reduction in assets held for sale, due to the increase in trade receivables mainly in connection with the companies acquired in the reporting year and the partly compensatory slight decrease in cash and cash equivalents.

The increase in equity was mainly the result from the generated net income. In addition to the distribution of dividends to shareholders of Axel Springer SE and other shareholders, the effects of currency translation of consolidated financial statements as well as the recognition of actuarial losses due to a reduction in the discount rate in the pension accounting following the current market level, which also resulted in an increase in provisions for pensions, had a diminishing effect. The equity ratio increased to 40.9 % (PY: 38.6 %).

The development of non-current debt was influenced by the increase in provisions for pensions and the acquisition of companies, which led to an increase in financial liabilities and deferred tax liabilities. The reclassification of short-term option liabilities for the acquisition of non-controlling interests had a diminishing effect to an amount of € 72.8 million.

The decrease in short-term debt was due in particular to the derecognition of the liabilities related to assets held for sale in the previous year in connection with the formation of Ringier Axel Springer Schweiz AG in the reporting year, the sale of our subsidiary CarWale and the sale of the property in Hamburg as well as the purchase price payments (€ 115.6 million) recorded in the previous year and recognized as other liabilities. In addition, short-term financial liabilities were reduced by the repayment of the promissory note (€ 56.5 million) due in April 2016, as well as other short-term provisions due to higher payouts from long-term remuneration programs and declining restructuring measures. The reclassification of short-term option liabilities for the acquisition of non-controlling interests contributed significantly to the increase to an amount of € 72.8 million.

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, EBITDA (earnings before interest, taxes, depreciation, and amortization), EBITDA margin, 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.

EBITDA, EBITDA margin, EBIT, adjusted net income, and adjusted earnings per share do not include any non-recurring effects and amortization from purchase price allocations or taxes on these effects. Non-recurring effects are defined as effects resulting from the acquisition and disposal (including contribution) of subsidiaries, business divisions, 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 resulting from the sale of real estate, impairments, and write-ups of real estate used for own operational purposes. In addition, expenses in connection with the long-term share-based Executive Board remuneration program granted at the beginning of May 2016 have also been adjusted. 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 EBITDA margin is the ratio between EBITDA to revenues. The reconciliation of net income to EBITDA and EBIT is based on the Consolidated Segment Report. The financial performance of the Group contains the reconciliation of net income to the adjusted net income as well as the determination of the adjusted earnings per share.

The free cash flow results from the cash flow from operating activities less investments in intangible assets, property, plant and equipment, and investment property (capital expenditures), plus payments received for the disposal of intangible assets, property, plant and equipment and investment property. 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 EBITDA, EBITDA margin, EBIT, adjusted net income and adjusted earnings per share to be suitable indicators for measuring the operational profitability of Axel Springer, because these indicators ignore effects that do not reflect the fundamental business performance of Axel Springer.

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 15,323 (PY: 15,023) employees (excluding vocational trainees and journalism students/interns) in the reporting period. The slight increase of 2.0 % is mainly attributable to the inorganic and organic personnel development in the Classified Ad Models and Marketing Models. Axel Springer employs an average of 6,877 employees abroad (PY: 6,846); this accounted for 44.9 % (PY: 45.6 %). On average, 6,668 of the Group's total workforce were women and 8,656 were men. The share of women increased to 43.5 % (PY: 41.9 %). The number of editors rose by an average of 5.8 % to 2,888 in the period under review, which is partly attributable to Business Insider. The number of employees rose by 1.9 % to 11,797, mainly as a result of the expansion of digital business activities and new investments.

Employees by Segments

Average number per year	2016	2015	Change
Classified Ad Models	4,005	3,660	9.4 %
Paid Models	6,981	7,013	–0.5 %
Marketing Models	2,640	2,505	5.4 %
Services/Holding	1,697	1,844	–8.0 %
Group	**15,323**	**15,023**	**2.0 %**

The increase in the number of employees in the Classified Ad Models segment was mainly due to acquisitions as well as organic growth. In the Marketing Models segment, the increase resulted from the growth of the zanox group as well as from the growth of the reach-based Marketing Models, particularly with regard to the Bonial and idealo Group. The decrease in the Paid Models and Services/Holding segment is primarily due to the reduction in headcount in the offset printing house, at Media Impact and AS IT (infrastructure support).

Length of service and age structure

As of the reporting date in 2016, the average length of service with Axel Springer was 10.1 (PY: 10.4) years; 43.8 % (PY: 41.8 %) of the workforce belonged to the Group for more than ten years. More than half of all employees are between 30 and 49 years of age. The proportion of severely disabled employees in German companies was, on average over the year, 3.7 % (PY: 3.7 %).

Equal opportunity and diversity

Axel Springer promotes the development of all its employees equally. Thus in 2010, Axel Springer launched a new, Group-wide project entitled "Chancen:gleich!" to increase in particular the proportion of women in management positions and to achieve a more balanced relationship between female and male executives. As of December 31, 2016, the average proportion of women among executives in the company was 31 %. Thus, the originally set goal of doubling the proportion of women in management positions from 16 % in 2010 to more than 30 % by 2018 was prematurely achieved. Successful initiatives and offers of the "Chancen:gleich" project are being continued and expanded to further strengthen diversity and equal opportunities.

Personnel development

The training and continuing education activities of Personnel Development have been closely aligned with the requirements of the digitization movement in prior years. In addition to established seminars and support programs, the offering of shorter and unconventional formats has in particular been greatly expanded, leading to improved networking among individuals as well as the pure transfer of knowledge. In this context, the collaboration platform moveoffice (Office 365) was introduced at Axel Springer in 2016. The networking, the simultaneous and independent work in the team, an open communication as well as the sharing of knowledge are thus supported and promoted. In doing so, Personnel Development is pursuing the objective of developing Axel Springer into a permanent "learning organization" that is able to stand up to change processes. With the Talent Management Division Axel Springer invests in the development and retention of employees with high potential. Via network events and so-called talent dialogues on divisional and management boards, the Group creates transparency about talent, development opportunities and vacancies within the Axel Springer family. The leverage of synergies, the exchange of knowledge between the companies forming part of the Axel Springer family as well as the communication of new knowledge content and the guidance of the teams with regard to the introduction of new working methods, such as agile process work, are equally important.

Research and development

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

Further development of Classified Ad Models

The development of new offerings also applies to the Classified Ad Models segment.

The core technology of the StepStone platform, the so-called Search & Match algorithm, is continually being developed and implemented consistently with newly acquired companies. StepStone has also introduced functionalities for the assessment of employers and salaries and thus further increased the relevance for the applicants. With Good&Co, StepStone has taken over a company that has developed a personality test via App. The algorithm behind this app is designed to help the user in all phases of job search, from the identification of their own strengths to the search for the ideal company.

Yad2, our generalist portal in Israel, has implemented high-quality 3D and virtual reality tours for its real estate sector. These offer a complete visualization of the respective property. The new offerings enable potential buyers to look around virtually in their future property. Real estate developers can use the service to market new construction projects in an even shorter time and at a lower cost.

Further development of Paid Models

The existing platforms for paid content were also systematically expanded during the financial year. Improvements in the registration process ("Single Sign On"), integration of additional sales agreements and the technical processing of subscription transactions (buying process, cash, postprocessing, etc.) were implemented.

In addition, FUSSBALL BILD was tested as an innovative content syndication model in two cities and launched in January 2017 in Germany.

Moreover, Business Insider launched in cooperation with Finanzen.net (Segment: Marketing Models) in the US the offer Markets Insider with real-time financial market data.

Further development of Marketing Models

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

Sustainability and social responsibility

For Axel Springer, sustainability is the nexus between economic success and conduct that is both environmentally responsible and socially fair. These three criteria are firmly anchored in the company's business strategy. Therefore, sustainability is an integral part of all the company's business processes. The Sustainability Department supports all the company's activities in this area – ranging from resource efficiency measures to social responsibility initiatives. This department reports directly to the Executive Board Chairman. Through our sustainability strategy, we exercise responsibility for current and future generations and establish the foundation for long-term business success. Since the mid 1990s Axel Springer has published environmental reports, and sustainability reports have been published since 2000. Since 2005 we have published a sustainability report on a biannual basis, which follows the full list of indicators of the Global Reporting Initiative (GRI), the internationally relevant format for sustainability reporting. The Sustainability Report 2014/2015 was drawn up "in accordance" with the new G4 guidelines and the "core" option of the Global Reporting Initiative (GRI).

For the first time, the topics of the report were determined in advance by market research and interviews with the stakeholders – those groups which have a legitimate interest in the company, be it employees, customers or non-governmental organizations. The result: In particular, information about product responsibility, customer satisfaction, journalistic independence, employer attractiveness, and compliance with social and ecological standards as well as the innovative ability of the company was in demand. For the first time, the report also provides cross-national data on the use of energy and the resulting CO2 emissions. This was made possible by a new evaluation and registration method developed by the company itself.

Axel Springer's sustainability reports are audited by independent auditors. The current sustainability report appeared in November 2016 and can be found at www.nachhaltigkeit.axelspringer.de. The next sustainability report will appear in the middle of 2018.

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

The strategy of digital transformation was also at the fore during the 2016 financial year. We have driven digitization organically as well as via acquisitions. Important milestones in this context were the acquisition of eMarketer as well as acquisitions in the Classified Ad Models in the field of vacation rentals. EBITDA, EBIT, and the adjusted earnings per share from continuing operations were all higher than in the previous year. At the end of the year, the net debt was roughly at the level of the previous year. With strong cash flow, a still solid balance sheet structure, and the favorable financing options available to us, we continue to be in a good position to make the necessary investments to realize future growth.

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

Financial performance, liquidity, and financial position

Group Key Figures (in € millions)	2016	2015
Revenues	3,290.2	3,294.9
EBITDA[1]	595.5	559.0
EBITDA margin[1]	*18.1 %*	*17.0 %*
EBIT[1]	471.1	449.0
Tax rate	*21.9 %*	*30.9 %*
Net income[2]	450.0	304.6
Net income, adjusted[1] [2]	299.9	279.3
Earnings per share, adjusted (in €)[1] [2] [3]	2.41	2.22
Dividend per share (in €)[4]	1.90	1.80
Total dividends[4]	205.0	194.2
Net debt/liquidity[1] [5]	–1,035.2	–1,066.6
Free cash flow[1]	270.5	299.8

1) Further explanations regarding relevant key performance indicators on page 35.
2) Continuing operations see also notes to the consolidated financial statements under note (2d).
3) Calculation based on average weighted shares outstanding in the reporting period (107.9 million; PY: 99.7 million).
4) The dividend for the financial year 2016 is subject to the condition of approval by the annual shareholders' meeting.
5) In 2015, without the purchase price received in connection with real estate sales amounting to € 67.5 million, attributable to the plan assets created for our pension obligations.

Economic position of Axel Springer SE

€ millions	2016	2015	2014	2013	2012
Revenues	833.1	925.9	1,174.6	1,442.8	1,507.1
Net income	296.4	213.5	590.8	186.4	371.9
Transfer to retained earnings	91.4	19.3	412.7	8.3	204.0
Total dividends[1)]	205.0	194.2	178.1	178.1	167.9
Dividend per share (in €)[1)]	1.90	1.80	1.80	1.80	1.70

1) The dividend for the financial year 2016 is subject to the condition of approval by the annual shareholders' meeting.

Introductory remarks

Axel Springer SE is the parent company of the Axel Springer Group. Due to its subsidiaries, which Axel Springer SE controls directly or indirectly, the business development is subject to the same risks and opportunities as the entire group. These are presented in the report on risks and opportunities (see page 42 ff.). Similarly, the expectations regarding the development of Axel Springer SE essentially correspond to the group expectations described in the forecast report (see page 60).

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 active in the Paid Models segment and publishes mainly nationwide daily and weekly newspapers. The magazine activities (automotive, computer and sports magazines) were transferred to legally independent subsidiaries as of January 1, 2016. Axel Springer SE, as the parent company of the Axel Springer Group, carries out holding functions, manages Group-wide liquidity management and provides additional services to Group companies. The economic framework conditions of Axel Springer SE correspond largely to those of the Group and are described in the economic report (see page 22 ff.).

Financial performance

Income Statement (Condensed)[1)]

€ millions	2016	2015
Revenues	833.1	998.1
Other operating income	139.5	64.1
Purchased goods and services	–208.5	–272.9
Personnel expenses	–203.9	–266.8
Amortization, depreciation and impairments of intangible assets and property, plant and equipment	–21.1	–21.4
Other operating expenses	–401.6	–498.5
Net income from non-current financial assets	233.2	279.6
Net interest income	–30.1	–28.5
Income taxes	–44.2	–40.2
Net income	**296.4**	**213.5**

1) As a result of the accounting regulation reforms under the Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz – BilRUG), the prior-year figures were restated to improve comparability with the amounts for the year under review. Revenues were increased by € 72.2 million, while the other operating income was correspondingly reduced.

Revenues decreased by € 165.0 million and 16.5 % respectively. There were reductions in the circulation and advertising revenues of € 77.8 million and € 70.6 million respectively and resulted in particular from the outsourcing of the magazine activities and the structural developments in the print business. At the same time, these were the main reasons for the decrease in purchased goods and services and other operating expenses by € 64.4 million and € 96.9 million respectively.

Other operating income increased by € 75.4 million to € 139.5 million mainly as a result of the sale of the Hamburg office building complex.

At € 203.9 million, personnel expenses were down 23.6 % year on year. This was due in particular to the lower number of employees, which fell by 14.8 % from an average of 1,861 in the previous year to 1,586 in the 2016 financial year. There were also lower expenses for old age pensions and restructuring measures.

Amortization, depreciation and impairments of intangible assets and property, plant and equipment remained constant at € 21.1 million compared to the previous year.

Net income from non-current financial assets amounted to € 233.2 million (PY: € 279.6 million) and included in particular profit and loss transfers from subsidiaries in the amount of € 207.5 million (PY: € 284.5 million), which in the previous year contained higher profits from the sale of investments. Depreciation on financial assets was lower compared to the previous year and amounted to € 18.8 million (PY: € 54.9 million).

Net interest income was € –30.1 million slightly below the previous year's figure (€ –28.5 million) and mainly included interest expenses from the utilized credit line and the promissory note as well as from the pension accounting.

The annual net income for the year under review rose by 38.8 % or € 82.9 million respectively to € 296.4 million (PY: € 213.5 million).

Liquidity

The net debt (liabilities due to banks and promissory note less cash and cash equivalents) amounted to € 1,242.8 million as of December 31, 2016 (PY: €1,218.6 million). € 680.0 million (PY: € 618.0 million) of the existing long-term credit lines (€ 1,500.0 million) were utilized. In addition, there were promissory notes of € 580.5 million (PY: € 637.0 million).

Financial position

Balance Sheet (Condensed)

€ millions	12/31/2016	**12/31/2015**
Intangible assets and property, plant and equipment	170.7	173.7
Non-current financial assets	5,435.2	5,398.8
Receivables from affiliated companies	186.0	151.6
Cash and cash equivalents	17.8	36.4
Other assets	98.8	97.1
Total assets	**5,908.5**	**5,857.6**
Equity	2,565.8	2,463.6
Provisions	266.7	327.1
Liabilities due to banks and promissory note	1,260.6	1,255.0
Liabilities to affiliated companies	1,740.7	1,611.4
Other liabilities	74.7	200.5
Total equity and liabilities	**5,908.5**	**5,857.6**

Total assets rose by € 50.9 million to € 5,908.5 million (PY: € 5,857.6 million). Non-current assets amounted to € 5,605.9 million (PY: € 5,572.5 million) and was 94.9 % (PY: 95.1 %) of total assets. 45.8 % (PY: 44.2 %) was covered by equity.

Non-current financial assets increased slightly by € 36.4 million in the year under review to € 5,435.2 million. Additions based on loans granted and payments to the capital reserves of subsidiaries for the financing of acquisitions were almost identical to the amount of the premature repayment (€ 269.6 million including accrued interest) of the vendor loan in connection with the sale of German regional newspapers and the TV program guides and women's magazines in the 2014 financial year.

Receivables from affiliated companies and liabilities to affiliated companies essentially resulted from the Group-wide liquidity management and increased by € 34.4 million to € 186.0 million and € 129.3 million to € 1,740.7 million, respectively.

Shareholders' equity increased by € 102.2 million to € 2,565.8 million (PY: € 2,463.6 million). The decrease in shareholders' equity as a result of the dividend for the past financial year (€ 194.2 million) was overcompensated by the net income for the year (€ 296.4 million). The equity ratio increased to 43.4 % (PY: 42.1 %).

Provisions fell by € 60.4m compared with the previous year's balance sheet date to € 266.7 million (PY: € 327.1 million). Decisive for the reduction were, in particular, lower pension provisions due to necessary adjustments to actuarial parameters as well as declining obligations from performance-related remuneration, share-based payment programs and structural measures.

Other liabilities decreased by € 125.8 million to € 74.7 million. In the previous year, prepayments related to the sale of the Hamburg office building complex (€ 115.6 million) were included.

Profit utilization proposal

The Supervisory Board and Executive Board propose that the Company applies the full amount of the distributable profit of € 205.0 million (PY: € 194.2 million) to pay a dividend of € 1.90 (PY: € 1.80) per qualifying share for the 2016 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 € 1.90 per qualifying share.

Dependency Report

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

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

Report on risks and opportunities

Risk policy principles and risk strategy

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

Group-wide risk management system

Taking into account the various national and international requirements, an increasingly complex and volatile environment and a company that is growing and changing, we still managed to develop further and expand certain elements of internal corporate monitoring (Risk Management, Compliance Management, Internal Control and Internal Audit) during this financial year as well. There was particular focus on optimizing existing processes and structures, and integrating new participations and business areas into the existing risk management system. We are also focused on ensuring the continuous improvement of the quality and completeness of the risk inventory and the corresponding internal management measures.

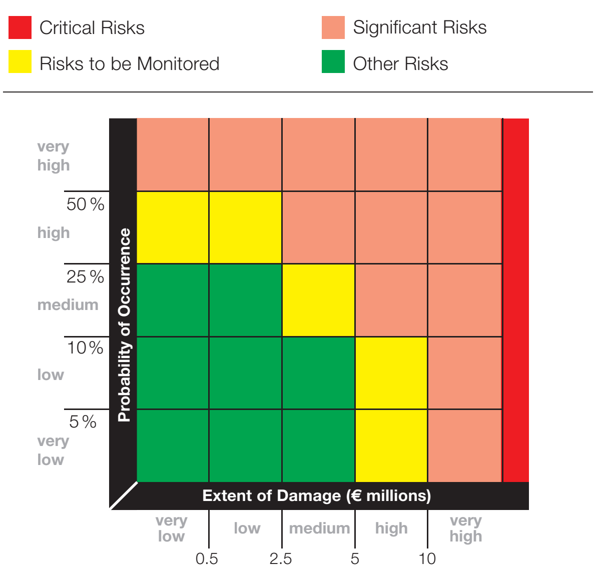
The general form of structures and processes in the risk management system at Axel Springer are based on the internationally recognized "Enterprise Risk Management Framework", a framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This links the risk management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

To ensure close interlinking of individual subsystems in the long term which results in an appropriate, effective monitoring system for Axel Springer, Group-wide coordination of systems for risk management, compliance management and the internal control system as well as the related reporting is carried out by the Governance, Risk & Compliance central division.

The risk management process at Axel Springer is inter alia focused in accordance with Section 91 (2) of the German Stock Corporations Act (AktG) on recognizing and evaluating all significant and existential risks as well as essential changes in the risk situation as promptly as possible. It should therefore be assured in accordance with risk policy principles and risk strategy that corresponding control and countermeasures can be used in time to react to such risks. This approach gives us the necessary maneuvering room and allows for the controlled and responsible management of risks.

The risks at Axel Springer are divided into strategic, operative, reporting-relevant, and compliance-relevant risks based on the COSO framework (risk categories). Insofar it is appropriate and quantifiable, risks are assessed quantitatively with reference to the parameters “loss amount” (impact) and “probability of occurrence”. Based on these parameters, risks are assigned to one of the following risks classes: critical risks, significant risks, risks to be monitored, and other risks. To achieve focus on the various risks that are relevant and significant at a Group level, a materiality limit is established based on EBITDA, and the classifications are determined from the depicted risk matrix. Currently, the materiality limit at a Group level is € 10 million.

Risk Matrix of Axel Springer SE



A theoretical threat to the company’s survival as a going concern is assessed by Axel Springer with reference to the criterion of the gross loss amount and its impact on the financial position and liquidity (excessive debts and insolvency) at a Group level. The gross loss amount is the impact of a risk prior to any risk management measures being established.

To ensure the effective management and greatest possible transparency in the presentation of the risk position, all identified risks are assessed both prior to the implementation of risk management measures (gross risk assessment - inherent risk), and after the corresponding measures are taken (net risk assessment - residual risk).

Whilst overall responsibility for risk management lies with the full Executive Board, the operational management of the individual risks falls primarily within the area of responsibility of the respective company divisions or Axel Springer investments. This includes the early detection and identification, assessment, definition of appropriate measures, the management and monitoring of such measures and adequate documentation and reporting processes.

The senior managers of Axel Springer and the management of Axel Springer Group companies bear the responsibility for the content of the risk management system implemented within their division or company and the risks contained therein. As part of the so-called bottom-up procedure, they are required to participate in the update campaign that takes place every six months, along with the systematic and standardized risk inventory conducted once a year. They must also continuously monitor any changing risk situations within their division or company. Significant changes in the risk situation must be reported immediately to the Corporate Office of Governance, Risk & Compliance.

This decentralized risk inventory process is supplemented by a centralized risk inventory within the top management group (top-down procedure), which is accompanied and moderated by the Governance, Risk & Compliance central division.

The purpose of the risk inventories and analyses carried out in the top-down and bottom-up procedures is to systematically identify and assess cross-company, cross-divisional and cross-procedural risks in order to complete the risk inventory and ensure its quality. In the Governance, Risk & Compliance division, risk management activities are coordinated, risks are aggregated up to the Group level, reported risks are checked in terms of their plausibility, and the completeness of the required risk reports is monitored. The division is also responsible for compiling, updating and communicating the risk management guidelines, as well as all supporting measures, such as maintaining the risk management software, the continuous further development of the centralized risk management system and reporting to the Supervisory Board and Executive Board.

The semi-annual and ad-hoc risk reports prepared for the Executive Board and Supervisory Board focus primarily on existential risks and significant risks of individual business units and investments, along with the countermeasures adopted and suitable early warning indicators, to the extent they are available.

Internal audit system

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

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

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

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

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

The (consolidated) financial reporting-related risk management system and the connected internal control system are important elements of the internal management system of Axel Springer SE, which is also based on the internationally recognized framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (see Page 42). As emphasized in the concept, the effective interplay of the risk management system and internal control system is meant to ensure the effectiveness and economic efficiency of the Group's business activities, as well as the completeness and reliability of its financial reporting. The (consolidated) financial reporting related risk management system and internal control system comprise all organizational regulations and measures aimed at the detection and management of risks related to financial reporting. With a view to the (Group) accounting process, it is 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, regulations, and standards. However, even an effective and therefore adequate and well-functioning risk management system and internal control system cannot guarantee the prevention or detection of all irregularities or inaccurate disclosures.

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

- Processes for identifying, assessing, and documenting all significant financial reporting-related processes and risk areas, including the corresponding key controls. Such processes include financial and accounting processes, as well as administrative and operational business processes that generate important information used in the preparation of the separate and consolidated financial statements, including the management reports of the parent company and the Group.
- Process-integrated controls (computer-aided controls and access restrictions, dual control principle, separation of functions, analytical controls).
- Standardized financial accounting processes, through the use of an internal, Group-wide Shared Services Center for most of the consolidated German companies of the Group.
- Group-wide accounting directives in the form of accounting guidelines, charts of accounts, and reporting procedures.
- Quarterly communication of information to all consolidated Group companies on current developments related to accounting, and the process of preparing the financial statements, as well as the reporting deadlines to be observed.
- Assuring the requisite expertise of employees involved in the financial accounting process by means of appropriate selection procedures and training.
- Centralized preparation of the consolidated financial statements (including the management report), employing manual and computer-system controls in respect of financial reporting-specific connections and dependencies.
- Protection of financial reporting-related IT systems against unauthorized access, by means of access restrictions.
- Monthly internal reports (complete income statement, statement of financial position, cash flow statement) and monthly reports on all cost units of the Group, including analysis and reporting of significant developments and budget/actual variances.

The effectiveness of the (consolidated) financial reporting–related risk management system and internal control system is systematically reviewed and assessed by means of periodic control tests; a Group-wide reporting system ensures that up-to-date information is provided on a regular basis to the division heads, Executive Board, and Supervisory Board. As a process- independent staff unit, Group Auditing will inspect at regular intervals randomly selected elements of the accounting-related internal control system organized at central level and in the Group companies, in order to uncover weaknesses and thus contribute towards improving the legal conformity with rules and regulations (compliance).

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

Risk areas

If not stated elsewhere, all risks will be mentioned in the following which have a considerable negative effect on reaching our company-wide targets. Within the risk areas described below, risks are typically presented in the order of their priority for the Group. This method may be deviated from in order to prevent repetitions and in the interests of readability.

The risks illustrated below are primarily based on the 2017 forecast period, unless the risks in question relate to long-term objectives.

Market and competition risks

Axel Springer pursues the aim to become the leading digital publisher. In doing so, consistently established media brands are transformed into digital business models, market positions are expanded through organic growth and additional targeted acquisitions are also made. As a result, the economic and industry-specific developments in many different regions are of key importance to the financial performance of the Group, in addition to the general global economic situation. Developments in the European Economic Area and the USA in particular play a decisive role alongside the developments in Germany.

While the global economy as a whole appears to be on a stabilizing path, only moderate to slightly friendly growth forecasts are emerging for North America and Europe. For Germany, we expect lower growth compared to the previous year, which is attributable to the global uncertainty, caused by inter alia the unexpected outcome of the EU referendum (Brexit vote) in Great Britain and the new US government, as well as calendar effects. Even rising inflation can contribute to a slowdown in the economy.

The European Union is faced with an increasing national orientation in many countries and the prevalence of populist tendencies before existential challenges. Continued high over-indebtedness of individual countries in the Eurozone, as well as heavily burdened banks in some instances, weaken confidence in the currency union and have an impact on our core markets within the European Union. Despite a growing global trend towards digitization and the associated importance of digital media, the above-mentioned economic-political framework conditions pose a threat to the markets in which we operate. The resulting potential reductions in revenues affect all segments of the company at national and international levels. Moreover, these developments could lead to a slowdown in online market growth overall and thus slow down our growth.

Digital technologies have long established themselves in everyday life and are changing people, society and markets. The rapidly growing number of new media formats and channels, fragmentation of the target group and the increasing use of social media forces companies to rethink their business models and respond to the far-reaching developments of a digital world. While digital transformation allows for innovations that offer good growth opportunities, it also poses a threat to traditional business models.

Digitization has thus significantly altered consumption and reading habits. The increased importance and use of digital services, increasingly on mobile end devices, continues to lead to persistent reductions in the print media. A further acceleration of this trend or unpredictable market developments could further exacerbate the already declining losses due to the structural change.

Furthermore, the general market situation and media industry is still characterized by intense competition pressure. This is due to, among other things, the creation of alliances or mergers of direct competitors (for example, in the area of national marketing or the Berlin newspaper market by the merger of important subscription newspapers) which lead to losses in the circulation and advertising area in the print sector and could result in a loss of sales.

In addition, the provision of free online and print services can lead to the loss of sales and weaken our market positions in the entire sales and advertising business.

Our segment of Marketing Models and Classified Ad Models is also subject to high market and competition dynamics. Competitors are constantly pushing with new offers onto the market, which can endanger our existing market position. The potential missing of trends, the delayed introduction of new technologies and the lack of further development of proprietary products can contribute to an increase in this risk.

To limit these market and competition risks, a systematic and continuous monitoring of the market and competition environment and the resulting trends are 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 development, the use of new technologies, journalistic competence and target-oriented marketing. With these measures, we want to meet changing customer and reader needs while at the same time maintaining or expanding our market-leading position.

In addition, new business models are continually being verified, the digitization of our products is promoted and our product portfolio is complemented both nationally and internationally.

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

By targeting paid advertisements on search engine results pages, search engine optimization as well as the intensified expansion of the activities in the target group-relevant social media channels, we are working to curb this risk. At the same time, the continuous improvement of the attractiveness of our offers and the increase in the degree of brand awareness are the focus of the Axel Springer brands, in order to make their reach and use independent of third-party offers, in particular the visibility on search engines.

In addition to the growing competition, the loss of large advertisers who switch to other advertising formats is a serious risk to our advertising revenues in print and online. In order to meet these changing customer requirements at an early stage, we have further intensified the support of our customers as well as organizational restructuring measures in order to be able to focus particularly on new customer support and thus to achieve a risk reduction.

The increasing orientation towards mobile devices is risk-sensitive in that the traffic in the mobile area is associated with lower advertising prices and a poorer utilization which results in lower revenues. In order to achieve a reduction in risk, we exploit technical possibilities and reroute direct mobile access to the stationary web pages. In addition, we combine mobile and stationary marketing and work on ways to achieve even better monetarization of mobile traffic.

The increased supply and above all the increasing use of ad blockers also contains risks for our digital advertising revenues. Ad Blockers are specially preconfigured browsers and browser add-on programs which prevent advertising on the requested pages and thus have a detrimental effect on us. Not only our digital Paid Models, but also our business models for reach-based marketing and performance-oriented advertising models are affected.

We are addressing the increasing spread of ad blockers both with legal steps against suppliers as well as with the development of technical solutions. For example, for the readers of BILD.de, the journalistic content can only be used if ad blockers are deactivated or an almost advertising-free subscription is completed.

Political and legal risks

The relevance of data protection and the social and political sensitivity to this topic has increased. This concerns, on the one hand, the public discussion on the activities of foreign intelligence services, which was also cited by the European Court of Justice as the reason for the termination of the so-called "Safe Harbor Agreement". On the other hand, the big search engines and social media platforms are in the public critique; keywords are the amount and depth of knowledge about Internet users, transparency and big data. In addition, reports about "hacked" servers, lost customer data, as well as IT security issues are raising public awareness.

In addition, European data protection law is in a state of flux: from May 2018, the EU Basic Data Protection Act will apply. This still brings with it a certain legal uncertainty. In any case, however, the amount of the fines will be increased in the event of violations of the Basic Data Protection Act. The ePrivacy policy, which regulates inter alia the very relevant setting of cookies and the creation of user profiles on the Internet for Axel Springer, is currently also being amended and forms an as yet unknown parallel right to the already mentioned EU Basic Data Protection Act.

In order to be able to counter the associated risks, Axel Springer keeps itself informed about these developments at an early stage through the associations representing us. Representatives of the publishing and media sectors throughout Europe are trying to explain to political decision-makers the business models and risks inherent in their members so that they are adequately taken into account within the framework of the democratic legislative procedure. Axel Springer is also taking steps to recognize changes relevant to Axel Springer at an early stage and to implement the resulting organizational and legal requirements. To this end, our compliance department and the legal department introduce appropriate initiatives in coordination with the operating units. These include targeted training for the employees affected by the new laws, the provision of information material, and the identification of dedicated contacts.

However not only the future but also the existing German data protection law (in particular the Federal Data Protection Act and the Telemedia Act) contains many ambiguities. This results in risks for digital business models, as these are largely based on the use of data. Furthermore, in the absence of any long-standing and uniform jurisdiction with regard to new digital business models, this means the legal position is in some cases unclear and, thus, there is the latent risk of written warning letters and the allegation of breaches of law. Specifically, such a regulation would affect the use of so-called cookies and similar technologies, the permissibility of generating user profiles (profiling, tracking and re-targeting), and other measures that necessitate the use of personal data without prior consent. The danger of warnings is being increased by the amendments made to the Law on Incidents of Complaints in 2016. It is now also possible for consumer associations to proceed by means of a warning or an injunction against companies which do not act in compliance with data protection regulations when collecting, processing or using personal data. In addition to the action for omission, action is also possible for the removal of data protection-deficient states, i.e. unauthorized stored consumer data are to be deleted or blocked by the company. This, as well as restrictions on advertising and customer loyalty, can lead to substantial revenue losses for mobile and web-based business models, but also for the print sector. Warnings and potential legal violations, especially for well-known brands of Axel Springer such as BILD and WeltN24 in addition to the direct legal and commercial consequences also entail the risk of image damage.

In order to reduce the risk of legal infringements, corporate and subsidiary companies adopt binding guidelines that include organizational and risk-based measures for enhanced data protection compliance. For the measures taken by Axel Springer in the area of IT security, please refer to the section "IT risks".

The Internet activities of public-sector broadcasters continue to pose a risk to our business. ARD in particular has intruded into the business sphere of the private-sector press and distorted the competition environment with a text-oriented news app for Tagesschau financed by license fees. Against this free offer, publishers are, of course, having more difficulty with market penetration of paid apps.

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

The Higher Regional Court of Cologne responded to the wishes of the publishers. Nevertheless, our business continues to be exposed to the risks of distortion of competition by means of public service broadcasting as well as regulatory pressure from the legislature at all relevant levels of government, despite countermeasures.

Infringements of confidentiality agreements and insider regulations as well as incorrectly published information in the context of external reporting may result in economic or legal consequences for Axel Springer. There is also the risk of a damaged reputation for the group or its brands by negative reporting or campaigns in social media channels, even if no legal offense has yet been committed.

In order to minimize these risks, we have, among other things, audit mechanisms, voting and clearance rules, drafted relevant directives, and adopted awareness-raising measures.

IT risks

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

Due to the high degree of integration of information technology within business processes, Axel Springer is reliant on high availability of IT components. Failure of IT infrastructure as well as the applications that are driven by said infrastructure, such as those used to view chargeable content on BILD.de, can have considerable influence on availability. Possible reasons for impairment are internal factors such as the increasing complexity of the systems and the longer-term infrastructure, but also external factors such as e.g. computer criminality through deliberately caused server overloads, so-called DDoS attacks. At worst, these could cause interruptions in business activities along with far-reaching consequences regarding revenues and reputation.

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

For this reason, targeted measures have been and indeed are being undertaken to avoid or to limit the effects and probability of occurrence of criminal activities and the failure of IT components to the greatest possible extent. Measures such as DDos protection, emergency data centers, firewalls, use of encryption, identity & access management, consolidation and standardization and hardening of systems are used to reduce risk. The stated measures are continuously analyzed and expanded or improved if necessary.

Reputation risks

Reputation risks are not recorded separately in Axel Springer's risk inventory as they arise in the majority of cases as a secondary risk or effect in conjunction with the primary risks. Axel Springer has an exposed position and any risk that occurs can cause a great deal of attention. Possible reputation risks range from the violation of journalistic independence to the breach of country-specific laws and programs for equal treatment and equal opportunity.

As a result, countermeasures that aim to prevent the risk in question from occurring are primarily used to prevent reputation risks. Notwithstanding this, the fundamental observance of law and order, information campaigns and public relations work on established measures are used in order to prevent reputational damage.

In addition, our International Social Policy, a catalog of social standards, counteracts potential reputational risks. Because of their worldwide validity for Axel Springer, a disregard of our social policy can lead to a considerable loss of image. The integration of the rules of the International Social Policy into the Group-wide Code of Conduct and the behavioral standards and corporate principles contained therein significantly increases the degree of recognition and thus reduces the risk. Reference is made to relevant mandatory standards of the International Social Policy in relevant directives, in particular to procurement.

Axel Springer has instituted an advanced sustainability management program that meets international standards. The overly late detection of possible ecological or social conflicts relative to the procurement of resources along the value chain of wood, pulp, paper, and recycled materials could harm the Group's reputation. To minimize this risk effectively, we work closely together with experts in the wood, pulp, and paper industry and with environmental protection organizations. We also conduct monitoring measures across the value chain. Our internal and external communications on this subject are characterized by openness and transparency.

Strategic and other risks

Significant strategic risks arise primarily for Axel Springer from decisions regarding capital expenditures in new business segments and models, as well as companies that perform differently in the long term than expected or are unable to compete within the market in a sustainable manner and/or are superseded by new business models. Likewise, a possible inadequate diversification entails a high risk potential. The consequence of this could be impairment losses when permanent impairment is expected in the context of the impairment test which is to be carried out. This risk could materialize in our activities in the Marketing Models, Classified Ad Models, and national and international Paid Models segments.

In general, the business segments and models of our interests are, however, extremely heterogeneous, so that so-called cluster risks are limited by means of diversification. Such risks are further diversified by means of preventative measures such as the clear investment criteria, in accordance with which we check new investments as part of our M&A activities, as well as active portfolio and investment management, the recruitment and retention of highly qualified managers, and the continuous monitoring of business and market developments. The implemented management measures are adjusted to the Group's development, both organizationally and in terms of personnel.

In addition to the aforementioned risks, the dependency on strategically significant cooperation partners is also subject to risks, for example for upday, a personalized news platform developed in cooperation with Samsung. Legal assistance in the negotiation of the contracts as well as a continuous monitoring of the business activities of our cooperation partners contribute to a reduction of this risk.

The focus of Axel Springer SE is not only limited to Europe, the company is also driving forward international expansion. With the acquisition of Business Insider and eMarketer in the US, we not only expanded our portfolio of innovative Paid Models, but also strengthened our position in economic news and information.

However, expansion into foreign markets entails not only opportunities, but also risks. For example, a changing political environment, especially in the light of the new US government, a weak economy or a financial crisis could lead to declining advertising spending and consequently lower revenues from our US investments. Through continuous market observation and diversification of the revenue flows, we counteract this risk.

The business activities undertaken in Eastern Europe also form part of Axel Springer's internationalization strategy. These activities are combined in Ringier Axel Springer Media and form part of the Paid Models segment.

The Axel Springer Group identifies potential risks and uncertainties on the one hand from the political situation in the individual countries as well as from negative influences from legislative procedures in the Eastern European region. In Poland in particular, the political influence on the media poses a threat to our business. Thus, government-impacted 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 by means of targeted measures of cost reductions or programs to secure earnings. Notwithstanding this, Ringier Axel Springer Media is confronted with the same risks, which have also been designated for the Paid Models segment of the entire Group. For example, risks relating to digital change are just as important as competition and data protection risks and, due to internationalization, exchange rate risks. The highly concentrated Polish press distribution business is an additional risk for the Ringier Axel Springer Media of the dependence on a few sales partners. This dependency is associated with the risk that, in the event of a company's failure to pay, higher shares of outstanding receivables may remain outstanding, resulting in substantial losses. To limit this increasingly serious risk, a portion of the potential loss of receivables is already covered by insurance. In addition, active receivables management is carried out in order to be able to react immediately to deteriorating payment modalities.

Our business activity in Germany continues to face increasing challenges in the marketing environment. This results, inter alia, from increasingly specific customer requirements (multichannel marketing) or from the market entry of new competitors. Media Impact GmbH & Co. KG, a joint marketing company with the FUNKE Mediengruppe has a strong counterpart with the marketing alliance ScoreMedia, founded by a number of newspaper publishers and media groups, which focuses on target group-oriented cross-media marketing. The increased competition could lead to a drop in prices and thus to a loss of revenues in the print sector. We are also reacting to this risk with a marketing alliance - Red Impact - which was launched in January 2017. This cooperation, which Media Impact has entered into with other media groups to bundle the marketing of tabloid newspapers under one roof, allows all participants to tap further sales potentials for their brands in addition to their already established marketing.

In addition to the aforementioned strategic risks, Axel Springer is naturally exposed to elementary risks that continue to pose significant risks to the Group. Possible damage caused by natural events can lead to property damage and business interruptions. We counter these risks in two ways: Firstly, structural and organizational measures have been undertaken to raise the Group's security standards even further, and secondly insurance cover is in place to reduce any possible financial consequences.

Terrorist attacks on Axel Springer continue to represent a serious risk, which has risen significantly as a result of the current global political situation. This risk is countered, amongst other things, with enhanced security standards, more stringent access regulations and controls, and comprehensive education and training of all security staff. The financial risk due to possible property damage and business interruption is covered by appropriate insurance.

In support of the cultural transformation into the leading digital publisher, work on the modern new headquarter building of the Axel Springer SE has begun, after the building permit was granted. When implementing such a large project, Axel Springer is confronted with building-specific risks such as cost overruns due to planning, tendering or procurement errors or increases in raw material prices, such as steel. In addition, potential complaints from surrounding residents could lead to unplanned project delays and increase project costs due to, for example, incomplete compensation requirements or lack of information flow. In order to reduce the aforementioned risks, a corresponding general contract agreement was concluded, professional project controlling and reporting structures were set up, and communication measures were also implemented in order to react promptly to complaints from local residents.

Personnel risks

The individual skills, professional competences and the commitment of our employees contribute significantly to the success of Axel Springer. As a consequence, the loss of specialist staff and management is a significant risk which we actively look to counter. We act professionally and actively. A primary focus of human resource management is the targeted, progressive development of employees and motivation with the aid of focused and continuous training, attractive bonus schemes, flexible working time models and a better work/life balance. Age-related employee turnover is also acted upon at an early stage with systematic succession planning and development. As a result, the transfer of a valuable wealth of experience and personnel demands should be ensured in a sustainable manner.

In addition, the increasingly difficult situation regarding the recruitment of junior staff as well as potential management staff also represents an ever-increasing risk. It is increasingly difficult to recruit qualified staff, and this is a result of demographic change, and also a matter of increasing competition on the human resources market. IT specialist staff are increasingly in demand, particularly with regard to the increasing digitization of business models. As a result, we have set up an internal recruiting team that has designed personal strategy initiatives and has already successfully found candidates for digital business activities. In addition, professional employer branding as well as our social media activities help us to significantly differentiate ourselves from other companies and to position Axel Springer as an attractive and innovative employer.

Financial risks and risks associated with the use of financial instruments

The financial risks especially relevant to Axel Springer are default risks associated with loans and financial investments as well as interest rate risks.

Axel Springer provides loans to business partners from time to time as part of the company's activities. The risk of potential default on loan claims is countered by gathering information on the economic and financial situation of the business partner, along with corresponding analysis and preparation of such data. In addition, these business partners have granted us security to their assets.

In our investment in Doğan TV Holding A.S. potential default risks from the agreed sales options were completely hedged by bank guarantees.

In order to counter possible default risks when investing non-operational financial resources, the investment is carried out according to predetermined criteria, which are defined in a Group Guideline. This sets loss limits that may not be exceeded, as a means (among others) of limiting risks.

Existing interest rate risks arise primarily from financial assets or liabilities with variable interest rates. However, this risk is limited due to fixed financing principles and regular monitoring of the variable interest rate. During the financial year, we financed ourselves via the Schuldschein (promissory note), which are mainly fixed interest-bearing, among other methods. An additional existing interest rate risk that could affect the Schuldschein loans and credit lines with variable interest rates is minimized, where required, by using interest rate derivatives.

Significant financing risks resulting from the uncertain outlook for the financial sector are not evident for the Axel Springer Group at the present time because the credit lines in the amount of € 1.5 billion (through 2020) obtained for liquidity assurance purposes have been committed by the participating banks with binding effect. The interest rate is linked to a ratio of net debt and earnings indicator of the Axel Springer Group, meaning therefore that the utilization of credit lines would result in a higher interest burden in the case of negative performance. As part of the loan agreements, we must also observe a number of additional conditions that would give the banks a right of termination if they are not observed. We have observed these conditions, and therefore we consider the risk of accelerated maturity of borrowed amounts to be minor. Based on our continuous observation of the money markets, capital markets, and credit markets, we have concluded that companies with outstanding creditworthiness and strong reputations can always raise funding at favorable conditions. Furthermore, Axel Springer can generate liquidity reliably, thanks to its broadly diversified customer base and the absence of significant payment delays and defaults.

There are corresponding currency risks to the Group caused by Axel Springer's level of internationalization. Risks arise from expenses, revenues, investment income and expenses, and receivables and liabilities denominated in foreign currencies (transaction risk).

The risk of value changes arising from exchange rate fluctuations are avoided primarily in that operating costs are incurred in the same countries in which we sell our products and services. Residual currency risks arising from cash flows denominated in foreign currencies are immaterial because we generate most of our earnings in the euro zone. Currency risks with net exposures starting at € 5 million per foreign currency are generally hedged with maturity-congruent foreign exchange derivatives.

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 or distributed in the form of dividends. Therefore, the liquidity risk arising from exchange rate changes affecting cash flows denominated in foreign currencies is limited.

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

In the year under review, we again carefully analyzed the foreign currency risks within the Group and updated the related principles. A Treasury Committee, which meets at least six times a year, has been set up to further identify possible risks and resolve countermeasures. The risks arising from financial instruments and hedging activities are discussed in detail in Section (34) of the notes to the consolidated financial statements.

Overall risk assessment

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

Compared to the disclosures in the Annual Report 2015, the risk and opportunities profile of Axel Springer has improved overall. At the end of April 2016, the vendor loan issued to FUNKE Mediengruppe was repaid early in full, including all interest accrued until that point. The market and use-based revaluation of the printing plant risks as well as the sale of the publishing house in Hamburg also significantly reduced the overall risk.

Taking into account the interaction and aggregation of individual risks, there are, at present, no discernible risks that could threaten the continued existence of the Axel Springer Group, or could significantly affect the Group's financial position, financial performance and liquidity. This applies on the proviso that there is no dramatic deterioration of the economic situation in our markets and the media industry, and, thus, a significant deterioration in the market and financial performance of the Group. Furthermore, risk concentrations are being reduced by means of diversification, internationalization, optimization of the brand and product portfolio, and digitization.

Opportunities management

The opportunities management system established at Axel Springer aims to ensure the success and continued existence of Axel Springer sustainably by systematically exploiting early detected opportunities that arise. As part of the management, strategic and planning processes, potential opportunities induced both internally as well as externally are identified and assessed for the company divisions and interests. External opportunities are offered, for example, by changing market structures or customer requirements; internal opportunities arise from product innovations or quality improvements. This is based, for example, on market and competition monitoring activities and analyses as well as 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. Responsibility for the management of opportunities is taken in as decentralized a manner as possible by the operational divisions and their management or senior managers.

Opportunities

In line with the definition of risks, opportunities are mirrored as the possibility of positive deviations from defined targets and can thus serve both the added value and the generation of potential competitive advantages. They may arise from unscheduled and/or non-budgeted positive developments and/or events. This applies if there is insufficient certainty regarding the occurrence of events, or the framework conditions and environment develop in a more favorable manner than expected. In addition, potential arising from long-term strategic decisions that had not been fully budgeted may lead to additional growth.

Strategic opportunities

In a constantly changing environment we continue to develop our company so that we are able to face global and industry-specific challenges in the future with innovative and tailored solutions.

Axel Springer’s digitization strategy offers further promising opportunities for generating additional growth and revenues based on highly positive developments within the digital markets. Axel Springer exploits these developments by investing in new or future-oriented technologies, entering into new forms of cooperation, the ongoing digital transformation and monetization of journalistic products. In addition, by combining different media, we achieve the most comprehensive multimedia coverage in the German media landscape. This spans digital, print, video, and live TV, with an emphasis on quality journalism as the hallmark in all media channels.

As more and more industries face the challenge of digitization, it is becoming increasingly important to generate, process and present relevant market information in an intelligent manner. With eMarketer, we have been able to acquire a well-established, successful and profitable provider of high-quality digital market data for many years and are ideally placed to benefit from these market developments. At the same time, we have taken another step in this acquisition to expand our product portfolio of innovative Paid Models and to grow with digital activities, primarily in the English-speaking world. On the one hand, acquisition of equity stakes 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, we also obtain access to co-investments, which could remain open, if necessary, for subsequent acquisition of a majority stake. In the event of substantial development of the associate companies, we can also profit from a significant appreciation in value.

Collaboration within the company network can also lead to highly profitable opportunities. Business Insider has introduced Markets Insider in the US market with the support of Finanzen.net, the leading German financial portal. This offer provides real-time financial market data and economic news, including up-to-date information from nearly a hundred stock exchanges around the world, and is designed primarily for mobile use. At the same time, advertisers can book integrated and focused advertising formats, including native and large display formats. The collaboration of these two companies shows which interconnected effects can be created by global networking.

We also see further opportunities for growth in the digital internationalization strategy and, closely linked to this, entering into new markets and/or expanding in existing markets. As a result, there is significant potential associated with the introduction of business models successfully established in the home market, the acquisition of existing and successfully established companies, and entering into strategic partnerships in international growth regions. We also have an advantage over our competitors in that we have already attained strong market positions in many countries.

Market and competition opportunities

If the global economy develops better than previously predicted, this could have a positive impact on our sales performance. The decisive factor will be what spill-over effect regional conflicts and crises will have on our core markets subject to the highly interconnected nature of the global economy. Nevertheless, Axel Springer believes it is in a strong position to exploit the opportunities that may arise with its early investments in the regional and digital growth markets. Even a negative development of the overall economy could create opportunities. This allows competitors to leave the market, while strengthening our own position. Furthermore, there may be the option of acquiring companies at low prices, then subsequently expanding market share in existing markets and investing in new markets with growth potential.

Additional industry-specific potential to generate unplanned revenue for Axel Springer may also arise from higher advertising spending on individual advertising media than forecast by advertising associations. This could in particular be the case if the media mix changes in our favor, or, in other words, if advertising spending flows into the digital sector driven by journalistic content.

The strategic partnership with Samsung, which has existed since 2015, from which the product upday has emerged, is also proving to be very promising. upday is a joint content platform for aggregated journalistic news content, which is compiled and played according to a selection by experienced journalists and according to the individual interests of the user. upday is preinstalled in Germany, UK, France and Poland on all relevant devices from Samsung, has reached within a short time a range of more than seven million unique users per month (as of December 2016) and is the most extensive news app on Android smartphones in Germany. It is planned that upday will start in Spain and Italy in March 2017 and expand into ten other European countries in the second quarter.

In our segment of marketing offerings, Bonial, a company offering apps and web site solutions for the stationary retail market, is advancing the digitization of the trade with a new product solution. With the specially developed Bonial Connect solution, it is now possible to bring digital brochures directly to the websites of the trade and the brand manufacturers and thereby to connect consumers with their favorite stores. Bonial Connect focuses the digital online trade advertising more on customer requests and requirements and is continuing to establish itself as a reliable advertising partner for retailers.

In addition to the challenges that occur, the technological developments seen in the marketing business also constitute further opportunities for additional advertising revenues. In this way, there is a change in online marketing through programmatic advertising. This form of media planning stands for the automated purchase of advertising by means of target group data in digital media and thus a change from the environment marketing to the marketing of target groups. With our know-how and the targeted approach to our customers through targeting measures, there are promising additional opportunities in the advertising business. The increased internationalization of Axel Springer resulting from corresponding investments represents an additional benefit to the Group within the advertising business. In comparison to rival publishers who are more heavily focused on the German-speaking region, we are able to offer globally active customers a wider reader base and/or higher reach for advertising campaigns, all from a single source.

All of Axel Springer's divisions and companies work on continuous improvement of technologies and processes in order to maintain and expand their position in the face of competition. An intensive group-wide exchange of successful business models is part of that, but it also includes innovative start-ups.

Political and legal opportunities

The ancillary copyright for press publishers (Leistungsschutzrecht für Presseverleger) entered into force at the beginning of August 2013, with the aim of further enhancing the protection of intellectual property. This stipulates that license fees shall be chargeable to search engine providers for using publisher content, unless such use relates to "individual words" or "the smallest text snippets". The market-leading search engine provider rejected this. At present, there is a revocable "free-of-charge" consent granted by the publishers to Google to use their text snippets in search results. VG Media (Verwertungsgesellschaft), which represents more than 200 digital publishing services, including Axel Springer, has filed a payment claim against Google. This may have a positive impact on Axel Springer and its digital offerings, depending on the outcome and/or any agreement reached.

Operational and other opportunities

Axel Springer is continually working on the optimization of operational processes and structures. Axel Springer therefore regards inter-company, cross-divisional and cross-functional interlinking as a key factor for success in order to produce innovative and tailored content as well as provide high quality products and services for our customers. Smooth interlinking and the digital transformation of processes could lead to a number of unplanned synergy effects on the cost situation, thus leading to positive deviations from the budget. Also, the enhanced and promoted exchange of e.g. technological know-how of our companies offers additional opportunities to further increase our position in our core markets.

Forecast report

Anticipated economic environment

General economic environment

According to the International Monetary Fund (IMF), the **global economy** is benefiting from the good prospects for growth in the US, China, Europe and Japan. The growing recovery in larger emerging and developing countries could also help the global economy to grow more strongly in 2017 than in the previous year. These are the expectations expressed by the IMF in its updated economic outlook in January 2017. Overall, the global economy is forecast to grow by 3.4 % in the current year and 3.6 % in 2018 - after 3.1 % in 2016.

After the election victory of Donald Trump, the IMF has slightly revised its forecast for growth in the US. Trump administration measures are expected, which could lead to a further strengthening of the US dollar. According to the IMF, the US economy will grow by 2.3 % in 2017 and by 2.5 % in 2018 According to forecasts, the Chinese economy is expected to grow by 6.5 % better than expected in previous forecasts. The IMF sees little change for the euro zone. The area of the community currency will continue to grow by 1.6 % in the next two years. Germany is slightly less than 1.5 %.

The ifo Institute has slightly raised its economic forecast for **Germany**. It is now expecting a real growth of 1.5 % in 2017, after a growth of only 1.4 % had been predicted, together with other economic research institutes in autumn 2016. The driving force remains domestic demand. As a result, private consumption will expand by 1.2 %, supported by higher wages, increasing transfer income and rising employment. Public consumption, which has so far been primarily driven by migration, however, is diminishing in power.

Construction investment is expected to rise by 1.8 % in real terms in 2017. Construction investment benefits from the continued favorable interest rate environment, and investment in residential buildings is stimulated, in particular, by the large number of housing prospects. On the other hand, equipment investment is expected to grow only relatively slowly, compared to earlier recovery phases, with a price-adjusted 1.3 %. According to the ifo forecast, exports are also likely to only increase moderately in comparison to previous economic upturns. ifo Institute's economic researchers expect exports to grow 3.1 % in real terms in 2017, while imports are also expected to rise by 3.8 % in real terms.

The inflation rate is expected to continue to rise in 2017. According to the ifo forecast, the declining effect of falling oil prices will allow the inflation rate to increase to 1.5 % in 2017. The unemployment rate is expected to remain unchanged at 6.1 % in 2017 despite the immigration of refugees. Thus, the number of employees increases by around 300,000. On an annual average, the forecasts foresee around 43.8 million people in employment; 2.7 million people are expected to be unemployed.

The ifo Institute anticipates a slight acceleration in economic stimulation for **Central and Eastern Europe**. Low interest rates and strong consumer spending are likely to stimulate investment. In view of rising domestic demand, imports are expected to grow more strongly than exports. In total, the DIW expects growth in the region to grow by 3.5 % in 2017.

Anticipated Economic Development (Selection)

Change in gross domestic product compared to prior year (real)	2017
Germany[1)]	1.5 %
France[1)]	1.3 %
United Kingdom[1)]	1.5 %
Poland	2.5 %
Switzerland[2)]	1.3 %
Hungary	2.3 %
Belgium	1.2 %
Slovakia	3.2 %
Netherlands	2.0 %
Serbia[2)]	2.8 %
Ireland	3.5 %
Italy	0.7 %
Spain[2)]	2.3 %
USA[1)]	2.3 %
Israel[2)]	3.0 %

Source: ifo Institute, December 2016.
1) Source IMF, January 2017.
2) Source: IMF, October 2016.

Industry environment

In the 2017 federal election year, Germany is generally expected to see further growth in advertising budgets, although growth should slightly weaken compared with 2016.

According to the current advertising market forecast by ZenithOptimedia, an increase of 4.4 % is expected for 2017 worldwide (nominally). ZenithOptimedia therefore corrected its forecast of + 4.5 % from September 2016 slightly downwards. ZenithOptimedia sees this as a very strong development, as the unexpected outcome of the EU referendum in the UK and presidential elections in the US have increased political uncertainty and the risk of trade restrictions. The year 2017 is also a challenging year in comparison with 2016, which was able to benefit considerably from major events that take place every four years (elections in the USA, the Olympic Summer Games and the European Football Championship).

Currently available forecasts for **Germany** predict mixed developments for the different types of media. ZenithOptimedia expects net advertising market revenue (marketing revenues net of rebates and agent's commission) in Germany for 2017 to increase by 2.6 % (nominal). Thus, the total advertising market will not grow as fast as the general economy, which is expected to expand at a nominal rate of 2.9 % (+1.5 % in real terms) according to the ifo Institute. The advertising market growth is driven by digital (+ 8.2 %), TV (+ 2.5 %), Radio (+ 2.3 %) and Outdoor (+ 3.7 %). ZenithOptimedia is predicting a decrease in net advertising revenues for newspapers (– 2.3 %) and magazines (– 3.0 %).

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

Global trends also set the tone for Germany. Growth in the advertising market is technology-driven, particularly in the mobile, online moving images (video) and programmatic growth segments. Due to the continued spread of mobile devices, technical improvements in advertising forms and increase in the variety of advertising forms, and technical innovations in controlling multi-device campaigns, considerable growth in advertising expenditure is expected.

Progressive automation of an advertising booking via programmatic buying platforms is also seen as a driver for online and mobile advertising.

ZenithOptimedia's forecast for the **international markets** in which Axel Springer conducts business through its own subsidiaries paints a mixed picture. The net advertising volume on the online market in Western Europe in 2017 will increase by 8.6 % to USD 40.4 billion, based on the assumption of consistent exchange rates.

Anticipated Advertising Activity 2017 (Selection)

Change in net ad revenues compared to prior year (nominal)	Online	Print
Germany	8.2 %	−2.6 %
United Kingdom	7.0 %	−6.3 %
France[1)]	5.6 %	−7.7 %
Poland[1)]	12.1 %	−15.4 %
Switzerland[2)]	12.9 %	−3.4 %
Hungary	8.7 %	−1.8 %
Belgium[2)]	12.0 %	−2.0 %
Slovakia[1)]	15.8 %	−3.4 %
Netherlands	10.5 %	−7.5 %
Serbia[1)]	13.0 %	3.0 %
Ireland	16.0 %	−3.0 %
Italy[1)]	7.4 %	−4.2 %
Spain[1)]	12.0 %	−1.6 %
USA	14.6 %	−6.9 %
Israel	6.9 %	−4.9 %
Brazil	7.0 %	−9.7 %

Source: ZenithOptimedia, Advertising Expenditure Forecast (December 2016).
1) Excluding Classified ads, that means exclusively sales from display advertising.
2) Gross advertising revenues (excluding classified ads).

Group

Strategic and organizational orientation

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

Comparison of forecast with actual performance

The forecast targets published in March 2016 were essentially attained.

Group

	Forecast / adjustments during the year	2016
Revenues	low single-digit percentage increase/ development approx. on prior-year level	−0.1 %
EBITDA	low to mid single-digit percentage increase	6.5 %
EBIT	development slightly below EBITDA development	4.9 %
Earnings per share, adjusted	low to mid single-digit percentage increase	8.5 %

The revenue forecast for the **Group** was adjusted after the first six months of 2016 primarily due to currency effects. The adjusted revenue forecast was met at the end of the year. The increase in EBITDA as well as the increase in adjusted earnings per share was at the upper end of the announced range. Expectations for the development of EBIT were met.

Segments

	Forecast / adjustments during the year	2016
Revenues		
Classified Ad Models	Low double-digit percentage increase	16.8 %
Paid Models	Mid single-digit percentage decline	−6.4 %
Marketing Models	Mid single-digit percentage growth/ development approx. on prior-year level	−2.6 %
Services/ Holding	Significant decline	−9.7 %
EBITDA		
Classified Ad Models	low double-digit percentage increase	16.3 %
Paid Models	mid to high single-digit percentage decline/ mid single-digit percentage decline	−3.9 %
Marketing Models	development approx. on prior-year level/ low to mid single-digit percentage decline	−6.6 %
Services/ Holding	mid single-digit percentage decline/ slight improvement	2.5 %
EBIT		
Classified Ad Models	comparable development to EBITDA	15.5 %
Paid Models	comparable development to EBITDA	−4.5 %
Marketing Models	development below EBITDA development	−10.6 %
Services/ Holding	development below EBITDA development	−4.3 %

Among the segments, the expectations for the Classified Ad Models and the Paid Models segment were met, with Classified Ads at the top end of expectations. For the Paid Models the EBITDA/EBIT forecast after the first six months was more precisely defined and met at the end of the year. In the case of the Marketing Models, the forecast was also adjusted after the first six months. The adjusted forecast was not achieved in terms of revenues; it was narrowly met in terms of the development of EBITDA/EBIT. For the Services/Holding segment, the forecast for EBITDA/EBIT was also adjusted after the first six months. The adjusted forecast for EBITDA/EBIT and the forecast for revenue development was confirmed by the business developments in the Services/Holding segment.

Anticipated business developments and financial performance of the Group

For the financial year 2017, we expect Group **revenues** to increase by an amount in the medium single-digit percentage range. We assume that the planned increase in advertising revenues will overcompensate the slight decline in circulation revenues and the decline in other revenues.

We expect a rise in **EBITDA** in the medium to high single-digit percentage range. In this case, a rise in EBITDA in the Classified Ads Models segment and Marketing Models is expected, while the earnings in the Paid Models segment should finish around the level of the prior year. For the Services/Holding segment, the EBITDA is expected to be below the prior-year level.

For **EBIT**, we expect a rise in the low to medium single-digit percentage range due to higher depreciation, amortization and impairments.

For the **adjusted earnings per share**, we expect an increase in the medium to high single-digit percentage range.

Anticipated business developments and financial performance of the segments

The revenues of the **Classified Ad Models** segment are expected to show a rise in the low double-digit percentage range mainly due to organic growth. We expect EBITDA to increase in the low double-digit percentage range, despite increased investments in IT, marketing and sales.

In the **Paid Models** segment we expect revenues to be roughly on par with the prior-year level for the 2017 financial year. For circulation revenues, we expect an amount slightly below the prior-year level. For advertising revenues, we anticipate an increase, while we expect other revenues to be below the prior-year figure. For EBITDA, we expect a stable development. We assume that the growth in digital activities and declining launch costs will compensate for the decline in the print business.

We expect revenues in the **Marketing Models** segment to increase by an amount in the high single-digit to low double-digit percentage range, based on the anticipated growth in advertising and other revenues. For EBITDA, we also expect an increase in the high single-digit to low double-digit percentage range.

For the **Services/Holding** segment, we expect a considerable decline in revenues due to decreasing printing plant revenues and lower rental revenues in connection with the sale of parts of the building on the Hamburg site. For EBITDA, we therefore expect a significant deterioration compared with the prior year.

For EBIT, we expect developments in the Paid Models segment to be similar to those of EBITDA, and for the Services/Holding segment, due to lower depreciation, we expect less of a decline than for EBITDA compared with the prior year. In the Classified Ad Model segment, EBIT development will be significantly below the EBITDA trend due to higher depreciation, amortization and impairments, while for Marketing Models it will be slightly below the EBITDA trend.

Anticipated liquidity and financial position

With regard to liquidity and financial position, investments in property, plant and equipment and intangible assets will be significantly above the prior-year level, mainly due to investments in the new headquarter building in Berlin. Financing will be provided by operating cash flow. Excluding the investments for the new headquarter building in Berlin, investments are also expected to be significantly above the prior-year figure.

Dividend policy

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

Anticipated development of the workforce

The annual average number of employees in the Group for 2017 will be higher than the prior-year figure. This is mainly due to organic growth and acquisitions in connection with the digital transformation of the Group's business.

Planning assumptions

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

Basically, the forecast is based on the assumption that no significant deterioration in the economic environment will follow and that the actual exchange rates do not deviate significantly from the underlying assumed exchange rates.

The forecasts for EBITDA, EBIT, and the adjusted earnings per share do not reflect any effects resulting from possible future acquisitions, divestitures, and capital measures or from unplanned restructuring expenses.

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

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

Composition of subscribed capital

Following the capital increase implemented in December 2015, the company's subscribed capital amounts to € 107,895,311. It is divided into 107,895,311 registered shares. The shares can only be transferred with the company's consent (registered shares of restricted transferability, see below).

The company has only one class of shares. All shares carry the same rights and obligations. Each share grants the right to cast one vote in the annual shareholders' meeting and represents the basis for determining the shareholder's entitlement to the company's net profit. By way of exception, treasury shares do not confer any rights to the company (cf. Section 71b AktG).
(Please refer to page 65 for information on the company's treasury shares.)

Restrictions on voting rights or the transfer of shares

Transfer restrictions

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

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

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

- By virtue of a declaration dated August 14, 2012, Dr. Mathias Döpfner acceded to a pool agreement ("pool agreement") concluded between Dr. h. c. Friede Springer and Friede Springer GmbH & Co. KG, in respect of the 1,978,800 shares of Axel Springer SE that were given to him as a present by Dr. h. c. Friede Springer on the same date. In total, the pool agreement covers 52,826,967 voting shares of Axel Springer SE ("pool-bound shares"). Under the terms of the pool agreement, a pool member who wishes to transfer his pool-bound shares to a third party must first offer these shares for purchase to the other pool members (purchase right). The purchase right expires two weeks after the purchase offer. The purchase right does not apply in the case of transfers to certain persons who are related to the pool member.

- With regard to the 8,955,311 new individual shares of the Axel Springer SE issued to the General Atlantic Coöperatief U.A., Amsterdam, Netherlands within the scope of the capital increase in December 2015, the company and the General Atlantic Coöperatief U.A agreed to a holding period of 6 months for half of these shares, which has since expired, and a holding period of 18 months for the other half. The same applies to the shares of Axel Springer SE held by Dr. Giuseppe Vita.

- In addition, shares of the Axel Springer SE of the Brilliant 310. GmbH and of Dr. Mathias Döpfner are pledged to a credit institute.

Other transfer restrictions based on the German law of obligations exist in connection with the share ownership programs conducted in the 2013, 2014 and 2015 financial years, as well as the current financial year, for the employees of the Axel Springer Group. In general, the shares acquired as part of the share ownership program in 2013, 2014 and 2015 are subject to a minimum holding period of four years (i.e. until May 31, 2017, 2018, and 2019). During the minimum holding period, employee shares are held in a blocked account with Deutsche Bank AG.

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

In connection with the Virtual Stock Option Plan 2011 II and 2014 for senior executives, the beneficiaries are required to personally invest in shares of Axel Springer SE. These shares are not subject to any restrictions on disposal, but any disposition of these shares would cause the corresponding virtual stock option rights to lapse without replacement or compensation (for information on the virtual stock option plan 2011 II and 2014 for senior executives, see page 80).

The same applies to the virtual stock option plans 2012 and 2014 for members of the Executive Board (see page 77 for information on the virtual stock option plans 2012 and 2014 for Executive Board members).

Finally, persons who perform management tasks at Axel Springer SE in the sense of the European Market Abuse Regulation (MMVO) must comply with the closed periods established by Article 19 (11) MMVO. In accordance with these statutory periods, the company has developed guidelines for persons of the highest management, for whom dispensation may be granted in individual cases.

Voting right restrictions

In accordance with the pool agreement mentioned above between Dr. Mathias Döpfner, Dr.h.c. Friede Springer and the Friede Springer GmbH & Co. KG, the voting rights and other rights from the pool-bound shares in the annual shareholders‘ meeting of the Axel Springer SE are to be exercised according to the decisions of the pool members, and in fact independent of whether and in what sense the respective pool member voted at the resolution of the pool. The voting rights of pool members in the meeting of pool members are based on their voting rights in the annual shareholders' meeting of Axel Springer SE, depending on the number of pool-bound voting shares held. To the extent that Friede Springer GmbH & Co. KG indirectly holds shares in Axel Springer SE its voting rights are based on the imputed number of pool-bound voting shares indirectly held by Friede Springer GmbH & Co. KG.

Restrictions on voting rights may also be imposed by virtue of provisions of the German Stock Corporation Act (Aktiengesetz), pursuant to § 136 German Stock Corporation Act (AktG) and capital market regulations, in particular §§ 21 ff. WpHG.

Shareholdings that represent more than 10 % of voting rights

At the end of financial year 2016, the following direct and indirect shareholdings in the equity of Axel Springer SE represented more than 10 % of voting rights in the company: Axel Springer Gesellschaft für Publizistik GmbH & Co, Berlin, Germany (direct), AS Publizistik GmbH, Berlin, Germany (indirect), Friede Springer GmbH & Co. KG, Berlin, Germany (indirect), Friede Springer Verwaltungs-GmbH, Berlin, Germany (indirect), Dr. h.c. Friede Springer, Berlin, Germany (indirect), and Dr. Mathias Döpfner, Potsdam, Germany (indirect).

Information on the amounts of the above-mentioned shareholdings may be found in the disclosures pertaining to voting rights notifications in the notes to the 2016 financial statements of Axel Springer SE, www.axelspringer.com/financialpublications, and in the section entitled "Voting rights notifications" of the company's website at www.axelspringer.com/votingrights.

Shares endowed with special rights that confer powers of control

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

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

In connection with the bonus share and share ownership program for employees conducted in 2009 and the share ownership programs for the years 2011, 2012, 2013, 2014 and 2015, Deutsche Bank AG was initially entered into the share register as the third-party holder of the shares transferred to the employees. However, each employee is free to be registered personally as a shareholder in the share register.

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

The company's Articles of Incorporation provide that the Executive Board of Axel Springer SE must be composed of at least two persons. The Supervisory Board decides on the number of Executive Board members, and on the appointment and dismissal of Executive Board members. According to Article 46 para. 1 of the EU Regulation on European Companies (SE-VO), the maximum term of office for members of the Executive Board of a European company (Societas Europaea, SE) is six years; in the present instance, this maximum term is shortened to five years by virtue of Article 8 para. 2 sub-para. 1 of the Articles of Incorporation of Axel Springer SE – corresponding to the previous maximum term pursuant to Section 84 (1) (1) of the German Stock Corporations Act (AktG). A repeated appointment or extension of the term of office is permissible for a maximum of five years. If more than one person has been appointed to the Executive Board, the Supervisory Board is authorized to appoint one of those members as the Chairman (Article 8 para. 3 sub-para. 2 of the Articles of Incorporation of Axel Springer SE). If a required Executive Board member is lacking, the court is authorized, in urgent cases, to appoint the necessary member at the request of one involved party (Article 9 para. 1 letter c). ii) SE-VO in conjunction with Section 85 (1) (1) AktG). The Supervisory Board is authorized to revoke the appointment of an Executive Board member and the Executive Board Chairman for an important reason (for details, see Article 39 para. 2 sub-para. 1, Article 9 para. 1 letter c). ii) SE-VO, Section 84 (3) (1) and (2) AktG).

Insofar as obligatory laws or provisions of the Articles of Incorporation do not require a greater majority, amendments to the company's Articles of Incorporation require a resolution of the annual shareholders' meeting carried by a majority of the votes cast, or provided that at least one half of the company's share capital is represented by a simple majority (see Article 21 para. 2 sub-para. 2 of the company's Articles of Incorporation in conjunction with Section 51 (1) of the European Company Implementing Act (SEAG), Article 59 para. 1 and 2 SE-VO). The latter does not apply to an amendment changing the business object and purpose of the company, or to a resolution regarding the relocation of the registered head office of the SE to another member state pursuant to Article 8 para. 6 SE-VO as well as cases that prescribe a higher majority stake (see Section 51 (2) SEAG, Article 59 para. 1 and 2 SE-VO). An amendment of the corporate governance principles set forth in Article 3 of the company's Articles of Incorporation requires a majority equal to at least four fifths of the votes cast represented in the adoption of the resolution (see Article 21 para. 3 of the Articles of Incorporation).

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

Authority of the Executive Board to issue or buy back shares

The Executive Board was authorized, in accordance with Article 5 para. 4 of the Articles of Incorporation, and based on the resolution of the annual shareholders' meeting of April 14, 2015, to increase the capital stock by April 13, 2020, subject to the approval of the Supervisory Board, by issuing registered shares of restricted transferability, either in a single tranche or in several tranches and in return for cash and/or non-cash contributions (including mixed non-cash contributions), up to a total of € 11,000,000 (authorized capital).

By partially drawing down this authorized capital, the capital stock was increased by € 8,955,311 and 8.955.311 new registered shares of Axel Springer SE were issued to General Atlantic, with effect from December 9, 2015. The remaining authorized capital, which allows an increase of the share capital by a further € 2,044,689 until April 13, 2020, was not utilized until the end of the year under review.

By resolution of the annual shareholders' meeting on April 16, 2014 (agenda item 8), the Executive Board was authorized to acquire treasury shares of up to 10 % of the capital stock at the time of the resolution, with the approval of the Supervisory Board, by 15 April 2019. Acquisition must only take place on the stock exchange or via a public offer directed at all shareholders or a public invitation to submit an offer to buy.

Along with the shares held by the company or attributable to the company in accordance with Article 5 SE-VO in conjunction with Sections 71a ff. AktG, the shares purchased by virtue of the foregoing authorization may not at any time exceed 10 % of the company's capital stock. Details concerning this authorization are provided in the invitation to the annual shareholders' meeting of April 16, 2014, which is available on the website of Axel Springer SE (see Agenda Item 8 and the Executive Board's report on this subject).

At the end of financial year 2016, the company held no treasury shares.

Axel Springer SE does not have any contingent capital.

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 Schuldschein 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 (for more information see page 67 (left hand column) below and page 79 of this Annual Report), the company has not made any major agreements that would take effect in the event of a change of control due to a takeover.

In April 2012 the company placed a promissory note on the capital market. Following partial dismissal, conversion and re-drawing in October 2014, the promissory note issued a total volume of € 637,000,000, available in six tranches. The first tranche of € 56,500,000 was due in April 2016, so the open total volume is € 580,500,000. The lender can demand, in the event of a change of control, that the receivables held can be partially or fully paid back early within a 90 day period.

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

With regard to the consortium loans re-negotiated in July 2015 and totaling € 1,500,000,000, the lenders are also entitled to terminate the loan in the event of a change of control with a term of 30 days after becoming aware of it. Aside from specific exceptions that relate to the shareholders that currently control Axel Springer SE, a change of control is understood to mean the acquisition of shares of Axel Springer SE representing more than 50 % of voting rights by one or more parties acting together.

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

Some Executive Board members have the right to terminate their employment contracts in the event of a change in control. A change of control in the context of these agreements shall not apply if the controlling shareholder Dr. h. c. Friede Springer no longer holds and/or intends to control the majority of shares, either directly or indirectly. 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. Furthermore, the company will pay the pro-rata temporis for the period of time served in the year of resignation. The employment contracts of the members of the Executive Board do not provide for any other compensation if the employment relationship is terminated as a result of a change in control. There are no such indemnification agreements with other employees of the company.

Corporate Governance Report

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

Good corporate governance as a guiding principle

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

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

Management declaration pursuant to Section 289a HGB

Declaration of Conformity pursuant to Section 161 AktG

The Executive Board and Supervisory Board published the following Declaration of Conformity on November 2, 2016:

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

I. Future-related Section

The Company follows the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex, "DCGK")) as amended on 05 May 2015 and published by the German Federal Ministry of Justice and Consumer Protection in the official announcements section of the electronic Federal Gazette on 12 June 2015, with the exception of the deviations set out and reasoned below:

1) Consideration of the relationship between the compensation of the Executive Board and that of senior management and the staff overall, particularly in terms of its development over time (Item 4.2.2 sentence 6 DCGK)

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

2) Disclosure of the individual Executive Board compensation in tabular form as part of the Compensation Report (Item 4.2.5 sentences 5 and 6 DCGK)

Executive Board compensation is disclosed in accordance with the provisions of law and in consideration of the so-called "opt-out" resolution of the Company's Annual General Meeting of 16 April 2014. Based on this resolution, and in accordance with Section 286 para. 5 sentence 1 and Section 314 para. 2 sentence 2 of the German Commercial Code (Handelsgesetzbuch, "HGB"), the individual compensation of the members of the Executive Board is not disclosed in the Company's annual financial and annual consolidated financial statements for the

financial years 2014 to (and including) 2018. As long as a corresponding opt-out resolution of the Annual General Meeting is in effect, the Company will not include the representations recommended according to Item 4.2.5 sentences 5 and 6 DCGK in the Compensation Report.
3) Setting of a general limitation to the length of membership in the Supervisory Board, and taking it into account when making recommendations to the competent election bodies (Item 5.4.1 sentences 2 and 5 DCGK)

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

4) Disclosure of relationships between supervisory board candidates and the company, its executive bodies and with shareholders holding a material interest in the company, in election recommendations to the annual general meeting (Item 5.4.1 sentence 8 DCGK)

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

5) Individualized disclosure of supervisory board compensation (Item 5.4.6 sentences 5 and 6 DCGK)

The compensation granted to the members of the Supervisory Board, and the payments made by the Company to the members of the Supervisory Board for services provided personally, are not individually itemised in the notes or the Management Report (Item 5.4.6 sentences 5 and 6 DCGK). This information is not individually itemised because the competitors of Axel Springer SE do not publish any individual compensation either. Additionally, 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 resolved on 16 April 2014 that no details of the individual compensation of members of the Executive Board will be disclosed in the Company’s stand-alone and consolidated annual financial statements to be prepared for financial years 2014 to (and including) 2018 so that, for the sake of consistency, the individual compensation of the Supervisory Board members is neither disclosed in itemised form.

II. Retrospective section

In the time since issuance of the latest Declaration of Conformity on 09 November 2015, the Company has followed the recommendations of DCGK as amended on 05 May 2015 and published by the German Federal Ministry of Justice in the official announcements section of the Federal Gazette of 12 June 2015, with the exception of the deviations set out and reasoned above under I. 1 through I. 5., and in addition the following deviation:

1) Chairman of the Audit Committee (Item 5.3.2 sentence 3 DCGK)

The Audit Committee of the Supervisory Board is chaired by Mr Lothar Lanz, a former Executive Board member of the Company whose appointment ended less than two years ago at the time of his election in April 2014.

The Supervisory Board is convinced that Mr Lanz is particularly suitable as Chairman of the Audit Committee by virtue of his long-standing experience as CFO, his special expertise and his personality. The Supervisory Board has therefore been and is of the opinion that Mr Lanz should chair the Audit Committee.

Berlin, 2 November 2016

Axel Springer SE
The Supervisory Board The Executive Board”

The Declaration of Conformity from November 2, 2016 can, just like previous versions, also be seen via the link www.axelspringer.com/declarationofconformity.

Important management practices

Axel Springer is the only independent digital publisher that has provided itself with a corporate constitution. This is anchored in Article 3 ("Principles of Corporate Governance") of the company's Articles of Incorporation and is thus a guiding principle for all employees. The five principles formulated therein form the basis for the company's journalistic practices. They express fundamental convictions of corporate social policy, but do not dictate personal opinions. In view of the increasing internationalization, an internationally valid variant of these so-called essentials was introduced in 2016, which is intended to give Axel Springer employees worldwide guidance.

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

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

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

The company has further issued an Environmental Guideline comprising four points, which serves as a practical guide to the many environmental protection measures conducted at Axel Springer; the company also publishes a sustainability report every two years which follows the criteria catalog of the "Global Reporting Initiative" (GRI), including the "Media Sector Supplement" (GRI+).

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

In addition, Axel Springer maintains a Corporate Governance, Risk & Compliance department. This supports within the framework of Coporate Governance, subsidiaries and central divisions in responsibly handling risks via approaches and requirements, amongst other things, for a comprehensive risk management system, an internal control system, and a compliance management system. As described in the report on risks and opportunities (see page 42 – et seqq.), risk management and the internal control system seek to identify, analyze and assess, manage and report on risks at Axel Springer and to systematically monitor the measures taken to minimize risks. At Axel Springer, compliance means the fulfillment of all laws, regulations, and guidelines, as well as the commitments undertaken voluntarily. 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.

As part of the Compliance Organization, Axel Springer has had a binding Code of Conduct since 2011. This is to be understood as a summary of all the behavioral rules of Axel Springer. It contains the existing corporate principles and values, the journalistic guidelines and the management principles. In addition to this higher-level Code, the current Group Directives provide detailed rules for individual business and procedural practices. The Code of Conduct specifies the ethical, moral and legal requirements to be observed by every employee and provides a reliable orientation for loyal action. The Code of Conduct can be found at www.axelspringer.de/coc_en.

In order to further strengthen good corporate governance and effective compliance management, an electronic whistleblower system was introduced in addition to the existing reporting channels in the 2015 financial year. This allows both employees and external persons to provide confidential and, if desired, anonymous information about suspected or actual violations and malfunctions, thus contributing to the prevention and clarification of compliance violations. The electronic whistleblower system can be accessed at www.axelspringer.de/whistleblower.

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

Cooperation between the Executive Board and Supervisory Board

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

Procedures of the Executive Board

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

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

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

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

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 two levels beneath the Executive Board; for more information see page 73.

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

Rules of procedure issued from the supervisory board for the executive board regulate the particulars. These include among others

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

The Executive Board of the company currently consists of four members:

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

Procedures of the Supervisory Board

As per the company's Articles of Incorporation, the Supervisory Board of Axel Springer SE is composed of nine members, who are elected by the annual shareholders' meeting. The regular term of office of Supervisory Board members is five years; they are eligible for re-election at the end of their terms. The Supervisory Board elects its Chairman from among its own ranks; the term of office of the Supervisory Board Chairman coincide with that of the Supervisory Board. The Supervisory Board advises the Executive Board and monitors the work of the Executive Board. It holds at least four meetings a year. In case of necessity, it meets without the Executive Board in attendance. Meetings may be held and resolutions adopted also by way of written correspondence, telephone calls, faxes, or electronic media. As a general rule, the Supervisory Board adopts resolutions by a simple majority of the members voting on the resolution; in case of a tie, the Chairman casts the deciding vote. The Supervisory Board deliberates on the company's business developments, planning, strategy, and significant capital expenditures at regular intervals. The Supervisory Board adopts the separate financial statements of Axel Springer SE and approves the consolidated financial statements of the Group. It regularly assesses the efficiency of its work. Please refer to the report of the Supervisory Board for additional information on the specific activities of the Supervisory Board in the financial year 2016 (see Page 83).

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

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

The members of the Supervisory Board are:

- Dr. Giuseppe Vita, Chairman
- Dr. h. c. Friede Springer, Vice Chairwoman
- William E. Ford
- Oliver Heine
- Rudolf Knepper
- Lothar Lanz
- Dr. Nicola Leibinger-Kammüller
- Prof. Dr.-Ing. Wolfgang Reitzle
- Martin Varsavsky

After Prof. Dr. Lepenies resigned from office with effect at the end of July 31, 2016, Mr. William E. Ford was appointed as a member of the Supervisory Board by order of the District Court of Charlottenburg from August 2016.

The term of office of all other current Supervisory Board members ends at the end of the annual shareholders' meeting in 2019.

The requirements for expertise and independence within the meaning of section 100 para. 5 1. Var.AktG (financial experts), are met among others by the Chairman of the Supervisory Board, Dr. Giuseppe Vita, and Lothar Lanz, who chairs the Audit Committee. In addition, the members of the Supervisory Board are, in accordance with section 100 para. 5 2. Var. AktG know in its entirety the sector in which the company operates.

Composition and procedures of committees

The Executive Board has not formed committees.

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

Please refer to the Report of the Supervisory Board (see page 85) for information on the areas of responsibility and composition of the committees.

Lothar Lanz is the Chairman of the Audit Committee of the Supervisory Board; according to the Supervisory Board, Mr. Lanz is particularly suited to the Audit Committee due to his many years of experience as Chief Financial Officer, his special expertise and his personality. He satisfies the requirements of expert knowledge and independence within the meaning of Article 9 para 1 letter c) ii) SE-VO in conjunction with Section 107 paras 4, 100 para. 5 AktG (financial expert), and the requirements of the recommendations in Section 5.3.2 Sentence 2 (expertise) and Sentence 3. Var.1 (independence) and, since the 17th of April, 2016, Sentence 3 Var. 2 (Executive Board mandate ended more than two years ago) DCGK.

Provisions to promote the participation of women in management positions according to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act ("AktG")

Since 2010, Axel Springer has pursued a Group-wide strategy to promote diversity; reference is made to page 36 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, as a company-wide average.

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), introduced in May 2015 in Germany, also obliges certain companies, including Axel Springer SE, to set targets for the proportion of women acting on the Supervisory Board, Executive Board and the two management levels beneath the Executive Board, and specify when the respective proportion of women should be achieved. As the statutory minimum share of 30 % of women and 30 % of men is not applicable to the Supervisory Board of Axel Springer SE for the replacement of vacating Supervisory Board mandates, the Supervisory Board itself must set a target size.

Accordingly, the Supervisory Board of Axel Springer SE decided on September 2, 2015, to set targets with regard to the proportion of women' on the Supervisory Board, and the Executive Board of Axel Springer SE each with a deadline of implementation of no later than June 30, 2017. The respective target values are 22.2 % (Supervisory Board) and 0 % for the proportion of women on the Executive Board of Axel Springer SE. This determines the current status at the time the resolution was passed. For more information regarding the reasons behind this see page 74 (left-hand column) and 74 (right-hand column) of the Annual Report.

The Executive Board of Axel Springer SE passed a resolution on May 11, 2015, to set a target of 25 % and a deadline for implementation of no later than June 30, 2017, for the first and second management levels of the company beneath the Executive Board; 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.

Of course, these targets do not preclude any additional increase within the first deadline for implementation in the proportion of women on the Supervisory Board and Executive Board as well as at the first two management levels beneath the Executive Board at Axel Springer SE.

Further information on corporate governance

Goals for the composition of the Supervisory Board

The Supervisory Board of Axel Springer SE has decided the following objectives for its composition, in particular with respect to Section 5.4.1 of GCGC:

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

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

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

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

- The Supervisory Board should have an adequate proportion of women. Currently, two of the nine members (22.2 %) are women; the Supervisory Board considers this adequate in any event. Accordingly, and given the fact that no regular Supervisory Board elections were held within the agreed legal maximum permitted period until June 30, 2017, the statutory target for the women share in the Supervisory Board of Axel Springer SE was also fixed at 22.2 %.

- In making nominations, due consideration should be given to the general rule that Supervisory Board members should not be older than 72 years; the Supervisory Board can approve exceptions to this policy. Furthermore, the Supervisory Board should ensure that as few members as possible are subject to a potential conflict of interests. Furthermore, the Supervisory Board should give due consideration to the principle that its composition should meet the criterion of diversity.

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

However, the Supervisory Board decided not to define a regulatory limit with regard to the length of membership of the Supervisory Board, despite the recommendation stated in Section 5.4.1 sentences 2 and 5 of the GCGC. A fixed regulatory limit fails to take into account individual factors that may justify an extended length of membership for individual Supervisory Board members (for more information regarding this see the deviation declared in the Declaration of Conformity of November 2, 2016, see page 67).

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

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

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 of GCGC:

- In making decisions concerning the composition of the Executive Board, the Supervisory Board should give due consideration to the principle for diversity and should strive in particular to give appropriate consideration to women. In this context, the Supervisory Board has also complied with its statutory obligation to establish a target for the proportion of women on the Executive Board with a conversion period up to June 30, 2017, see page 73. At the time the target was set, the Supervisory Board had not planned to make any changes to the staffing of the Executive Board, as was also the case as at the time of reporting; the Supervisory Board believes that the Executive Board was and currently is well-staffed. As a result, the Supervisory Board initially adopted a target of 0 %. However, an increase in the proportion of women on the Executive Board cannot of course be ruled out within the deadline for implementation, should there be any need to make an appointment to the Executive Board.

- 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 36 of the present Annual Report, and to the stipulated targets in both of the management levels of the company beneath the Executive Board on page 73 of the present Annual Report.

Shareholders and annual shareholders' meeting

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

The annual shareholders' meeting resolves specifically on the utilization of the distributable profit, the ratification of the actions of the Executive Board and Supervisory Board, the election of the Supervisory Board, the election of the independent auditor, and other matters legally assigned to them, such as corporate actions and other amendments to the Articles of Incorporation. The resolutions of the annual shareholders' meeting require a simple majority of the votes cast, unless another majority is prescribed by law or by the company's Articles of Incorporation. The Articles of Incorporation can be inspected on the company's website.

Conflicts of interest

The members of the Executive Board and Supervisory Board are bound to promote the interests of the company. No member of either board may, through their decisions, pursue personal interests or take advantage of business opportunities that should be the province of the company. Executive Board members may not demand or accept gifts or other benefits from, or grant unjustified benefits to, third parties in connection with their activities, either for their own benefit or for that of others. Sideline activities of the Executive Board require the consent of the Supervisory Board. Executive Board members are subject to a comprehensive anti-competition clause during the period of their activity for Axel Springer. Every Executive Board member must inform the Supervisory Board of any conflict of interest without delay. No conflicts of interest arose within the Executive Board in the financial year.

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

No conflicts of interest arose within the Executive Board in the financial year.

Memberships on other supervisory bodies

A summary of the seats held by the Executive Board and Supervisory Board members of Axel Springer SE on other legally prescribed supervisory boards or comparable boards in Germany and abroad can be found on page 173.

Transparency

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

In order to ensure equal treatment of all capital market participants, Axel Springer also publishes information relevant to the capital markets simultaneously in German and English on the company's website. Financial reporting dates are published in the financial calendar with sufficient advance notice. Immediately upon receiving the corresponding notices, the company publishes changes in the composition of the shareholder structure that are subject to the reporting obligation according to Section 26 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), and on the purchase and sale of shares by persons who exercise management duties at Axel Springer (directors' dealings), in accordance with Article 19 of the Market Abuse Regulation.

Shareholdings

The Executive Board members in office at the reporting date directly or indirectly held 3,543,267 shares of Axel Springer SE at the reporting date of December 31, 2016. Of that number, 3,417,995 shares were held directly or indirectly by the Chairman of the Executive Board, Dr. Mathias Döpfner.

At the reporting date, the Supervisory Board members directly or indirectly held a total of 56,577,580 shares of Axel Springer SE. Dr. h.c. Friede Springer held 51,000,030 shares indirectly via Friede Springer GmbH & Co. KG and Axel Springer Gesellschaft für Publizistik GmbH & Co, and 5,502,450 shares directly.

Preparation and audit of the financial statements

The consolidated financial statements and interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as they are to be applied in the European Union. The quarterly statement is also prepared on the basis of IFRS. The consolidated financial statements also contain the disclosures prescribed by Section 315a 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 the quarterly statements as well as the interim financial report within 45 days of the respective period ending dates.

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

Compensation report

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

Executive Board

In accordance with the requirements of the German Stock Corporation Act and the recommendations of GCGC, the compensation of the Executive Board members consists of fixed and variable components. The variable compensation is composed of a cash component paid in the form of an annual bonus and long-term compensation components in the form of virtual share option plans and a long-term incentive plan. 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, his personal performance and the economic position, success and future prospects of Axel Springer. Due consideration is also given to the industry environment. However, the requirement for a continuous separate examination of the comparability of Executive Board compensation with the compensation of senior management and the workforce as a whole is waived, see corresponding declaration regarding exception to the recommendation made in Section 4.2.2 sentence 6 of the GCGC in the Declaration of Conformity dated November 2, 2016, page 67 of the Annual Report.

In the reporting year, the Supervisory Board consulted an independent external compensation expert.

The **fixed compensation** corresponds to the annual fixed salary; in addition, the Executive Board members receive a company car or company car allowance, the assumption of premiums for insurance against the risk of invalidity and death, individual travel and security expenses as fringe benefits. The annual fixed salary is generally established for the entire term of an employment agreement and is disbursed in 12 monthly installments. When determining the fixed salary, the Supervisory Board orientates itself, among other things, on the tasks of the individual Executive Board member, the current economic situation, the success and the prospects for the future of the Group.

The **variable compensation** is in the form of an annual bonus as a cash component, and depends on individual performance with regards to individual objectives (relating to the quantitative divisional objectives and qualitative individual objectives, amongst others, based on the strategy of Axel Springer SE) as well as Group objectives; it is limited to double the sum payable for 100 % achievement of objectives. The Group's target for the year 2016 and the previous year was Group EBITDA. Individual objectives for measuring performance of individuals and Group objectives are decided upon by the Supervisory Board. Part of the variable cash component is based on annual objectives and in part based on achievement of Group objectives established for an assessment period of three years. Achievement of objectives is initially established by the Supervisory Board members and chairman with the relevant Executive Board member and then reviewed and finalized by the Supervisory Board.

In addition, there is a **long-term variable compensation component** in the form of virtual stock option, plans, which were last granted stock options in 2014 and whose main parameters are as follows:

Executive Board Program

	2012	2014 I	2014 II
Grant date	01.01.2012	01.01.2014	01.09.2014
Term in years	6	6	6
Vesting period in years	4	4	4
Stock options granted	450,000	205,313	675,000
Underlying (€)	30.53	44.06	44.56
Maximum payment (€)	61.06	88.12	89.12
Value at grant date (€)	5.26	6.69	6.26
Total value at grant date (€ millions)	2.4	1.4	4.2

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

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

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

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

The 2012 Executive Board Program was completed during the financial year as the remaining options were exercised.

As of May 1, 2016, current members of the Executive Board were granted a **new long-term variable remuneration** in the form of a long-term incentive plan ("**LTIP**") with a duration – including lock-up periods – until 2023. The LTIP stipulates a participation in the increase in the company value, measured on the basis of market capitalization.

It will be distributed in the form of a cash bonus and contains a subsequent obligation to purchase Axel Springer shares in the corresponding amount. The compensation entitlement requires market capitalization of Axel Springer SE to increase by at least 40 % within three, four, and maximally five years (respective performance periods). No claim for compensation can be made below this threshold. In the event of targets being achieved, the whole Executive Board is entitled to payment amounting to a total of 4 % of the increase in market capitalization. The compensation entitlement will increase only up to a growth in market capitalization by maximally 60 %.

The increase in market capitalization will be calculated on a basis of share price developments of the Axel Springer share within 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 payments 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. Should targets be met prematurely after three years, each Executive Board member will have the option to request payout amount I. Payout amount II will then only be remunerated after targets are once again met after four or five years, and after a lock-up period of two, or one year respectively.

The net amount of all payouts (after the Executive Board member's taxes and duties are paid) in each case has to be fully invested in Axel Springer shares by the Executive Board member. Regarding the shares acquired with payout amount I, or II respectively, the Executive Board member has to retain the shares for a minimum of two years, or one year respectively. The LTIP contains the usual provisions for early resignation. Thus, for instance all non-contractual claims paid under the LTIP lapse if the member of the Executive Board leaves the Executive Board at his own request before expiry of the waiting period.

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

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

With regards to the Executive Board Programs that are granted, see the information in the notes to the consolidated financial statements under Section (13).

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. Furthermore, the company will pay the pro-rated percentage of the success-based compensation for the period of time served in the year of resignation. The employment contracts of the members of the Executive Board do not provide for any other compensation if the employment relationship is terminated as a result of a change in control.

In financial year 2016, the total remuneration of the Executive Board (excluding LTIP) amounted to € 19.2 million (PY: € 18.9 million). The fixed components totaled € 9.1 million (PY: € 8.7 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 € 10.1 million (PY: € 10.2 million). According to this, the fixed compensation including fringe benefits in the financial year amounts to a proportion of 47 % (PY: 46 %) of total remuneration (excluding LTIP). In addition, a long-term variable remuneration was granted in the form of an LTIP, the value of which was determined at the grant date on the basis of a stochastic model for the valuation of stock options taking into account the seven-year term (including holding periods) and amounted to € 32.1 million.

Guaranteed pension payments to members of the Executive Board resulted in a personnel expense of € 2.3 million in financial year 2016 (PY: € 0.8 million). The cash value of the guaranteed pension payments in pension provisions totaled € 15.2 million (PY: € 11.4 million). Loans or advances were not granted to members of the Executive Board in the 2016 financial year. In the case of guaranteed pension payments to Executive Board members, which became effective with the relevant recommendation in Section 4.2.3 sentence 10 GCGC on June 10, 2013, the Supervisory Board established the pension level desired in compliance with the previously stated Code recommendation and considered the annual and long-term expense for the company derived from this.

Axel Springer SE does not disclose the total compensation of individual Executive Board members by name, given that Sections 314 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 shareholders' meeting of Axel Springer SE passed a resolution on April 16, 2014 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 Article 16 of the Articles of Incorporation 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 **financial year 2016,** the Supervisory Board will receive total compensation of € 3.0 million (PY: € 3.0 million). In addition, the company reimburses all members of the Supervisory Board for their expenses and for the value-added tax payable on their compensation and on the reimbursement of their expenses. The company pays the premium for the D&O insurance taken out for members of the Supervisory Board. A Supervisory Board member received compensation of € 0.1 million for services as an author in the reporting year (PY: € 0.1 million).

Contrary to Section 5.4.6 sentences 5 and 6 of the German Corporate Governance Code, the compensation paid to members of the Supervisory Board, as well as the compensation paid by the company to them for services rendered personally, are not presented in the Corporate Governance Report, since Axel Springer SE's competitors do not disclose such information either. Furthermore, the Articles of Incorporation of Axel Springer SE do not themselves govern the individualized distribution of compensation between Supervisory Board members, but rather they expressly assign them to the Supervisory Board; the disclosure in an individualized manner of the Supervisory Board compensation would circumvent this allocation of responsibilities to the annual shareholders' meeting. The annual shareholders' meeting of the company also passed a resolution on April 16, 2014, stopping the disclosure of the individual compensation of the members of the Executive Board in the Company's annual financial and annual consolidated financial statements for the financial years 2014 through 2018 (included), meaning therefore that the compensation of Executive Board members is not published in individualized form either.

Share-based compensation of senior executives

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

Senior Executive Program

		2011 II	2014
Grant date		01.10.2011	01.03.2014
Term in years		6	5
Vesting period in years		4	3
Stock options granted		472,500	60,000
Underlying (€)		35.00	46.80
Maximum payment (€)		70.00	93.60
Value at grant date (€)		2.31	8.14
Total value at grant date (€ millions)		1.1	0.5

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

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

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

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

The Senior Executive Program 2011 II was completed during the financial year as the stock options were exercised or forfeited. With regards to the executive programs that are granted, see the information in the notes to the consolidated financial statements under Section (13).

Report of the Supervisory Board

Dr. Giuseppe Vita
Chairman

Dr. h. c. Friede Springer
Vice Chairwoman

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

William E. Ford (since August 29, 2016)
CEO General Atlantic

Rudolf Knepper
Entrepreneur

Lothar Lanz
Member of various Supervisory Boards

Dr. Nicola Leibinger-Kammüller
President and Chairwoman of the Executive Board
of TRUMPF GmbH + Co. KG

Prof. Dr.-Ing. Wolfgang Reitzle
Entrepreneur

Martin Varsavsky
CEO Prelude Fertility Inc.

Prof. Dr. Wolf Lepenies (until July 31, 2016)
University Professor (emer.) FU Berlin;
Permanent Fellow (emer.) at Wissenschaftskolleg
zu Berlin

Dear Shareholders,

In financial year 2016, the supervisory board performed all the duties incumbent upon it by virtue of applicable laws, the company's Articles of Incorporation, 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, the Internal Control System (ICS), and matters pertaining to compliance. The Executive Board informed the Supervisory Board of matters of particular importance between meetings, whilst Supervisory Board members and Executive Board members frequently consulted and exchanged information with each other.

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 in financial year for the Supervisory Board to inspect company books and documents beyond those presented during the normal course of reporting by the Executive Board.

The Supervisory Board discussed with the Executive Board all matters of crucial importance for the company, especially the company's business plan, business strategy, major investment and disinvestment plans, and personnel matters; the strategic orientation of the company was coordinated between the Executive Board and Supervisory Board, and the status in relation to the implementation of the strategy was discussed. Furthermore, the Supervisory Board discussed specific transactions of importance to the company's future development. It adopted resolutions on those transactions and measures for which the participation of the Supervisory Board is required by law, by the company's Articles of Incorporation, or by the Executive Board's internal rules of procedure.

Composition and meetings of the Supervisory Board

As per the company's Articles of Incorporation, the Supervisory Board is composed of nine members (see page 72 of the Annual Report regarding the individual members of the Supervisory Board). Prof. Dr. Wolf Lepenies resigned from office at the end of July 31, 2016. By order of August 26, 2016, the District Court of Charlottenburg appointed Mr. William E. Ford, CEO of General Atlantic, as a member of the Supervisory Board. The Supervisory Board intends to propose to the annual shareholders' meeting in 2017 to elect Mr. Ford to the Supervisory Board, until the end of the regular term of office of the remaining current members of the Supervisory Board which ends with the expiry of the 2019 annual shareholders' meeting, which is decisive for the discharge for the 2018 financial year.

The Supervisory Board would like to thank Prof. Dr. Wolf Lepenies, a deservedly retiring member of the Supervisory Board for his many years as a successful member of the Supervisory Board of Axel Springer SE. Prof. Dr. Lepenies belonged to the Supervisory Board of our company since April 2004. During his more than 12 years of membership, he has supported our company in a wide variety of ways and has given important suggestions on the basis of his outstanding scientific and intercultural competence as a sociologist and science manager as well as his membership in academic bodies in Germany and abroad.

A total of six meetings of the Supervisory Board were held during the period under review, four in the first and two in the second half of the calendar year, although the meeting on April 12, 2016 was an unusual meeting in the form of a telephone conference. At the Supervisory Board meeting on November 2, 2016, one member apologized for his absence, otherwise all members of the Supervisory Board attended all meetings of the plenum.

Important matters addressed by the Supervisory Board

At the meeting on **February 11, 2016**, the Supervisory Board dealt with the financial plan 2016 presented by the Executive Board and approved it. The Executive Board informed the Supervisory Board about the potential business development figures in the expired financial year 2015. The Supervisory Board also dealt with the possible conversion of the company into a KGaA (joint stock company). The current status of transaction proposals was discussed and the business plan of the Company's Executive Board was also adjusted. The Supervisory Board also passed resolutions concerning the extension of the term of office of two members of the Management Board.

In its meeting on **March 1, 2016,** 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, 2015 (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, the Supervisory Board approved the annual financial statements and consolidated financial statements, together with the combined management report and group management report, and approved the dependency report. It followed the Executive Board's profit utilization proposal for financial year 2015 and agreed to the Corporate Governance Report issued jointly with the Executive Board. In addition, the Supervisory Board dealt with the agenda for the 2016 annual shareholders' meeting; this included inter alia the proposals for the approval of the annual shareholders' meeting, including the proposal for the election of the auditor for the financial year 2016, the proposal for the approval of the spin-off and takeover agreements for the business areas of car, sports and computer magazines and the proposal for the amendment of the company object with corresponding changes to the Articles of Association of the Company. In addition, the Supervisory Board adopted a resolution regarding its report for the 2015 financial year which was submitted at the annual shareholders' meeting. In addition, the members of the Supervisory Board were informed of changes to the Market Abuse Regulation, particularly with regard to directors' dealings and closed periods.

At the special meeting on **April 12, 2016**, the Supervisory Board dealt with the introduction of a long-term variable remuneration for the Executive Board in the form of a so-called long-term incentive plan ("LTIP") for the Executive Board and approved it. In addition, the Supervisory Board approved the extension of the Executive Board's service contracts to those members of the Executive Board whose term of office extension it had agreed on in its meeting on February 11, 2016.

At the meeting on **April 13, 2016**, the Supervisory Board focused on the preparation of the subsequent annual shareholders' meeting and business development in the first quarter of the financial year.

At the meeting on **September 8, 2016**, the Executive Board reported on business developments of business as of June 30, 2016. In addition, the Supervisory Board adopted a resolution on the Company's share ownership program for employees and its affiliates planned for the 2017 financial year. Following the meeting, a training course on "Digital Media Consumption" took place.

In its meeting of **November 2, 2016**, the Supervisory Board dealt primarily with and discussed the business strategy of Axel Springer based on a comprehensive presentation by the Executive Board. The Supervisory Board was informed by the Chairman of the Audit Committee about the selection procedure in the year under review with regard to the auditor. On this basis it decided to propose to the annual shareholders' meeting 2017 that Ernst & Young Wirtschaftsprüfungsgesellschaft be the auditor, the Group auditor and the auditor of the semi-annual financial report, in each case for the 2017 financial year. The Supervisory Board also passed the circular on the same day. It also carried out a self-assessment of its efficiency and, on the basis of an in-depth discussion, assessed its activity as still effective. In addition, the Executive Board informed the Supervisory Board about the economic development as of September 30, 2016 and the current status of the company's transaction plans. The meeting was followed by a training session on the new electronic communication system for the board.

Conflicts of interest

There were no conflicts of interest in the Supervisory Board during the reporting year.

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 2016. This explanation with information on exceptions to the recommendations made in the GCGC is made permanently available on the company's website. It is also available on page 67 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 67).

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. The Chairman of the Audit Committee is Lothar Lanz, and in the other committees Chairman of the Supervisory Board, Dr. Giuseppe Vita fulfills that role. The chairman of the committee reported to the plenum on the work of the committees and the decisions taken by the committees.

Notwithstanding the general responsibility of the full Supervisory Board, the **Executive Committee** is responsible for matters that are exclusively or predominantly related to publishing and journalism and for matters of strategy, financial planning, capital expenditures, and the financing of investment. It is in particular responsible, instead of the Supervisory Board, for approving significant management actions undertaken by the Executive Board concerning investments or operative business operations. Finally, the Executive Committee prepares decisions regarding the organization of the Executive Board and takes decisions, within stipulated limits, regarding the approval to sell shares of the company and subscription rights to such shares. The members of the Executive Committee are Dr. Giuseppe Vita, acting as the Chairman, Dr. h.c. Friede Springer, acting as the Vice Chairwoman, and Lothar Lanz and Prof. Dr.-Ing. Wolfgang Reitzle.

The Executive Committee held nine meetings during the reporting period, of which five were extraordinary meetings; members of the Executive Board also took part frequently at these meetings. In addition, resolutions were passed in circulation proceedings. The Presidency agreed, among other things, the following transactions: In January 2016 the exercise of a put option against Doğan TV Holding A.S., in April 2016 the acquisition of up to 100 % of the shares at Land & Leisure A/S, in June 2016 the acquisition of around 93 % of the shares in the eMarketer Inc. and the agreement of put and call options on the remaining shares in eMarketer Inc., in September 2016 the acquisition of outstanding shares in Car&Boat Media S.A.S., and in December the acquisition of all shares in ShareASale.com Inc by the zanox Group and the granting of put/call options regarding the minority interest in the zanox Group in favor of the Company.

In addition, consultations were made and decided on the submission of an offer for rights packages to the Bundesliga matches, the re-arrangement of existing put and call options in Immoweb SA, the granting of approval to conclude a contract for the development of the “Lindenpark” property in the immediate vicinity of the head office in Berlin and the transfer of the minority shares to Thrillist and NowThis in a new digital content unit. The subject matter here was merely decisions about granting approval to conclude control and profit and loss transfer agreements within the Group as well as to transfer shares in the company in accordance with Article 5 (3) of the Company's Articles of Incorporation. Finally, the Executive Committee was concerned with an important staff issue and agreed in this context to conclude a termination agreement.

The **Personnel Committee** is responsible in particular for preparing decisions on the appointment and dismissal of Executive Board members. It is also responsible for preparing the resolutions to be adopted by the Supervisory Board on the compensation of individual members of the Executive Board. If the Personnel Committee consists of three or more members, then it approves resolutions in lieu of the Supervisory Board in all other matters pertaining to employment contracts; the same applies in matters pertaining to the extension of loans within the meaning of Sections 89, 115 AktG and on the approval of contracts with Supervisory Board members pursuant to Section 114 AktG. If the Personnel Committee consists of two members, then it is responsible for preparing the resolutions to be adopted by the Supervisory Board regarding such matters. To the extent it bears responsibility, the Personnel Committee also represents the company in transactions with individual Executive Board members. Finally, if the Personnel Committee consists of three or more members, then it shall decide on granting approval for management actions assigned to it that require approval; if it consists of two members, then it is responsible for preparing the resolutions to be adopted by the Supervisory Board regarding such business matters. The members of the Personnel Committee are Dr. Giuseppe Vita, acting as the Chairman, and Dr. h.c. Friede Springer, acting as the Vice Chairwoman.

The Personnel Committee met five times during the reporting period. It prepared, among other things, decisions of the plenum on the extension of the term of office of two members of the Executive Board together with the related extension of the respective Executive Board contract and the introduction of the long-term incentive plan for the Executive Board. It also dealt with the individual goals and corporate goals for the cash component of the variable compensation of the Executive Board.

The **Audit Committee**, notwithstanding the responsibility of the full Supervisory Board, is 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 risk management system, the internal control system (ICS), the compliance management system and the internal auditing system. The Audit Committee also monitors and approves the non-audit services provided by the auditor. It is also responsible for reviewing the interim financial statements and interim financial reports as well as quarterly statements and for discussing the report of the independent auditor on the critical review of the interim financial statements. With regard to the audit of the financial statements, the Audit Committee is responsible for preparing the proposal of the Supervisory Board to the annual shareholders' meeting on the election of the independent auditor and the engagement of the independent auditor, and for adopting audit priorities, among other matters. The Audit Committee consists of Lothar Lanz, acting as the Chairman, Dr. Giuseppe Vita, acting as the Vice Chairman, and Oliver Heine, Rudolf Knepper and Dr. h.c. Friede Springer as additional members of the Audit Committee.

The Audit Committee held five meetings during the course of the financial year. It has been informed of the scope, course, and result of the 2015 annual financial statements and consolidated financial statements and discussed them with the auditors, the decisions of the Supervisory Board regarding adoption of the financial statements (including the combined management report and group management report) and prepared approval of the Group consolidated statements as well as the audited interim financial statements and reports for 2015. Alongside this, in February 2016, the Audit Committee handled preparation of the passing of the resolution by the full board regarding the proposal at the annual shareholders' meeting to commission the independent auditor for the 2016 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 2016 financial year and issued the auditor with the audit assignment for the 2016 financial year. The Audit Committee also dealt with the monitoring of the effectiveness of the risk management system, the internal control system (ICS), of the compliance management system and of the internal audit system, as well as additional compliance issues. The Audit Committee has also established a system for the supervision and approval of non-audit services by the auditor.

Finally, a comprehensive selection procedure for the appointment of the auditor for financial year 2017 was carried out under the responsibility of the Audit Committee; the Audit Committee has dealt extensively with the appraisal of the candidates and is convinced of the independence of the candidates as part of its decision. The Audit Committee found that the selection process was transparent, fair and non-discriminatory. On the basis of this selection process, the Audit Committee gave the Supervisory Board a reasoned recommendation with two proposals for the election proposal to the annual shareholders' meeting for the auditor of the financial year 2017.

The **Nominating Committee** prepares the proposal of the Supervisory Board to the annual shareholders' meeting on the election of Supervisory Board members; in particular, it proposes suitable candidates for the Supervisory Board, also in consideration of the diversity and independence criteria adopted by 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 members of the Nominating Committee are Dr. Giuseppe Vita, acting as the Chairman, and Dr. h.c. Friede Springer, acting as the Vice Chairwoman.

The Nomination Committee met once in the year under review and dealt with the application for the legal appointment of a member of the Supervisory Board as successor to Prof. Dr. Lepenies. In this context, the committee recommended to apply for the appointment of William E. Ford as a legal substitute member and to propose to the next annual shareholders' meeting in April 2017 his election to the Supervisory Board.

Separate financial statements of the parent company and consolidated financial statements of the Group; management report for the parent company and the Group

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 2016, and issued an unqualified audit opinion in every case. In connection with the audit, the independent auditor also noted in summary that the Executive Board has implemented a risk management system that fulfills the requirements of law, and that this system is generally suitable for the early detection of any developments that could endanger the company's survival as a going concern.

The aforementioned documents and the proposal of the Executive Board for the utilization of the distributable profit, as well as the audit reports of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, were provided to all members of the Supervisory Board in a timely manner. The documents were audited and discussed in the presence of the independent auditor in the meeting of the Audit Committee of March 6, 2017. The independent auditor reported on the key results of the audit and was available for additional information if required. No deficiencies in the internal control and risk management system, as it relates to the financial accounting process, were noted. The independent auditor explained further the scope, priorities, and costs of the audit. No circumstances that would cast doubt on the impartiality of the independent auditor arose. The Audit Committee resolved to recommend to the Supervisory Board that it approve the separate financial statements of the parent company and the consolidated financial statements of the Group, as well as the combined management report of the parent company and the Group.

The Audit Committee reported to the Supervisory Board in the balance sheet meeting of March 7, 2017 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. Both reports were also provided to each member of the Supervisory Board in advance. The audit opinion of the independent auditor reads as follows:

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

1. the factual information contained in the report is correct;
2. the consideration provided by the company in respect of the legal transactions mentioned in the report was not inappropriately high."

The Supervisory Board also reviewed the report of the Executive Board on the dealings with related parties pursuant to Section 312 AktG and the independent auditor's report on this subject. At the Supervisory Board meeting of March 7, 2017, the independent auditor also reported orally on the principal findings of the audit and provided additional information, as requested. The Supervisory Board acknowledged and approved the report of the independent auditor. Based on the final results of its own review, the Supervisory Board had no objections to raise with respect to the results of the audit report of the independent auditor or the Executive Board's declaration on the report pursuant to Section 312 (3) AktG.

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, March 7, 2017

The Supervisory Board

Dr. Giuseppe Vita
Chairman

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

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 27, 2017

Axel Springer SE

Dr. Mathias Döpfner

Jan Bayer

Dr. Julian Deutz

Dr. Andreas Wiele

Auditor's Report

We have audited the consolidated financial statements prepared by Axel Springer SE, Berlin – comprising the statement of financial position, the income statement, the statement of recognized income and expenses, the statement of cash flows, the statement of changes in equity, and the notes to the consolidated financial statements – together with the combined management report of the Axel Springer Group and Axel Springer SE for the fiscal year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the combined management report of the Axel Springer Group and Axel Springer SE in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch" - German Commercial Code] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report of the Axel Springer Group and Axel Springer SE based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report of the Axel Springer Group and Axel Springer SE are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the report on the situation of the company Axel Springer SE and the Axel Springer Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the report on the situation of the Axel Springer Group and Axel Springer SE. In our opinion, our audit provides a sufficiently sound basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position, and results of operations of the Axel Springer Group in accordance with these requirements. The combined management report of the Axel Springer Group and Axel Springer SE is consistent with the consolidated financial statements, complies with the legal regulations and as a whole conveys an accurate view of the Group's position and accurately presents the opportunities and risks of future development.

Berlin, February 27, 2017

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Ludwig
Wirtschaftsprüfer

Mielke
Wirtschaftsprüferin

Consolidated Statement of Financial Position

€ millions

ASSETS	Note	12/31/2016	12/31/2015
Non-current assets		**5,393.0**	**5,187.2**
Intangible assets	(4)	4,162.3	3,897.0
Property, plant, and equipment	(5)	519.2	507.5
Investment property	(6)	29.8	33.2
Non-current financial assets	(7)	563.3	662.7
Investments accounted for using the equity method		221.0	91.6
Other non-current financial assets		342.3	571.0
Receivables due from related parties	(37)	23.4	0.1
Receivables from income taxes		0.4	7.9
Other assets	(10)	39.5	32.1
Deferred tax assets	(27)	55.0	46.8
Current assets		**1,063.2**	**1,317.4**
Inventories	(8)	21.6	20.1
Trade receivables	(9)	614.6	570.9
Receivables due from related parties	(37)	16.6	7.1
Receivables from income taxes		65.0	58.2
Other assets	(10)	121.3	96.2
Cash and cash equivalents	(30)	224.1	253.8
Assets held for sale	(2c), (11)	0.0	311.1
Total assets		**6,456.2**	**6,504.7**

€ millions

EQUITY AND LIABILITIES	**Note**	**12/31/2016**	**12/31/2015**
Equity	**(12)**	**2,638.6**	**2,511.5**
Shareholders of Axel Springer SE		2,217.4	2,062.7
Non-controlling interests		421.2	448.8
Non-current provisions and liabilities		**2,427.2**	**2,455.5**
Provisions for pensions	(14)	350.4	316.3
Other provisions	(15)	69.8	65.0
Financial liabilities	(16)	1,258.3	1,195.3
Trade payables		0.2	0.3
Liabilities due to related parties	(37)	6.5	4.4
Other liabilities	(17)	211.6	393.0
Deferred tax liabilities	(27)	530.5	481.2
Current provisions and liabilities		**1,390.4**	**1,537.8**
Provisions for pensions	(14)	21.2	23.0
Other provisions	(15)	183.2	234.6
Financial liabilities	(16)	1.0	57.6
Trade payables		379.6	342.9
Liabilities due to related parties	(37)	23.1	19.3
Liabilities from income taxes		37.3	42.8
Other liabilities	(17)	745.1	656.8
Liabilities related to assets held for sale	(2c), (11)	0.0	160.8
Total equity and liabilities		**6,456.2**	**6,504.7**

Consolidated Statement of Comprehensive Income

€ millions

Consolidated Income Statement	**Note**	**2016**	**2015**
Revenues	(19)	3,290.2	3,294.9
Other operating income	(20)	339.9	271.8
Change in inventories and internal costs capitalized	(20)	82.6	47.3
Purchased goods and services	(21)	–971.5	–1,013.5
Personnel expenses	(22)	–1,100.1	–1,100.3
Depreciation, amortization, and impairments	(23)	–232.6	–199.8
Other operating expenses	(24)	–851.2	–862.2
Income from investments	(25)	40.2	24.7
Result from investments accounted for using the equity method		23.4	1.7
Other investment income		16.8	23.0
Financial result	(26)	–21.4	–22.2
Income taxes	(27)	–126.1	–136.2
Income from continued operations		**450.0**	**304.6**
Income from discontinued operations (after taxes)	**(2d)**	**1.9**	**2.8**
Net income		**451.9**	**307.4**
Net income attributable to shareholders of Axel Springer SE		427.3	252.4
Net income attributable to non-controlling interests		24.6	55.0
Basic/diluted earnings per share (in €) from continued operations	**(28)**	**3.94**	**2.50**
Basic/diluted earnings per share (in €) from discontinued operations	**(28)**	**0.02**	**0.03**

€ millions

Consolidated Statement of Recognized Income and Expenses	**Note**	**2016**	**2015**
Net income		**451.9**	**307.4**
Actuarial gains/losses from defined benefit pension obligations		–25.3	24.5
Items that may not be reclassified into the income statement in future periods (after taxes)		**–25.3**	**24.5**
Currency translation differences		–47.0	60.2
Changes in fair value of available-for-sale financial assets		13.6	12.1
Changes in fair value of derivatives in cash flow hedges		0.1	0.2
Other income/loss from investments accounted for using the equity method		–1.9	–2.6
Items that may be reclassified into the income statement in future periods if certain criteria are met (after taxes)		**–35.2**	**69.8**
Other income/loss	**(29)**	**–60.5**	**94.3**
Comprehensive income		**391.4**	**401.7**
Comprehensive income attributable to shareholders of Axel Springer SE		372.4	332.6
Comprehensive income attributable to non-controlling interests		19.0	69.1

Consolidated Statement of Cash Flows

€ millions	Note	2016	2015
Net income		**451.9**	**307.4**
Reconciliation of net income to the cash flow from operating activities			
Depreciation, amortization, impairments, and write-ups		232.6	194.9
Result from investments accounted for using the equity method	(7a)	−23.4	−1.7
Dividends received from investments accounted for using the equity method	(7a)	3.8	3.2
Result from disposal of consolidated subsidiaries and business units and intangible assets, property, plant, and equipment, and financial assets		−264.3	−127.5
Changes in non-current provisions		7.9	−22.8
Changes in deferred taxes		−28.7	2.6
Other non-cash income and expenses		5.2	−18.2
Changes in trade receivables		−41.4	−39.7
Changes in trade payables		13.7	15.7
Changes in other assets and liabilities		1.4	55.7
Cash flow from operating activities[1]	**(30)**	**358.8**	**369.6**
Proceeds from disposals of intangible assets, property, plant, and equipment		68.5	61.6
Proceeds from disposals of consolidated subsidiaries and business units, less cash and cash equivalents given up	(2c)	74.1	157.0
Proceeds from disposals of non-current financial assets including repayment of the vendor loan	(7b)	318.4	71.2
Proceeds from/disbursements of investments in short-term financial funds		−2.7	3.7
Purchases of intangible assets, property, plant, equipment, and investment property		−156.8	−131.4
Purchases of shares in consolidated subsidiaries and business units less cash and cash equivalents acquired	(2c)	−365.3	−637.8
Purchases of investments in non-current financial assets		−30.5	−70.7
Cash flow from investing activities[1]	**(30)**	**−94.3**	**−546.4**
Dividends paid to shareholders of Axel Springer SE		−194.2	−178.1
Dividends paid to other shareholders		−8.9	−7.6
Purchase of non-controlling interests		−30.9	−32.6
Disposal of non-controlling interests		2.4	0.2
Repayments of liabilities under finance leases		−0.7	−0.6
Proceeds from other financial liabilities		271.4	667.6
Repayments of other financial liabilities		−264.7	−465.2
Other financial transactions		−74.3	67.5
Cash flow from financing activities[1]	**(30)**	**−299.9**	**51.1**
Cash flow-related changes in cash and cash equivalents		**−35.4**	**−125.8**
Changes in cash and cash equivalents due to exchange rates		1.0	1.1
Change in cash and cash equivalents due to changes in companies included in consolidation		0.0	0.1
Cash and cash equivalents at beginning of period		253.8	383.1
Reclassification relating to assets held for sale		4.7	−4.7
Cash and cash equivalents at end of period	**(30)**	**224.1**	**253.8**

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

€ millions

Cash flows contained in the cash flow from operating activities		2016	2015
Income taxes paid		−170.3	−174.9
Income taxes received		37.1	40.1
Interest paid		−16.6	−24.2
Interest received		16.6	3.5
Dividends received		15.2	13.5

Consolidated Statement of Changes in Equity

					Accumulated other comprehensive income						
						Changes in fair value					
€ millions	**Subscribed capital**	**Additional paid-in capital**	**Accumulated retained earnings**	**Treasury shares**	**Currency translation**	**Available-for-sale financial assets**	**Derivatives in cash flow hedges**	**Other equity**	**Shareholders of Axel Springer SE**	**Non-controlling interests**	**Equity**
Balance as of 01/01/2015	**98.9**	**45.3**	**2,041.2**	**0.0**	**−28.5**	**0.3**	**−0.4**	**−132.9**	**2,024.1**	**481.6**	**2,505.7**
Net income			252.4						252.4	55.0	307.4
Other income/loss					46.1	12.1	0.1	21.9	80.3	14.0	94.3
Comprehensive income			**252.4**		**46.1**	**12.1**	**0.1**	**21.9**	**332.6**	**69.1**	**401.7**
Dividends paid			−178.1						−178.1	−63.5	−241.6
Change in consolidated companies			−130.9						−130.9	70.3	−60.6
Purchase and disposal of non-controlling interests	9.0	453.9	−461.5		13.9				15.2	−109.5	−94.3
Other changes		0.6	−14.8					13.8	−0.4	0.9	0.5
Balance as of 12/31/2015	**107.9**	**499.8**	**1,508.4**	**0.0**	**31.5**	**12.4**	**−0.3**	**−97.1**	**2,062.7**	**448.8**	**2,511.5**
Net income			427.3						427.3	24.6	451.9
Other income/loss					−41.4	13.6	0.1	−27.2	−54.9	−5.6	−60.5
Comprehensive income			**427.3**		**−41.4**	**13.6**	**0.1**	**−27.2**	**372.4**	**19.0**	**391.4**
Dividends paid			−194.2						−194.2	−9.7	−203.9
Change in consolidated companies			−5.1					5.1	0.0	22.8	22.8
Purchase of non-controlling interests			−23.3		4.9				−18.4	−58.5	−77.0
Other changes		0.2	−5.3						−5.1	−1.1	−6.2
Balance as of 12/31/2016	**107.9**	**500.1**	**1,707.6**	**0.0**	**−5.0**	**26.0**	**−0.2**	**−119.2**	**2,217.4**	**421.2**	**2,638.6**

Consolidated Segment Report

Operating segments (31)

€ millions	Classified Ad Models 2016	Classified Ad Models 2015	Paid Models 2016	Paid Models 2015	Marketing Models 2016	Marketing Models 2015	Services/Holding 2016	Services/Holding 2015	Consolidated totals 2016	Consolidated totals 2015
External revenues	**879.5**	**753.1**	**1,481.6**	**1,582.2**	**856.2**	**878.9**	**72.9**	**80.7**	**3,290.2**	**3,294.9**
Internal revenues	0.6	0.5	5.9	3.0	8.5	11.2	156.0	160.7		
Segment revenues	880.1	753.6	1,487.6	1,585.2	864.7	890.1	228.9	241.4		
EBITDA[1]	**354.6**	**305.0**	**214.4**	**223.2**	**82.2**	**88.0**	**–55.7**	**–57.1**	**595.5**	**559.0**
EBITDA margin[1]	**40.3 %**	**40.5 %**	**14.5 %**	**14.1 %**	**9.6 %**	**10.0 %**			**18.1 %**	**17.0 %**
Thereof income from investments	0.4	–1.0	16.9	5.3	1.4	–0.7	–0.1	0.1	18.7	3.8
Thereof accounted for using the equity method	0.1	–1.0	12.7	1.6	–5.3	–7.6	–0.9	0.6	6.6	–6.5
Depreciation, amortization, impairments, and write-ups (except from non-recurring effects and purchase price allocations)	–37.0	–29.9	–33.5	–33.8	–14.8	–12.6	–39.0	–33.7	–124.3	–110.0
EBIT[1]	**317.6**	**275.1**	**180.9**	**189.4**	**67.4**	**75.3**	**–94.8**	**–90.8**	**471.1**	**449.0**
Amortization and impairments from purchase price allocations	–58.8	–54.6	–22.9	–20.8	–26.6	–9.5	0.0	0.0	–108.3	–84.9
Non-recurring effects	54.1	–18.5	74.0	86.9	40.9	35.6	65.6	–5.1	234.6	98.9
Segment earnings before interest and taxes	312.9	202.0	232.1	255.5	81.6	101.5	–29.1	–95.9	597.5	463.0
Financial result									–21.4	–22.2
Income taxes									–126.1	–136.2
Income from continued operations									450.0	304.6
Income from discontinued operations									1.9	2.8
Net income									**451.9**	**307.4**

[1] Adjusted for non-recurring effects (see note (32)).

Geographical information (31)

€ millions		Germany 2016	Germany 2015	Other countries 2016	Other countries 2015	Consolidated totals 2016	Consolidated totals 2015
External revenues	(32)	1,725.9	1,721.4	1,564.3	1,573.5	3,290.2	3,294.9
Non-current segment assets	(32)	1,388.3	1,378.6	3,323.0	3,059.0	4,711.3	4,437.7

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 (31a).

On February 27, 2017, the Executive Board of Axel Springer SE authorized the consolidated financial statements for fiscal year 2016 and subsequently presented them to the Supervisory Board for approval. The consolidated financial statements were prepared by application of Sec. 315a 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 the 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 financial consolidated 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 option 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.

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 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. Goodwill and 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 statement

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

	12/31/2016	12/31/2015
Fully consolidated companies		
Germany	79	75
Other countries	120	105
Investments accounted for using the equity method		
Germany	5	5
Other countries	6	6

Consolidated companies are listed in note (43). Essentially, the following major changes occurred in 2016:

The transfer and herewith the deconsolidation of the previously fully consolidated Swiss business to the newly founded Ringier Axel Springer Schweiz AG, Zurich, Switzerland, in which we hold 50% of the shares, took place at the beginning of January. Since then, the company has been included in the consolidated financial statements using the equity method.

At the beginning of January, we sold our shares in the previously fully consolidated Automotive Exchange Private Limited, Mumbai, India (CarWale). In addition, at the end of January, we sold our shares in MDB SAS, Evry Cedex, France, which had previously been accounted for using the equity method.

At the end of January, we acquired 100% of the shares in Good & Co. Labs Inc., San Francisco, USA. The company has been fully consolidated since then.

In mid-April, we acquired 50.01% of the shares in Traum-Ferienwohnungen GmbH, Bremen. Since then the company has been included in our consolidated financial statements by way of full consolidation.

At the beginning of May, we sold our shares in the previously fully consolidated Smarthouse Media GmbH, Karlsruhe.

At the beginning of July we acquired 93.4 % of the shares in eMarketer Inc., New York, USA and have fully consolidated the company since then.

At the end of July we acquired 75.96 % of the shares in the Land & Leisure group, Copenhagen, Denmark. As a result of this acquisition Land & Leisure A.S., Copenhagen, Denmark and five additional foreign subsidiaries together with a domestic subsidiary have been included in the consolidated financial statements by way of full consolidation since the acquisition date.

In the middle of September, we invested our shares in the previously fully consolidated Poliris SAS, Paris, France, in AC3 SAS, Guipavas, France, which was founded together with Gercop. We hold 40% of the shares in AC3 SAS. Since then, the company has been included in the consolidated financial statements using the equity method.

At the beginning of September we sold our shares in the previously fully consolidated Axel Springer Vertriebsservice GmbH, Hamburg.

At the beginning of December, we deconsolidated our shares in Thrillist Media Group, Inc., Delaware, USA, which was previously consolidated using the equity method, in exchange of shares in Group Nine Media Inc., New York, USA.

(c) Acquisitions and divestitures

As part of the expansion of our digital activities in the English-speaking countries and the expansion of the innovative paid-content portfolio, we acquired approximately 93% of the shares in **eMarketer Inc.**, New York, USA at the beginning of July 2016. eMarketer is a leading provider of high-quality analyses, studies and digital market data for companies and institutions. Reciprocal call and put options were agreed upon for the remaining approximately 7 % of the shares, for which the purchase price to be paid will be measured by the future corporate earnings of eMarketer. Insofar non-controlling interests are not accounted for in this respect.

The acquisition costs amounted to € 219.0 million and comprised the purchase price paid in July in the amount of € 207.0 million, a purchase price adjustment paid in October in the amount of € 2.0 million as well as a contingent purchase price liability of € 10.0 million recorded at the acquisition date for the agreed option rights. The acquisition-related expenses recorded in other operating expenses of the fiscal year amounted to € 1.6 million.

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	137.2
Property, plant, and equipment	5.1
Trade receivables	5.6
Other assets	22.3
Deferred tax assets	0.4
Cash and cash equivalents	8.7
Trade payables	–3.3
Provisions and other liabilities	–25.1
Deferred tax liabilities	–57.5
Net assets	**93.5**
Acquisition cost	219.0
Goodwill	**125.5**

Of the intangible assets acquired, intangible assets with carrying amounts of € 79.0 million have indefinite useful lives. The non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise, expected synergy effects from the integration and the strategic advantages resulting from the leading market position of the company, and was allocated to the Paid Models segment.

The gross amount of the acquired trade account receivables was € 5.6 million. No valuation allowances were recorded.

Since initial consolidation as of July 8, 2016, eMarketer contributed to consolidated revenues in the amount of € 13.8 million and to consolidated net income in the amount of € – 3.5 million. If eMarketer had already been fully consolidated on January 1, 2016, eMarketer would have contributed to consolidated revenues in the amount of € 33.7 million and to consolidated net income in the amount of € – 3.9 million.

In order to strengthen our market position in Scandinavia, we acquired 75.96% of the shares of **Land & Leisure A/S**, Copenhagen, Denmark, at the end of July via the @Leisure Group through a public takeover offer. Land & Leisure A/S offers vacation homes under the brand DanCenter and accommodations in holiday parks in Denmark, Sweden, Norway, and Germany under the brand Danland

The preliminary acquisition costs amounted to € 47.0 million and included the purchase price paid in the reporting period. The acquisition-related expenses recorded in other operating expenses of the fiscal year amounted to € 0.8 million.

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

€ millions	**Carrying amount after acquisition**
Intangible assets	43.7
Property, plant, and equipment	4.8
Non-current financial assets	1.1
Trade receivables	7.9
Other assets	1.8
Deferred tax assets	0.1
Cash and cash equivalents	12.8
Trade payables	–13.9
Financial liabilities	–0.3
Provisions and other liabilities	–4.1
Deferred tax liabilities	–9.7
Net assets	**44.4**
Share of non-controlling interests in net assets	10.2
Acquisition cost (preliminary)	47.0
Goodwill (preliminary)	**12.8**

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 reporting date.

Of the intangible assets acquired, intangible assets with carrying amounts of € 32.8 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 range of the company, and was allocated to the Classified Ad Models segment.

In September, we increased our share in Land & Leisure to 93.17 % at a purchase price of € 10.6 million and acquired the remaining approximately 6.8 % of the share capital at a purchase price of € 3.5 million as part of a squeeze-out process in November 2016. Both transactions were treated in the balance sheet as an acquisition of non-controlling interests (€ 10.2 million). The difference in the amount of € 3.9 million was offset in accumulated retained earnings attributable to the shareholders of Axel Springer SE.

The gross amount of the acquired trade account receivables was € 8.4 million. Corresponding valuation allowances of € 0.5 million were recorded.

Since initial consolidation as of the end of July 2016, Land & Leisure contributed to consolidated revenues in the amount of € 15.1 million and to consolidated net income in the amount of € – 0.6 million. If Land & Leisure had already been fully consolidated on January 1, 2016, Land & Leisure would have contributed to consolidated revenues in the amount of € 41.5 million and to consolidated net income in the amount of € 3.0 million.

In December 2016, we entered into an option agreement to acquire the remaining 47.5% shares in the **zanox Group** and treated it as an acquisition of non-controlling interests (see note (12g)). The share of the net assets of the zanox Group, which was attributable to non-controlling shareholders, amounted to € 44.5 million of which € 4.9 million resulting from foreign currency translation effects that needed to be reclassified into the according accumulated other comprehensive income position. Due to the option agreement a liability for contingent consideration was recorded in the amount of € 63.1 million. The remaining difference of € 23.5 million was offset within the accumulated retained earnings attributable to the shareholders of Axel Springer SE which decreased accordingly. Overall, the equity was reduced by € 63.1 million.

Further business combinations that occurred in the reporting period related in particular to the acquisition of 50.01 % of the shares in Traum-Ferienwohnungen GmbH, Bremen, of 60.4 % of the shares in infoRoad GmbH, Heroldsberg, as well as 100 % of the shares in Good & Co Labs, Inc., San Francisco, USA, and Milkround Online Ltd., London, United Kingdom. These business combinations were carried out in the context of our strategy to become the leading digital publisher, and individually had no material effects on the financial position, liquidity, and financial performance of the Axel Springer Group.

The acquisition costs for the acquisitions – which are partly preliminary – carried out in the reporting period amounted to € 41.2 million and contained besides the purchase prices paid also contingent considerations amounting to € 2.6 million. The acquisition-related expenses recorded in other operating expenses totaled € 0.2 million.

The contingent considerations resulted from earn-out agreements as well as from option rights for the purchase of the remaining shares, and were recorded at their fair values on the acquisition date. The fair value predominantly depends on earnings performance of the acquired companies in the years prior to possible payment dates or exercise dates of the options.

The cumulative acquisition costs of the business combinations were allocated to the purchased assets and liabilities based on the partly preliminary purchase price allocations as follows:

€ millions	Carrying amount after acquisition
Intangible assets	39.6
Property, plant, and equipment and non-current financial assets	0.3
Trade receivables	0.7
Other assets	1.4
Deferred tax assets	3.3
Cash and cash equivalents	0.9
Trade payables	–0.1
Financial liabilities	–0.2
Provisions and liabilities	–7.2
Deferred tax liabilities	–13.0
Net assets	**25.7**
Share of non-controlling interests in net assets	11.2
Acquisition cost (preliminary)	41.2
Goodwill (preliminary)	**26.7**

The purchase price allocations consider all knowledge and adjusting events regarding conditions that already existed on the acquisition date, and have not yet been completed for some acquisitions because of the closeness in time to the publication of the consolidated financial statements.

Of the intangible assets acquired in these acquisitions, intangible assets with carrying amounts of € 23.7 million have indefinite useful lives. The predominantly non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise as well as expected synergy effects from the integration and was allocated to the Classified Ad Models (€ 24.6 million) and Paid Models (€ 2.1 million) segments.

Since their respective initial consolidations, these companies have contributed to the 2016 consolidated revenues in the amount of € 9.3 million and to the 2016 consolidated net income in the amount of € –3.2 million. If these acquisitions had already been finalized on January 1, 2016, consolidated revenues 2016 would have changed by € 12.5 million and consolidated net income 2016 by € –3.0 million.

In January 2017, we acquired via Digital Window Inc., a company belonging to Axel Springer's zanox Group, 100% of the shares in **ShareASale.com Inc.**, Chicago, USA, a leading affiliate network in the US and have fully consolidated the company since then. The preliminary acquisition costs amounted to € 43.0 million and include the purchase price of € 33.0 million, a preliminary purchase price adjustment of € 0.6 million and a contingent purchase price liability of up to € 9.4 million for agreed earnings targets to be achieved by the end of 2017. The preliminary acquisition-related expenses amounted to € 0.4 million. Due to the closeness in the time to the publication of the consolidated financial statements to the acquisition, audited financial information regarding the acquired net assets is not yet available.

At the beginning of January 2016, we jointly established with Ringier the company **Ringier Axel Springer Schweiz AG**, Zurich, Switzerland, in which we hold 50% of the shares. The company gathers all Swiss-German and West Swiss newspaper titles (including their associated online portals) and the West Swiss broadsheet, Le Temps, belonging to Ringier and the entire business of Axel Springer in Switzerland. Since then, the company has been included in the consolidated financial statements using the equity method, see note (7a).

The carrying amounts contributed at the beginning of 2016 and of the assets and liabilities received in return as well as the recognition to profit or loss of foreign currency translation differences previously recognized in other comprehensive income in equity were as follows:

€ millions	Carrying amount
Fair value of investment	140.2
Receivable from disposal of trademarks	40.6
Other contractual claims and obligations	–16.9
Additions net assets	**163.9**
Goodwill	62.3
Intangible assets	88.1
Property, plant, and equipment and non-current financial assets	4.1
Trade receivables	3.0
Other assets	6.2
Deferred tax assets	9.0
Cash and cash equivalents	4.0
Provisions and liabilities	–56.0
Deferred tax liabilities	–10.0
Disposal net assets	**110.7**
Cumulative translation differences	49.0
Result from disposal	**102.2**

The income from disposal recorded in other operating income amounted to € 102.2 million, was allocated to the Paid Models segment and adjusted as a non-recurring effect.

In January 2016, our shares (90.3%) in the previously fully consolidated **Automotive Exchange Private Limited**, Mumbai, India (CarWale), were sold completely at a disposal price totaling € 81.1 million. The purchase price after deduction of taxes amounted to € 64.0 million. The profit reported in other operating income totaled € 83.3 million, was allocated to the Classified Ad Models Segment and adjusted as a non-recurring effect. The carrying amounts of the assets and liabilities disposed of were as follows:

€ millions	Carrying amount
Goodwill	11.0
Intangible assets	5.1
Property, plant, and equipment	0.7
Trade receivables	1.2
Other assets	2.6
Cash and cash equivalents	0.1
Trade payables	−0.5
Financial liabilities	−15.5
Provisions and liabilities	−4.2
Deferred tax liabilities	−1.6
Disposal net assets	**−1.2**
Share of non-controlling interests in net assets	−1.2
Cumulative translation differences	2.2
Selling price	81.1
Gain on disposal before taxes	**83.3**

Further divestments finalized in the reporting year related to disposal of 91.0 % of the shares in Smarthouse Media GmbH, Karlsruhe, 100 % of the shares in Axel Springer Vertriebsservice GmbH, Berlin, as well as the contribution of 100 % of the shares in Poliris S.A.S., Paris, France, into AC3 SAS which was founded together with Gercop. These divestments individually had no material effects on the financial position, liquidity, and financial performance of the Axel Springer Group. The cumulative gain on disposal recorded in other operating income or other operating expenses with respect to these further divestments amounted to € 17.5 million and was adjusted as a non-recurring effect. The carrying amounts of the assets and liabilities disposed of were as follows:

€ millions	Carrying amount
Goodwill	9.9
Intangible assets	13.8
Property, plant, and equipment	1.1
Trade receivables	12.5
Other assets	1.6
Deferred tax assets	0.6
Cash and cash equivalents	9.6
Trade payables	−1.5
Financial liabilities	−0.2
Provisions and liabilities	−20.1
Deferred tax liabilities	−4.4
Disposal net assets	**23.1**
Share of non-controlling interests in net assets	0.4
Selling price	40.2
Gain on disposal	**17.5**

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

Acquisitions and divestitures in the prior year:

At the beginning of January 2015, we acquired 51 % of the shares in **@Leisure Holding B.V.**, Amsterdam, Netherlands and thus of the @Leisure Group. @Leisure is a leading European operator of online brokerage portals for vacation home rentals. Through the majority investment in @Leisure, Axel Springer complements its existing digital activities in the travel segment.

The acquisition costs paid in 2015 amounted to € 64.8 million and comprised the purchase price amounting to € 56.8 million as well as the payment of liabilities assumed in the amount of € 8.0 million. The acquisition-related expenses recorded in other operating expenses of the reporting year 2015 amounted to € 0.3 million.

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	84.4
Property, plant, and equipment	1.0
Non-current financial assets	0.2
Trade receivables	16.1
Other assets	1.7
Cash and cash equivalents	2.5
Trade payables	–18.5
Provisions and other liabilities	–3.5
Deferred tax liabilities	–25.0
Net assets	**59.0**
Share of non-controlling interests in net assets	25.2
Acquisition cost	64.8
Goodwill (preliminary)	**31.0**

Of the intangible assets acquired, intangible assets with carrying amounts of € 49.8 million have indefinite useful lives. The non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise, the strategic advantages resulting from the leading market position of the acquired group and expected synergy effects from the integration, and was allocated to the Classified Ad Models segment.

The gross amount of the acquired trade account receivables was € 16.5 million. Corresponding valuation allowances in the amount of € 0.4 million were recorded.

Since first inclusion as of the beginning of January 2015, @Leisure Group contributed to 2015 consolidated revenues in the amount of € 49.1 million and to 2015 consolidated net income in the amount of € 4.0 million.

At the end of June 2015, the combining of the **Immowelt Group** and the Immonet Group belonging to Axel Springer Digital Classifieds was finalized. Both real estate portals will be brought under the auspices of the new Immowelt Holding AG based in Nuremberg. Axel Springer Digital Classifieds has a shareholding of 55 % in the combined group.

The acquisition costs for the majority shareholding in the Immowelt Group amounted to € 194.5 million and comprised the purchase price paid in 2015 in the amount of € 131.0 million, an outstanding purchase price adjustment of € 1.5 million, and the fair value of 45 % of the shares in the Immonet Group given in exchange totaling € 62.0 million. As a result of giving the shares in the Immonet Group in exchange, and taking into account their fair value as well as the recognition of non-controlling interests in the amount of € 16.4 million, a resulting difference of € 45.6 million was directly offset against equity, thereof € 6.8 million being attributed to non-controlling interests. The acquisition-related expenses recorded in other operating expenses of the reporting year 2015 amounted to € 1.1 million.

The non-controlling shareholders were granted fixed-price put options exercisable at any time until the beginning of 2018 (for 35 % of the shares), as well as one-time in mid-2019 exercisable put options at performance-based prices (for 10 % of the shares), which do not concede any present ownership interest. Thus, the obligation recorded within the balance sheet item other liabilities representing the discounted redemption amount with a value of € 194.6 million was directly offset against equity, thereof € 29.2 million attributed to non-controlling interests. The changes in equity stemming from the transaction are shown within the consolidated statement of changes in equity as part of the line change in consolidated companies.

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	159.2
Property, plant, and equipment	0.4
Non-current financial assets	0.1
Trade receivables	2.0
Other assets	1.5
Cash and cash equivalents	9.7
Trade payables	–0.8
Provisions and other liabilities	–5.1
Deferred tax liabilities	–50.0
Net assets	**117.1**
Share of non-controlling interests in net assets	52.7
Acquisition cost (preliminary)	194.5
Goodwill (preliminary)	**130.1**

Of the intangible assets acquired, intangible assets with carrying amounts of € 51.7 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 due to the combining of two strongly-positioned companies on the real estate classifieds market, and was allocated to the Classified Ad Models segment.

The gross amount of the acquired trade account receivables was € 2.2 million. Corresponding valuation allowances in the amount of € 0.2 million were recorded.

Since initial consolidation as of the end of June 2015, Immowelt Group contributed to 2015 consolidated revenues in the amount of € 25.0 million and to 2015 consolidated net income in the amount of € – 3.0 million. If Immowelt Group had already been fully consolidated at January 1, 2015, it would have contributed to 2015 consolidated revenues in the amount of € 48.1 million and to 2015 consolidated net income in the amount of € – 5.4 million.

As part of the expansion of our digital journalistic portfolio in the English-speaking world, we assumed control of **Business Insider Inc.**, New York, USA, in October 2015. We previously owned 8.7 % of the shares in Business Insider and gained control over the company through the purchase of another 87.8 % of the shares in October. Axel Springer now holds 96.5 % of the shares. Business Insider operates the leading digital offering for business and financial news in the USA.

The preliminary acquisition costs amounted to € 356.0 million and included the purchase price of € 320.4 million paid in October 2015, fair value of the shares held prior to gaining control in the amount of € 28.1 million and liabilities of € 7.4 million from commitments in connection with an existing employee stock option program. The acquisition-related expenses recorded in other operating expenses of the reporting year 2015 amounted to € 1.6 million. A profit of € 11.1 million from the fair valuation of the previously-held shares was shown in income from investments.

The preliminary acquisition costs were allocated to the purchased assets and liabilities based on the preliminary purchase price allocation as of December 31, 2015 as of the acquisition date as follows:

€ millions	Carrying amount after acquisition
Intangible assets	164.6
Property, plant, and equipment	1.3
Trade receivables	8.6
Other assets	2.2
Cash and cash equivalents	27.8
Trade payables	–0.6
Provisions and other liabilities	–5.5
Deferred tax liabilities	–65.8
Net assets	**132.6**
Share of non-controlling interests in net assets	4.6
Acquisition cost (preliminary)	356.0
Goodwill (preliminary)	**228.0**

Of the intangible assets acquired, intangible assets with carrying amounts of € 159.1 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 of the company and its digital reach, and was allocated to the Paid Models segment.

The gross amount of the acquired trade account receivables was € 8.8 million. Corresponding valuation allowances in the amount of € 0.1 million were recorded.

Since first inclusion as of October 30, 2015, Business Insider contributed to 2015 consolidated revenues in the amount of € 9.4 million and to 2015 consolidated net income in the amount of € – 1.1 million. If Business Insider had already been fully consolidated at January 1, 2015, it would have contributed to 2015 consolidated revenues in the amount of € 38.5 million and to 2015 consolidated net income in the amount of € – 10.8 million.

Further business combinations that occurred in 2015 related to the acquisitions of 100 % of the shares in ictjob SPRL, Waterloo, Belgium, Interactive Junction Holding Pty. Ltd., Johannesburg, South Africa, Topic Travel B.V., The Hague, Netherlands, Nasza Klasa sp. z o.o., Wroclaw, Poland, Livingly Media, Inc., San Carlos, USA, profession.hu Kft., Budapest, Hungary, Praxis SARL, Chambéry, France, Aan Zee "Gezellige Vakantiehuizen" B.V., Bergen, Netherlands, and Villa XL B.V., Bergen, Netherlands. Furthermore, we purchased 70 % of the shares in Saknai Net Ltd., Tel Aviv, Israel, a further 57.9 % of the shares in NARKS INFOSERVIS, a.s., Bratislava, Slovakia, as well as a further 32.4 % of the shares in Sokoweb Technologies, S.L., Barcelona, Spain. Additionally, we gained control (65 % of the shares) over Bonial Enterprises GmbH & Co. KG, Berlin. These business combinations were carried out in the context of our strategy to become the leading digital publisher, and individually had no material effects on the financial position, liquidity, and financial performance of the Axel Springer Group.

The acquisition costs for the acquisitions – which are partly preliminary – carried out on December 31, 2015, amounted to € 141.2 million and contained besides the purchase prices paid also contingent considerations totaling € 21.4 million as well as the fair value of the shares held prior to gaining control amounting to € 14.5 million. A profit of € 10.7 million from the fair value measurement of the previously-held shares was shown in income from investments. The acquisition-related expenses recorded in other operating expenses of the reporting year 2015 amounted to € 0.5 million.

The contingent considerations resulted from earn-out agreements as well as from option rights to purchase the remaining shares and were recorded at fair value at the acquisition date. The fair value predominantly depends on the estimated results of the acquired companies in the years prior to possible payment or exercise dates.

Due to the closeness in time to the publication of the consolidated financial statements 2015, audited financial information regarding the acquired net assets as well as the contributions to revenues and operating profit are not yet available for some of the companies.

Based on the purchase price allocations, which were partly preliminary, the cumulative acquisition costs of the business combinations finalized in 2015 were allocated to the purchased assets and liabilities as of December 31, 2015:

€ millions	Carrying amount after acquisition
Intangible assets	63.8
Property, plant, and equipment	1.1
Trade receivables	13.1
Other assets	1.1
Deferred tax assets	0.5
Cash and cash equivalents	13.0
Trade payables	–10.0
Financial liabilities	–0.2
Provisions and other liabilities	–12.2
Deferred tax liabilities	–16.2
Net assets	**54.0**
Acquisition cost (preliminary)	141.2
Goodwill (preliminary)	**87.2**

Of the intangible assets acquired, intangible assets with carrying amounts of € 22.6 million have indefinite useful lives. The non-tax-deductible goodwills are above all attributable to inseparable values such as employee expertise and expected synergy effects from the integration, and were allocated to the Marketing Models (€ 43.0 million), Classified Ad Models (€ 34.9 million) and Paid Models (€ 9.3 million) segments.

Since their respective initial consolidations, these companies contributed to consolidated revenues 2015 in the amount of € 41.9 million and to consolidated net income 2015 in the amount of € – 5.1 million. If these acquisitions had already been finalized at January 1, 2015, consolidated revenues 2015 would have changed by € 59.1 million and consolidated net income 2015 by € – 11.0 million.

In April 2015, aufeminin Group finalized the sale of 100 % of its shares in **Smart AdServer**, Paris, France, at a disposal price totaling € 37.0 million. The gain on disposal recorded in 2015 in other operating income amounted to € 10.2 million. The following table shows the carrying amounts of the assets and liabilities disposed of:

€ millions	Carrying amount
Goodwill	20.1
Intangible assets	1.3
Property, plant, and equipment	0.4
Non-current financial assets	0.2
Trade receivables	5.4
Other assets	3.4
Deferred tax assets	0.1
Cash and cash equivalents	3.9
Trade payables	–3.6
Provisions and liabilities	–4.4
Disposal net assets	**26.8**
Selling price	37.0
Gain on disposal	**10.2**

In August 2015, the sale of 50.1 % of our shares in **runtastic GmbH**, Pasching, Austria, at a disposal price totaling € 105.3 million was finalized. The gain on disposal recorded in 2015 in other operating income amounted to € 85.8 million. The following table shows the carrying amounts of the assets and liabilities disposed of:

€ millions	Carrying amount
Goodwill	13.4
Intangible assets	13.1
Property, plant, and equipment	0.8
Trade receivables	2.0
Other assets	0.7
Cash and cash equivalents	3.4
Trade payables	–0.9
Provisions and liabilities	–3.7
Deferred tax liabilities	–3.3
Disposal net assets	**25.5**
Share of non-controlling interests in net assets	6.1
Selling price	105.3
Gain on disposal	**85.8**

Further divestments finalized in the reporting year 2015 related to the disposal of 55 % of the shares in ims Internationaler Medien Service GmbH & Co. KG, Hamburg, 50.1 % of the shares in Talpa Germany GmbH & Co. KG, Hamburg, 90 % of the shares in Shop Now GmbH, Berlin, as well as 100 % of the shares in "Axel Springer Russia" Geschlossene Aktiengesellschaft, Moscow, Russia. These divestments individually had no material effects on the financial position, liquidity, and financial performance of the Axel Springer Group.

The cumulative gain on disposal recorded in 2015 in other operating income or in other operating expenses with respect to these further divestments amounted to € 12.4 million. The following table shows the carrying amounts of the assets and liabilities disposed of:

€ millions	Carrying amount
Goodwill	11.1
Intangible assets	3.4
Property, plant, and equipment	0.6
Non-current financial assets	0.1
Trade receivables	24.6
Other assets	12.7
Deferred tax assets	1.1
Cash and cash equivalents	1.1
Trade payables	–12.1
Provisions and liabilities	–17.9
Deferred tax liabilities	–3.1
Disposal net assets	**21.6**
Share of non-controlling interests in net assets	4.9
Cumulative translation differences	–1.1
Selling price	30.2
Gain on disposal	**12.4**

In December 2015, Axel Springer increased its share in **Axel Springer Digital Classifieds GmbH** from 85 % to 100 %. 8,955,311 new Axel Springer shares were issued as consideration for the acquisition of the minority shareholding that was previously held by General Atlantic. The value of the shareholding taken over totaled € 462.9 million; subscribed capital was increased by € 9.0 million, the resulting premium in the amount of € 453.9 million was assigned to additional paid-in capital. The proportion of net assets attributable to non-controlling interests of Axel Springer Digital Classifieds was reduced by € 109.7 million. The accumulated retained earnings attributable to shareholders of Axel Springer SE fell by € 367.0 million, and the other accumulated comprehensive income increased by € 13.9 million.

Additional transactions carried out in 2015, as well as finalizations of purchase price allocations arising from company acquisitions in the reporting year 2014, had no material effects individually or collectively on the financial position, liquidity, and financial performance of the Axel Springer Group.

(d) Discontinued Operations

In 2014, we sold our German regional newspapers, TV program guides and women's magazines. In the reporting year, the resulting subsequent income and expenses were shown separately as discontinued operations in the same way as in the previous year.

For a part of the purchase price, the FUNKE Mediengruppe was granted a multi-year subordinated vendor loan from the Axel Springer SE. The loan was prematurely and fully repaid in April 2016 (see note (7b)).

In order to fulfill a proviso imposed in connection with merger control law, FUNKE Mediengruppe sold some of the TV program guides acquired under the transaction, as well as some of its own TV program guides, to the Klambt Mediengruppe. To assist in the financing of this acquisition, Axel Springer SE guaranteed a bank loan taken out by the Klambt Mediengruppe, up to an amount of € 51.0 million. The bank loan was prematurely and fully repaid in December 2016.

The results of the discontinued operations are as follows:

Mio. €	2016	2015
Gain on disposal of discontinued operations (before taxes)	2.8	4.1
Taxes on the gain on disposal	−0.9	−1.3
Gain on disposal of discontinued operations (after taxes)	**1.9**	**2.8**
Income from discontinued operations (after taxes)	**1.9**	**2.8**

As in the previous year, the cash inflows and cash outflows attributed to the discontinued operations were only included in the cash flow from investing activities and amounted to € – 3.2 million (PY: € – 8.1 million).

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

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

Items of the income statement of these subsidiaries have been translated at the weighted average exchange rate for the year. 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	
	2016	2015	12/31/2016	12/31/2015
Polish zloty	4.36	4.18	4.42	4.27
Swiss franc	1.09	1.07	1.08	1.08
US-Dollar	1.11	1.11	1.06	1.09
Hungarian forint	311.44	309.90	309.82	315.46
British pound	0.82	0.72	0.86	0.73

(3) Explanation of significant accounting and valuation methods

(a) Basic Principals

The accounting and valuation principles applied uniformly across the Axel Springer Group in fiscal year 2016 are basically the same as those applied in the previous year.

For information on the accounting and valuation methods resulting from new or revised IFRS Standards and IFRS IC Interpretations, please refer to note (3q).

(b) Recognition of income and expenses

The Axel Springer Group mainly generates advertising and circulation revenues. Revenues are recognized at the time when the significant risks of ownership have passed to the buyer/the services have been rendered, the amount of revenue can be reliably measured, and it is sufficiently probable that the economic benefits will flow to the enterprise. Revenues are stated net of any discounts allowed. Revenues from services rendered over a certain period in an indefinite number of transactions are recognized on a straight-line basis over the contractual term.

Advertising revenues include sales from the online Classified Ad Models, Reach Based Marketing and Performance marketing, as well as from advertising marketing for our digital media and print media.

Circulation revenues encompass the sales of print media to retailers, wholesalers, and subscribers. Revenue is not recognized for that portion of products sold, which can be expected, on the basis of historical experience, to be returned. In addition, circulation revenues include the sale of digital subscriptions.

Where significant risks and rewards of business activities do not lie with the Axel Springer Group or the income is collected in the interest of third parties, only the corresponding commission income or proportion of revenue accruing to the Axel Springer Group are recognized as revenues.

Offers that contain multiple service components ("bundled products") are separated for purposes of revenue recognition when the delivered components have an independent benefit and the market values of goods not yet delivered or services not yet performed can be determined objectively. The total remuneration for these offers is distributed in principle among the individual service components in such a way that the service components still to be provided are allocated remuneration in the amount of their fair value, and then the service components already provided are allocated the remaining remuneration in proportion to their fair values.

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

Other income is recognized when the future inflow of economic benefits from the transaction can be measured reliably and was received by the company during the reporting period.

Operating expenses are recognized either when the corresponding goods or services are sold or rendered, or at the time of their origination.

Interest expenses and income are recognized on an accrual basis in the period of their occurrence. Interest expenses incurred in connection with the acquisition and production of qualified assets are capitalized as assets in the financial statements. Dividend income is recognized when the legal entitlement is constituted.

(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 are measured at 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 are recognized as other operating income or expenses.

Leased assets whose economic benefits are attributable to Axel Springer are recognized and measured at the present value of the minimum future lease payments or the lower fair value of the leased asset and depreciated by the straight-line method over the minimum contract term, taking any existing residual value into consideration. When it is reasonably certain that ownership will pass to Axel Springer at the end of the lease period, such assets are depreciated over their useful lives. The present value of the payment obligations associated with the minimum future lease payments is recognized as a liability.

For depreciation purposes, the following useful lives are generally applied for property, plant, and equipment:

	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 recognized 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.

(e) Investment property

Investment property intended for lease to third parties is measured at amortized cost. Such property is depreciated over a useful life of 50 years using the straight-line method. For leased assets whose economic benefits are attributable to Axel Springer, see note (3d).

(f) *Recognition of impairment losses in intangible assets, in property, plant, and equipment, and in investment property*

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

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

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

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

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.

(g) Financial assets and liabilities

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

The initial recognition and derecognition of financial instruments coincide with the settlement dates of customary market purchases and sales of financial assets.

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. A financial liability is derecognized when the obligation underlying the liability is settled or annulled, or has expired.

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.

Investments and securities

Investments that have not been consolidated or accounted for using the equity method in the consolidated financial statements, as well as securities, are measured at fair value if it can be determined reliably on the basis of stock exchange or market prices and generally accepted valuation methods, respectively. Otherwise, they are measured at amortized cost. The valuation methods employed include especially the discounted cash flow method (DCF method) based on the expected investment income. We assume that the fair value of investments and securities is not reliably measurable when either material valuation differences appear in estimating fair values based on projections and scenarios, or when the likelihood of such projections and scenarios cannot be reliably determined. Any unrealized gains or losses resulting from the changes in fair value of the financial assets and liabilities, considering resulting tax effects, are recognized in accumulated other comprehensive income. Changes in fair value are not recognized in profit or loss until the corresponding non-current financial assets are sold or an impairment loss is recognized.

The carrying amounts of investments and securities are reviewed on every reporting date to determine whether there are objective indications of an impairment. This is ensured, for example, if the issuer has considerable financial difficulties. If an impairment is found to exist, an impairment loss is recognized in profit or loss.

Loans, receivables, and other financial assets

Upon initial recognition, loans, receivables, and other financial assets are measured at fair value plus transaction costs. In subsequent periods, they are measured at amortized cost, after deduction of any write-downs, using the effective interest method. A write-down is taken when objective indications suggest that the receivable may not be fully collectible. Such an indication might be the insolvency or other considerable financial problems of the debtor, for example. The amount of the write-down is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from this receivable, discounted by application of the effective interest rate. Write-downs are charged against income both in the form of an account for allowances on doubtful accounts and by means of direct write-downs. The account for allowances on doubtful accounts is used, in particular, for allowances on doubtful trade receivables and receivables due from related parties. If in subsequent periods the fair value has objectively risen, the write-downs are reversed and recognized in income in the appropriate amounts.

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. Furthermore, financial derivatives are used to cover the risk of impairments of investments and securities. When the underlying financial assets are recognized at amortized costs because their fair values are not reliably measurable, the financial derivative is recognized at amortized costs as well.

Contingent consideration

Contingent consideration arising from options written over non-controlling interests and earn-out agreements in connection with business combinations and the acquisition of non-controlling interests are recognized at fair value. To the extent it can be reliably measured, this value is derived from the estimated profit trends of the acquired companies in the years prior to the possible exercise dates of the options or the payment dates of the earn-outs. In the subsequent periods, changes in the fair value are recognized immediately in income. 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.

Other 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. Liabilities arising from put options written over non-controlling interests, which are not recognized as contingent consideration, are measured at the present value of the redemption amount through profit or loss.

(h) Inventories

Inventories are measured at 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.

(i) Assets held for sale and discontinued operations

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

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

The results from continued operations in the fiscal year and the prior year are shown in the income statement. The results from discontinued operations are shown separately. Cash inflows and cash outflows from discontinued operations are shown separately in the notes to the consolidated financial statements. The information in the notes relates to the continued operations of the Group.

(j) Pension provisions

Pension obligations under defined benefit plans are determined using the projected unit credit method under which future changes in compensation and benefits are taken into account. 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.

(k) Other provisions and accrued liabilities
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.

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

(m) Treasury shares
Treasury shares are measured at cost and are charged directly to equity.

(n) 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

(o) 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 income.

(p) 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 (cf. clause (3f)), for allocating purchase prices (cf. clause 2c)) and assessing contingent purchase price liabilities (cf. clause (3g)), setting actuarial parameters in the context of the valuation of pension obligations (cf. clause (3j)), determining the amount of deferred tax

assets to be capitalized (cf. clause (3l)), determining fair values of financial assets (cf. clause (3g)), accounting for other provisions (cf. clause (3k)), assessing share-based compensation programs (cf. clause (3n)), and the determination of the useful lives of intangible assets (cf. clause (3c)) and property, plant and equipment (cf. clause (3d)). Information concerning the carrying amounts, which are based on estimates and assumptions, can be found in the comments on the specific line items.

(q) New accounting standards

In the fiscal year 2016, IFRS Standards or IFRIC Interpretations to be applied for the first time caused no material changes for Axel Springer.

The following IFRSs have already been published, but have not yet been applied:

With the publication of the final version of IFRS 9 “Financial Instruments” in July 2014, the IASB completed its project for replacing IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 provides a standardized approach for classification and measurement of financial assets and liabilities which is primarily based on the company's business model and the cash flows of the financial instrument. Furthermore, IFRS 9 contains a new impairment model which also demands the recording of expected losses in addition to incurred losses. Finally, IFRS 9 also contains new guidelines for the use of hedge accounting, targeted in particular at better illustration of the risk management activities of a company and the monitoring of non-financial risks. IFRS 9 is to be applied to fiscal years starting on or after January 1, 2018. Early application is permitted. We plan to apply the standard as of January 1, 2018 for the first time. Our preliminary analysis has shown that the classification and measurement of financial assets as well as the accounting for financial liabilities will change only insignificantly. Particularly due to the new impairment model, in the case of non-current financial assets an earlier recognition of possible losses can arise. As a result of the new standard, accounting for transactions involving hedging will principally increase. Nonetheless, due to the small extent of relevant hedging instruments, we do not expect any significant adjustments. A deeper analysis, which takes into account in particular the quantitative effects, will take place in fiscal year 2017. Overall, we do not expect any major changes in the presentation and recognition of financial assets and liabilities through the application of IFRS 9.

In May 2014, the IASB published the new standard for revenue recognition, IFRS 15 “Revenue from Contracts with Customers”, which will completely replace the existing regulations for the recognition of revenue, including related interpretations, in accordance with IAS 18 “Revenue” and IAS 11 “Construction Contracts”. Consequently, revenues will be recognized in the future, when the customer obtains control over the agreed goods and services and can derive benefits from these. Revenues are recognized in the amount of the consideration that the company will presumably receive. The new standard provides a five step process, in which the volume of sales and the time or the period of implementation can be determined. The model is as follows: Identification of the customer contract, identification of the individual performance obligations, determination of the transaction price, allocation of the transaction price to the separate contractual obligations, and the realization of revenue when individual contractual obligations are fulfilled. Furthermore, the new standard requires future qualitative and quantitative disclosures which go far beyond the current regulations. IFRS 15 is to be applied to fiscal years starting on or after January 1, 2018. Early application is permitted; however, we do not intend to apply the standard early. In the reporting year, we have continued to analyze the extent to which the application of the new standard might affect our revenue recognition accounting. Bundle offers may in some cases lead to an earlier recognition of revenues, since instead of using the residual value method (see note (3b)) a price reduction included in the bundle offer shall also be allocated to the goods and services still to be rendered in proportion to their fair values. Furthermore, in the case of longer-termed contracts, expenses to obtain those contracts may be capitalized, thereby shifting the recording of expenses to subsequent periods. At this point in time, the effects of the new standards on our financial reporting cannot be quantified in a conclusive and complete manner. Nonetheless, we assume that the application of the new standard as a whole will not have any significant effects on revenue recognition at company level as well as at segment level.

In January 2016, IASB published IFRS 16, “Leasing”. IFRS 16 replaces IAS 17 “Leasing relationships” and the associated interpretations. According to the new regulation, lessees are required to account for all leases in the form of a right of use, and a corresponding leasing liability. A leasing relationship exists if the fulfillment of the contract depends on the use of an identifiable asset, and the customer simultaneously acquires control of this asset. The presentation in the profit and loss account is essentially a financing transaction, so that the right of use usually depreciates in a linear manner, and the leasing liability is updated in accordance with the effective interest method. Leases with a total term of a maximum of twelve months, and leases of so-called low-value assets (purchase price of up to USD 5,000) are excluded from this principle. In such cases, the lessee has the option of selecting an accounting method which is similar to that of the previous operating lease. IFRS 16 is to be applied to fiscal years starting on or after January 1, 2019. Early application is permitted, as long as IFRS 15 has already been applied. We plan an early application as of January 1, 2018. The adoption of IFRS 16 into European law is still pending. The ongoing review of the impact of the new standard on our accounting has already shown that the new rules affect in particular the accounting and measurement of rental and leasing items, which are currently classified as operating leases. These mainly comprise leased office spaces, leased vehicles and other leased operational and business equipment, which will lead to the recognition of respective rights of use and corresponding leasing liabilities in the future, although we will apply the maturity-specific and valuation-specific simplification rules mentioned above. The future minimum lease payments from operating leases are disclosed in note (40), but at the present time, we cannot provide any conclusive and complete information on the effects of the new rules on our financial reporting.

Furthermore, IASB and IFRS IC have published additional pronouncements that have had, or will have, no material influence on our 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 January 1, 2015	1,674.7	159.9	1,927.4	3,762.0
Initial consolidation	446.0	27.0	476.9	949.9
Deconsolidation	–19.9	–13.0	–67.2	–100.1
Currency effects	36.6	3.2	37.5	77.3
Additions	44.9	39.4	0.0	84.3
Disposals	–10.4	–0.7	–0.3	–11.4
Transfers	–159.8	–7.1	–96.4	–263.3
Balance as of December 31, 2015	**2,012.1**	**208.7**	**2,277.9**	**4,498.7**
Initial consolidation	210.6	9.9	168.8	389.2
Deconsolidation	–23.7	–4.5	–8.9	–37.2
Currency effects	–12.4	–8.7	–13.2	–34.3
Additions	35.2	64.9	0.0	100.1
Disposals	–9.8	–2.3	0.0	–12.0
Transfers	–20.9	20.9	0.0	0.0
Balance as of December 31, 2016	**2,191.1**	**288.9**	**2,424.6**	**4,904.5**
Depreciation, amortization, and impairments				
Balance as of January 1, 2015	435.0	84.8	73.2	593.0
Deconsolidation	–4.2	–11.1	–22.4	–37.8
Currency effects	7.9	1.7	1.7	11.3
Additions	104.8	36.9	0.0	141.6
Disposals	–9.4	–0.7	0.0	–10.0
Transfers	–64.8	–8.3	–23.3	–96.4
Balance as of December 31, 2015	**469.2**	**103.4**	**29.1**	**601.7**
Deconsolidation	–12.1	–1.9	0.0	–14.0
Currency effects	–5.9	–5.3	1.0	–10.2
Additions	127.7	48.7	0.0	176.4
Disposals	–9.5	–2.1	0.0	–11.6
Transfers	–4.1	4.1	0.0	0.0
Balance as of December 31, 2016	**565.3**	**146.8**	**30.1**	**742.2**
Carrying amounts				
Balance as of December 31, 2016	1,625.8	142.0	2,394.4	4,162.3
Balance as of December 31, 2015	1,542.9	105.4	2,248.8	3,897.0

The purchased rights and licenses mainly comprised title rights, trademarks, and customer relationships. The internally generated intangible assets mainly consisted of software solutions and websites.

The reclassifications in the prior year consisted almost exclusively of the classification as assets held for sale (see note (11)).

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					
2016	**Goodwill**	**Other intangible assets with indefinite useful life**	**Total**	**Discount rate (before tax)**	**Discount rate (after tax)**	**Growth rate**
SeLoger	463.4	131.8	595.2	10.0 %	7.6 %	2.5 %
Business Insider	237.1	165.8	402.9	9.4 %	7.3 %	2.5 %
Ringier Axel Springer Media	192.4	206.2	398.6	8.2 %	7.2 %	2.5 %
StepStone	235.8	141.1	377.0	9.5 %	7.7 %	2.5 %
AuFeminin	166.2	55.5	221.6	11.4 %	8.6 %	2.5 %
eMarketer	131.7	82.9	214.6	10.1 %	7.3 %	2.5 %
Immowelt	142.1	56.1	198.1	8.6 %	6.8 %	2.5 %
Yad2	138.2	56.6	194.8	10.1 %	8.3 %	2.5 %
Zanox	148.9	0.0	148.9	10.6 %	8.4 %	2.5 %
Others	538.6	226.8	765.4	6.4 % –10.8 %	5.0 % –8.6 %	1.5 % – 2.5 %
Total	**2,394.4**	**1,122.8**	**3,517.2**			
Thereof Classifieds Ad Models	1,278.8	589.8	1,868.5			
Thereof Paid Models	647.9	459.2	1,107.1			
Thereof Marketing Models	467.2	73.8	540.9			

	€ millions					
2015	**Goodwill**	**Other intangible assets with indefinite useful life**	**Total**	**Discount rate (before tax)**	**Discount rate (after tax)**	**Growth rate**
SeLoger	471.5	131.8	603.2	10.8 %	8.0 %	2.5 %
Ringier Axel Springer Media	198.3	210.8	409.1	9.2 %	7.9 %	2.5 %
StepStone	242.3	150.1	392.4	10.9 %	8.8 %	2.5 %
Business Insider	230.4	161.0	391.4	10.4 %	8.0 %	2.5 %
AuFeminin	166.4	54.7	221.1	11.7 %	8.8 %	2.5 %
Immowelt	142.1	55.8	197.8	9.2 %	7.3 %	2.5 %
Yad2	132.0	54.0	186.0	10.6 %	8.5 %	2.5 %
Zanox	157.0	27.2	184.2	11.1 %	9.0 %	2.5 %
Others	509.0	173.4	682.4	7.6 % – 11.1 %	5.8 % – 8.3 %	1.5 % – 2.5 %
Total	**2,249.0**	**1,018.7**	**3,267.7**			
Thereof Classifieds Ad Models	1,258.2	543.0	1,801.2			
Thereof Paid Models	516.9	375.6	892.5			
Thereof Marketing Models	473.3	100.1	573.4			

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

€ millions	**12/31/2014**	**Initial consolidation**	**Deconsolidation**	**Currency effects**	**12/31/2015**	**Initial consolidation**	**Deconsolidation**	**Currency effects**	**12/31/2016**
SeLoger	465.6	5.9	0.0	0.0	471.5	0.0	–8.0	0.0	463.4
Business Insider	0.0	227.8	0.0	2.6	230.4	0.0	0.0	6.7	237.1
StepStone	226.6	8.1	0.0	7.6	242.3	12.1	0.0	–18.6	235.8
Ringier Axel Springer Media	187.2	10.3	–0.5	1.3	198.3	0.0	0.0	–5.8	192.4
AuFeminin	162.7	22.8	–20.1	1.0	166.4	0.0	0.0	–0.2	166.2
Zanox	153.4	0.0	0.0	3.6	157.0	0.0	0.0	–8.1	148.9
Immowelt	11.9	130.1	0.0	0.0	142.1	0.0	0.0	0.0	142.1
Yad2	107.5	11.2	0.0	13.3	132.0	0.0	0.0	6.2	138.2
eMarketer	0.0	0.0	0.0	0.0	0.0	125.5	0.0	6.3	131.7
Total	**1,314.9**	**416.2**	**–20.6**	**29.4**	**1,740.0**	**137.5**	**–8.0**	**–13.6**	**1,855.8**

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

The medium-term planning of **SeLoger** is based on the assumption of a moderate growth of the online real estate advertising market in France, strengthening brand awareness and differentiation characteristics in a competitive market environment, focusing marketing activities on the goal of improving market penetration particularly in regions outside Paris, a rise in the average revenue per customer, and accelerating growth in vertical niche portals by increasing market share.

The medium-term planning of **Business Insider** is based on the assumption that sales will grow significantly. This growth shall predominantly be triggered by the further development of the Business Insider brand portfolio (such as INSIDER, Markets Insider), the fee-based market research offering ("BI Intelligence") and the expansion into new international markets. The main revenue streams are those from advertising. In order to reasonably consider in the cash flow projections the period of developing the company acquired in the reporting period to stable conditions, we have used a detailed planning period of nine years, thereby exceeding the period normally applied. We imply in our planning assumptions that Business Insider is well-positioned with its competencies in Video and Mobile and in native and programmatic advertising formats and will benefit from the growth in the US advertising market.

In the medium-term planning of **Ringier Axel Springer Media**, we assume that our digital content offerings will increasingly and sustainably participate in the structural shift from print to digital channels and that our digital business models will gain in importance in the areas of paid-content models and classified ad models in the long-term. However, the revenue streams in sales and in the print advertising market will come under increasing pressure in the coming years. It will be possible to at least partly compensate for the declining circulation figures by price increases. With a strict cost management in the print business it shall be possible to largely maintain profitability.

In the medium-term planning of the **StepStone Group**, we assume that the anticipated development of the economy will still have a positive impact on the labor market. The assumptions made include increasing revenues in our European and South African core markets as well as in our Latin American markets. The respective market positions are to be expanded and strengthened particularly through the further development of the product portfolio and the expansion of the system landscape, but also by intensified marketing measures (online as well as offline) to further strengthen the Candidate Delivery. We expect the returns to remain at a high level.

The focus of the strategy of the **aufeminin Group** is the further development of various growth pillars to strengthen the market position in Europe as well as in the USA. The user groups of aufeminin's video, mobile and social media offers are monetized by programmatic advertising, e-commerce (e.g. subscription boxes) in Europe, native advertising and brand publishing.

The medium-term planning of **eMarketer** is based on the assumption that revenue per corporate customer can be significantly increased, in particular by a higher user volume. Additional growth potential lies in the internationalization as well as in thematic extensions of the offerings in order to gain further customers from industries affected by digitization. In the area of advertising revenues, growth shall be achieved through the expansion of the advertising inventory.

The medium-term planning of the **Immowelt Group** is based on the assumption of an ongoing successful combining of Immowelt’s and Immonet’s customers within the process of merging these two companies in the year 2015. For this, a stable status on the German real estate market and ongoing competition is assumed. In order to strengthen brand awareness, further investments in marketing measures are planned for the coming years.

Yad2's medium-term planning is based on the assumption of a generally stable political environment in Israel with moderate overall growth rates. Yad2 is profiting from a high brand awareness and a resulting good market position. It is expected that in particular a growing real estate market as well as an increase in customers, particularly in the auto segment, will contribute to rising revenues. Further growth is expected from the Drushim job portal, which also benefits from synergies with Yad2.

The medium-term planning of the **zanox Group** is based on the assumption that the market position in the core markets of Germany and Western Europe but also in the USA will be expanded among other things through a continuous further development of the offered product portfolio for the advertisers, inter alia through the already advanced integration of Zanox and Digital Window platforms, as well as binding measures for the connected publishers.

The recoverable amount was determined as the value in use for all reporting units; in the previous year, for the reporting units Ringier Axel Springer Media and Zanox the fair value less costs to sell was calculated additionally.

In the course of a sensitivity analysis, we have assumed separately for each of our large reporting units a 10 % decrease of future cash flows in the last planning year, a 10 % increase of the weighted average costs of capital or a decrease of the terminal growth rate by half a percentage point. On this basis, no reporting unit (PY: solely the reporting unit Zanox) showed that its carrying amount of the assets exceeded its recoverable amount. As of December 31, 2015, the surplus between the recoverable amount and the carrying amount of the reporting unit Zanox totaling € 22.0 million would have reduced to zero if the material measurement parameters would have changed as follows:

2015	Increase of discount rate (before taxes) to	Increase of discount rate (after taxes) to	Reduction of growth rate to	Reduction of cash flow in the fifth year of medium-term planning by
Zanox	11.9 %	9.6 %	1.8 %	−9.9 %

Goodwill allocated to the other reporting units of the Group and intangible assets with indefinite useful lives of € 765.4 million (PY: 682.4 million) amounted to less than 5% (PY: 5%) of the total value. In the course of a sensitivity analysis, we have assumed separately for each of our other reporting units a 10 % decrease of future cash flows in the last planning year, a 10 % increase of the weighted average costs of capital or a decrease of the terminal growth rate. As in the previous year, no impairment was indicated for any of the other reporting units.

(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	Construction in progress	Total
Acquisition or production cost					
Balance as of January 1, 2015	435.8	531.3	211.6	13.1	1,191.8
Initial consolidation	0.2	0.0	3.8	−0.1	3.9
Deconsolidation	0.0	−1.2	−6.0	0.0	−7.2
Currency effects	0.1	0.1	1.3	0.0	1.6
Additions	1.9	4.1	22.6	24.0	52.5
Disposals	−23.6	−5.5	−4.1	0.1	−33.0
Transfers	1.8	6.4	−7.0	−14.4	−13.2
Balance as of December 31, 2015	**416.2**	**535.2**	**222.3**	**22.7**	**1,196.4**
Initial consolidation	3.9	0.0	6.3	0.0	10.3
Deconsolidation	0.0	0.0	−4.6	0.0	−4.6
Currency effects	−0.5	2.3	−3.2	0.0	−1.4
Additions	1.1	4.2	22.5	31.2	59.1
Disposals	−0.1	0.0	−1.2	0.0	−1.3
Transfers	3.2	1.1	1.4	−2.5	3.1
Balance as of December 31, 2016	**423.8**	**542.9**	**243.5**	**51.3**	**1,261.5**
Depreciation, amortization, and impairments					
Balance as of January 1, 2015	144.3	377.4	146.6	−0.1	668.2
Initial consolidation	0.0	0.0	0.1	0.0	0.1
Deconsolidation	0.0	−0.4	−4.8	0.0	−5.2
Currency effects	−0.1	0.1	2.1	0.0	2.1
Additions	8.8	21.9	26.5	0.0	57.3
Disposals	−13.0	−5.3	−3.1	0.1	−21.3
Transfers	0.2	−0.6	−11.8	0.0	−12.2
Balance as of December 31, 2015	**140.3**	**393.1**	**155.6**	**0.0**	**689.0**
Deconsolidation	0.0	0.0	−3.5	0.0	−3.5
Currency effects	0.2	2.8	−2.2	0.0	0.7
Additions	8.8	21.6	25.0	0.0	55.4
Transfers	0.5	0.0	0.0	0.0	0.5
Balance as of December 31, 2016	**149.8**	**417.5**	**174.9**	**0.0**	**742.1**
Carrying amounts					
Balance as of December 31, 2016	274.0	125.4	68.6	51.3	519.2
Balance as of December 31, 2015	275.9	142.1	66.7	22.7	507.5

As of December 31, 2016, property, plant and equipment with acquisition or production cost of € 298.5 million (PY: € 276.3 million) were in use, that had already been fully depreciated.

At the balance sheet date, property, plant, and equipment amounting to € 35.7 million (PY: € 35.3 million) had been pledged as security for own liabilities.

As of December 31, 2016, the carrying amount of property, plant, and equipment as part of finance leases was € 0.8 million (PY: € 1.4 million).

The additions in the reporting year with respect to the construction in progress amounting to € 26.3 million (PY: € 10.5 million) relate to the new Axel Springer headquarter building (see note (40)).

(6) Investment property

The development of the office and retail spaces in Berlin leased to third parties was as follows:

€ millions	**Investment property**
Acquisition or production cost	
Balance as of January 1, 2015	42.9
Transfers	–3.5
Balance as of December 31, 2015	**39.4**
Transfers	–3.1
Balance as of December 31, 2016	**36.3**
Depreciation, amortization, and impairments	
Balance as of January 1, 2015	11.6
Additions	0.9
Transfers	–1.4
Write-ups	–4.9
Balance as of December 31, 2015	**6.2**
Additions	0.8
Transfers	–0.5
Balance as of December 31, 2016	**6.5**
Carrying amounts	
As of December 31, 2016	29.8
As of December 31, 2015	33.2

Due to increased own use of office space in the reporting year, reclassifications with carrying amounts totaling € 2.6 million (PY: € 2.1 million) from investment property to property, plant and equipment took place.

The fair value of investment property as of December 31, 2016 totaled € 40.2 million (PY: € 36.1 million). The valuation carried out by ourselves took place on the basis of forecasted net cash flows using the DCF method. The calculation was based on a discount rate of 5.4 % (PY: 6.1 %) and a terminal growth rate of 4.4 % (PY: 5.1 %). In the previous year, write-ups totaling € 4.9 million were reported under other operating income in the Services/Holding segment.

In the reporting year, rental income of € 2.4 million (PY: € 3.0 million) was generated, with corresponding directly attributable operating expenses of € 0.4 million (PY: € 0.7 million). As in the prior year, directly attributable expenses for non-rented space of less than € 0.1 million were incurred.

The future minimum lease payments from investment property broke down as follows:

€ millions	**2016**	**2015**
Due in up to one year	1.8	1.8
Due in one to five years	4.7	5.7
Due in more than five years	1.0	1.2
Total	**7.5**	**8.7**

(7) Non-current financial assets

(a) Investments recognized using the equity method

At the beginning of January 2016, we have finalized – together with Ringier – the establishment of the company Ringier Axel Springer Schweiz AG, Zurich, Switzerland (see note (2c)), in which we have a legal share of 50 %. The company combines all Swiss-German and West Swiss magazine titles (including their associated online portals) as well as the West Swiss broadsheet Le Temps from Ringier and the entire Swiss business from Axel

Springer. We account for our investment in this associated company using the equity method. Due to special contractual arrangements with regard to profit participation, the share of the total comprehensive income attributable to us diverges from the legal share. The same applies in the event of the disposal of the investment, for which our share is 35 %.

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

€ millions	2016
Revenues	**255.2**
Income after taxes	8.1
Other income/loss	−2.5
Comprehensive income	**5.6**

€ millions	12/31/2016
Current assets	86.1
Non-current assets	525.8
Current liabilities	−106.9
Non-current liabilities	−98.5
Net assets	**406.6**

At the date of its establishment, the fair value of our investment amounted to € 140.2 million (see note (2c)). Of the total comprehensive income, an amount of € 3.5 million is attributable to our share. As of December 31, 2016, thus we disclose a carrying amount of € 143.7 million for our investment.

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

€ millions	2016	2015
Carrying amount	**77.2**	**91.6**
Share attributable to Axel Springer SE:		
Income from continued operations	−7.9	−6.5
Other income/loss	0.0	0.0
Comprehensive income	**– 7.9**	**– 6.5**

The decrease in the carrying amounts stems primarily from the disposal of Thrillist Media Group Inc. (see note (7b)).

Proportionate net income to be recognized in income from investments were not recorded in the amount of € -0.5 million (PY: € 0.0 million), since the respective net investment had been impaired in the reporting year.

(b) Other non-current financial assets

The other non-current financial assets particularly included an amount of € 146.3 million (PY: € 203.8 million) relating to options secured by bank guarantees for the sale of our shares in Doğan TV ("put options"). In the reporting year, we sold around 2.3 % of our shares through exercising our respective options at a price of € 55.3 million. No effect on income was recognized. The valuation of the put options at the balance sheet date is based on the discounted payment claim deriving from the agreed option rights, minus all costs to be incurred. The discount rates were determined according to the duration of the put options and the default risk, taking into account the granted bank guarantees.

Also included are the shares of approximately 13 % in Group Nine Media Inc. (€ 72.3 million) added in the reporting year which we received in connection with the disposal of our shares in Thrillist Media Group Inc. and NowThis Media Inc.

In addition, other non-current financial assets mainly included other investments and other loans.

In the reporting year, we received the premature repayment of the subordinated vendor loan, including capitalized interest, from the FUNKE Mediengruppe totaling € 247.9 million, which was granted in 2014 in connection with the sale of our domestic regional newspapers, as well as program and women's magazines.

(8) Inventories

The inventories broke down as follows:

€ millions	12/31/2016	12/31/2015
Raw materials and supplies	15.4	13.9
Semi-finished goods	1.0	0.6
Finished goods and merchandise	5.2	5.6
Inventories	**21.6**	**20.1**

Inventories of € 10.1 million (PY: € 9.7 million) were valued at their net realizable value. The write-downs for these assets as of December 31, 2016 totaled € 3.0 million (PY: € 2.6 million), of which € –1.6 million (PY: € –0.4 million) were recognized in income in the reporting year.

(9) Trade receivables

The trade receivables broke down as follows:

€ millions	12/31/2016	12/31/2015
Trade receivables, nominal	640.0	597.7
Allowances for doubtful trade receivables	–25.4	–26.8
Trade receivables	**614.6**	**570.9**

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

€ millions	2016	2015
Balance as of January 1	26.8	26.4
Additions	4.8	6.0
Reversals	–2.5	–1.7
Utilization	–2.0	–2.2
Disposal due to deconsolidation	–1.6	–2.2
Other changes	–0.1	0.5
Balance as of December 31	**25.4**	**26.8**

As of December 31, 2016, receivables in the amount of € 424.1 million (PY: € 413.3 million) were neither past due nor subject to valuation allowances. With regard to these receivables, there were no indications at the reporting date that would suggest that the customers would not fulfill their payment obligations.

The past-due trade receivables at the reporting date for which no valuation allowances have been charged are presented in the table below:

€ millions	12/31/2016	12/31/2015
up to 30 days	46.3	48.0
31 to 90 days	23.1	21.8
91 to 180 days	6.5	5.3
181 to 360 days	3.6	5.3
361 days and longer	5.0	2.5

(10) Other assets

The other assets broke down as follows:

€ millions	12/31/2016	12/31/2015
Reimbursement claim for pension obligations	26.6	27.4
Derivatives	0.6	5.1
Other	63.5	43.7
Other financial assets	**90.7**	**76.2**
Thereof current	58.1	47.6
Thereof non-current	32.6	28.6
Advance payments	33.9	24.5
Receivables from other taxes	23.7	16.8
Other	12.6	10.8
Other non-financial assets	**70.2**	**52.1**
Thereof current	63.2	48.6
Thereof non-current	6.9	3.5
Other assets	**160.9**	**128.3**
Thereof current	121.3	96.2
Thereof non-current	39.5	32.1

Regarding the reimbursement right concerning the pension obligations, see note (14).

The miscellaneous financial assets particularly included a purchase price claim for the final instalment regarding the sale of the office building in Hamburg, debit balances in accounts payable, security deposits, and receivables from the insolvency proceedings against the Kirch Group.

(11) Assets held for sale

The assets held for sale and the related liabilities disclosed in the previous year as shown in the following table have been completely disposed of in the reporting year:

	12/31/2015	
€ millions	**Assets**	**Liabilities**
Axel Springer Switzerland	178.8	72.4
CarWale	20.8	20.7
Office building Hamburg (part I)	105.2	67.7
Office building Hamburg (part II)	6.3	0.0
Held for sale	**311.1**	**160.8**

In September 2015, Ringier and Axel Springer jointly decided to set up a company in Switzerland (Ringier Axel Springer Schweiz AG), which was, like the sale of our shares in Automotive Exchange Private Limited, Mumbai, India (CarWale), completed in January 2016. For the assets and liabilities disposed of, see note (2c).

The sale of the office building complex in Hamburg took place at the beginning of January (building part I) and at the beginning of August 2016 (building part II). The purchase price for building part I amounted to € 130.6 million, of which a partial amount of € 115.6 million was already collected in the previous year and recorded as an other obligation from down payment (see notes (17) and (30)). The remaining amount (€ 15.0 million) was not due as of December 31, 2016. A portion of the purchase price of € 67.5 million was attributable to the plan assets formed for our pension obligations and was transferred accordingly in January 2016. The remaining carrying amount of building part I (€ 105.2 million) as well as the associated liability from finance lease (€ 67.7 million) were derecognized. At the disposal date a provision (€ 25.9 million) was recognized for the remaining reconstruction measures; no gain or loss was recorded upon disposal. The sale of building part II was finalized at a purchase price of € 80.5 million, resulting in an income from disposal of € 71.3 million, which was recognized under other operating income (see note (20)).

(12) 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 (PY: € 107.9 million) is divided into 107,895,311 (PY: 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. For information on the capital increase carried out in the previous year, see note (12b).

(b) Authorized capital

The annual shareholders' meeting of April 14, 2015 allowed the Executive Board, with the approval of the Supervisory Board, to increase the share capital until April 13, 2020 by up to € 11,000,000 through the issue of newly registered shares in return for cash and/or contributions in kind (authorized capital). With the approval of the Supervisory Board, the Executive Board can waive the subscription right of the shareholders in case of a capital increase against contributions in kind.

By resolution of the Executive Board of Axel Springer SE of December 3, 2015, and the approval of the Supervisory Board of the same date, the subscribed capital was increased by € 8,955,311 to € 107,895,311 through the issue of 8,955,311 registered shares with profit participation from January 1, 2015 onwards. The capital increase was carried out against contributions in kind excluding subscription rights. The according commercial register entry was carried out on December 9, 2015. The new shares were issued in consideration for the acquisition of company shares (see note (2c)). The value of the contributions in kind totaled € 462.9 million; the resulting premium in the amount of € 453.9 million was assigned to paid-in capital.

As of December 31, 2016, the remaining authorized capital remained unchanged as compared to the previous year totaling € 2,044,689.

(c) Additional paid-in capital

The additional paid-in capital (€ 500.1 million, PY: € 499.8 million) mainly consists of the share premium achieved from the capital increase against contributions in kind from the previous year and the amount of imputed compensation for the share-based payment programs (see note (13)).

(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 € 194.2 million (PY: € 178.1 million) or € 1.80 (PY: € 1.80) per qualifying share for the previous reporting year. For the reporting year 2016, the Executive Board and the Supervisory Board propose to distribute a dividend of € 1.90 per share entitled to the dividend, in total representing approximately € 205 million in expected payments. Payment of the proposed dividend is contingent upon approval at annual shareholders' meeting on April 26, 2017.

Moreover, transactions with shareholders are recognized within the accumulated retained earnings. In the reporting year, the acquisition of non-controlling interests in Land & Leisure AS (see note (2c)) and the concluded option agreement to acquire the remaining shares in the zanox Group (see note (2c)) led to a decrease of the accumulated retained earnings.

(e) Treasury shares

As of December 31, 2016, as in the prior year, we did not hold any treasury shares.

Within a stock option program in the previous year, 127 thousand treasury shares were issued at their fair value on the date of issue in the amount of € 51.31 by conversion of variable compensation tied to performance of the employees of the Group. In the previous year, personnel expenses of € 2.7 million were incurred by granting increases in the conversion amounts, which were in each case covered by provisions. To service the program, treasury shares with a fair value of € 6.5 million were acquired; shares that were not required were subsequently sold on the market at a fair value of less than € 0.1 million. Acquisition, issuing and the sale of treasury shares had no effect on the level of equity.

(f) Accumulated other comprehensive income

At the balance sheet date, accumulated other comprehensive income mainly comprised actuarial gains and losses from employer pension plans of € –120.4 million (PY: € –95.2 million). This includes actuarial losses (after taxes) of € 5.1 million, which were reclassified into accumulated retained earnings as a result of the deconsolidation of the entire Swiss business from Axel Springer (see note (2c)).

Primarily due to the sale of investments and furthermore due to capital repayments from net investments in foreign companies, the unrealized gains and losses from foreign exchange conversions previously recognized under other comprehensive income in the total amount of € 40.2 million (PY: € 7.8 million) were reclassified into the income statement.

(g) Non-controlling interests

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

€ millions	12/31/2016	12/31/2015
Ringier Axel Springer Media Group	243.7	234.0
Immowelt Group	70.9	71.9
zanox Group	0.0	46.6
Other companies	106.5	96.3
Non-controlling interests	**421.2**	**448.8**

As of December 31, 2016 the non-controlling interests in Ringier Axel Springer Media amounted to 50.0% (PY: 50.0%), whilst their share in the Group net income amounted to € 13.2 million (PY: € 15.4 million). As in the previous year, there were no distributions in the reporting year.

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

€ millions	2016	2015
Revenues	267.4	275.0
Net income	24.8	31.4
Comprehensive income	13.6	35.2
Current assets	133.0	112.7
Non-current assets	503.2	518.5
Current liabilities	109.4	111.2
Non-current liabilities	36.0	40.1
Cash flow from operating activities	44.0	43.1
Cash flow from investing activities	–39.7	–45.6
Cash flow from financing activities	–2.9	–61.2

Regarding the option agreement to acquire the remaining 47.5% shares in the zanox Group see note (2c).

(13) Share-based payment

In the reporting year, the expenses recorded for share-based payment programs amounted to € –7.9 million (PY: € –13.3 million). These effects were attributable to equity-settled programs with an amount of € –0.2 million (PY: € –0.5 million) and to cash-settled programs with an amount of € –7.7 million (PY: € –12.8 million). The liability recorded for share-based payments concerns especially the following stock option plans and totaled € 15.1 million (PY: € 29.6 million).

Members of the Executive Board and selected executives (beneficiaries) were granted various **virtual stock option plans**, the fundamental parameters of which are described below:

	Virtual stock option plans				
	Executive Board Program			Senior Executive Program	
	2012	2014 I	2014 II	2011 II	2014
Grant date	01/01/2012	01/01/2014	09/01/2014	10/01/2011	03/01/2014
Term in years	6	6	6	6	5
Qualifying period in years	4	4	4	4	3
Option rights granted	450,000	205,313	675,000	472,500	60,000
Underlying (€)	30.53	44.06	44.56	35.00	46.80
Maximum payment (€)	61.06	88.12	89.12	70.00	93.60
Value at grant date (€)	5.26	6.69	6.26	2.31	8.14
Total value at grant date (€ million)	2.4	1.4	4.2	1.1	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 to the relevant senior executive may become vested. If the authorized senior executive's employment with the company ends before the end of the vesting period, but is at least one year after the grant date, the stock options are vested on a prorated basis in relation to the vesting period (Executive Board program), up to one half (senior executive program 2014), or to one quarter per elapsed year of the vesting period (senior executive program 2011 II).

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

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

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

The value of the options was determined by application of a Black-Scholes model in a Monte Carlo simulation at the grant date. The options will be remeasured at each reporting 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	
	2012	2014 I	2014 II	2011 II	2014
01/01/2015	393,750	205,313	675,000	472,500	60,000
Exercise	0	0	0	0	0
Lapse	0	0	0	0	0
12/31/2015	**393,750**	**205,313**	**675,000**	**472,500**	**60,000**
Exercise	−393,750	0	0	−471,650	0
Lapse	0	0	0	−850	0
12/31/2016	**0**	**205,313**	**675,000**	**0**	**60,000**

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

	Virtual stock option plans				
	Executive Board Program			Senior Executive Program	
€ millions	2012	2014 I	2014 II	2011 II	2014
Expenses/Income 2016	**1.7**	**0.5**	**0.9**	**0.5**	**0.2**
Expenses/Income 2015	−2.9	−0.3	−2.2	−3.8	−0.1
Carrying amount as of 12/31/2016	**0.0**	**0.7**	**2.3**	**0.0**	**0.1**
Carrying amount as of 12/31/2015	8.6	1.2	3.2	8.4	0.3

In addition to the virtual stock option plans, as of May 1, 2016, current members of the Executive Board were granted a new long-term variable remuneration in the form of a **long-term incentive plan** ("LTIP“) with a duration – including lock-up periods – until 2023. The LTIP stipulates a participation in the increase in the company value, measured on the basis of market capitalization. It will be distributed in the form of a cash bonus and contains a subsequent obligation to purchase Axel Springer shares in the corresponding amount.

The compensation entitlement requires market capitalization of Axel Springer SE to increase by at least 40% within three, four, and maximally five years (respective "performance periods"). No claim for compensation can be made below this threshold. In the event of targets being achieved, the whole Executive Board is entitled to payment amounting to a total of 4% of the increase in market capitalization. The compensation entitlement will increase only up to a growth in market capitalization by maximally 60%.

The increase in market capitalization will be calculated on a basis of share price developments of the Axel Springer share within 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 payments 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. Should targets be met prematurely after three years, each Executive Board member will have the option to request payout amount I. Payout amount II will then only be remunerated after targets are once again met after four or five years, and after a lock-up period of two, or one year respectively.

The net amount of all payouts (after the Executive Board members’ taxes and duties are paid) in each case has to be fully invested in Axel Springer shares by the Executive Board member. Regarding the shares acquired with payout amount I, or II respectively, the Executive Board member has to retain the shares for a minimum of two years, or one year respectively. The LTIP contains the usual provisions for early resignation. Thus, all non-contractual claims paid under the LTIP lapse if the member of the Executive Board leaves the Executive Board at his own request before expiry of the waiting period.

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

The value of the LTIP at the grant date was calculated on the basis of a stochastic model for the valuation of share option rights at € 32.1million. The computational remuneration component for the financial year 2016 recorded in personnel expenses amounted to € 3.5 million for all members of the Executive Board. A liability was recognized in the corresponding amount.

For the stock options program for employees of the Group see note (12e).

Various free share and stock option programs existed at our subsidiary **SeLoger** on the acquisition date. They provided for granting or exercise by the right holders from the years 2009 to 2013 onwards, linked with a subsequent holding period of two years. The stock options with a weighted average purchase price of € 20.93 expire in 2017 until 2019. The right holders were offered call and put options as part of the acquisition of SeLoger for transferring all shares from these programs (up to a maximum of 525 thousand) to Axel Springer in return for a cash payment. The call and put options are not linked to any market-related or company-related or any other conditions and vest immediately after the issuance of the shares to the employees. The purchase price upon exercise amounts to € 38.05 (squeeze-out price) multiplied by the ratio of the volume-weighted 1-month-average rate of the Axel Springer share on the last day of trading prior to exercise of the options to the volume-weighted 1 month-average rate of the Axel Springer share on the last trading day before squeeze-out (€ 36.15 when taking the share split of 2011 into account).

Following the principle of substance over form, the programs are treated by us as virtual stock option programs granting a payment claim in the amount of the difference between the exercise price and the purchase price. Measurement at the grant date is based on the Black-Scholes model or the current share price, considering future dividends. The weighted average fair value at the date of exercise of the options was €28.83 per virtual stock option or €15.1 million in total. The virtual options will be remeasured on each reporting date and recognized proportionally in accordance with the vesting that has now completely occurred. In the reporting year, all options were exercised, settled by payment and the programs closed.

The development of the virtual options is shown below:

in thousands	2016	2015
Option rights as of January 1	4	192
Exercise	–4	–188
Option rights as of December 31	**0**	**4**

€ millions	2016	2015
Personnel expenses	0.0	–0.9
Other operating income (+) / expenses (-)	0.0	0.0
Liabilities as of December 31	0.0	0.1

Our subsidiary **AUFEMININ SA** has granted its senior executives option rights to be settled with shares in AUFEMININ SA as well as free shares.

In August 2016, senior executives were given the right to receive a total of 63 thousand free shares in AUFEMININ SA. The fair value of a free share at the grant date was € 26.56 and was based on the current share price on the stock market taking into account expected dividends. The free shares will become fully vested two years after the grant date, provided that the relevant earnings targets (EBITDA 2016 and EBITDA 2017) have been reached. As of the balance sheet date, the weighted average remaining term of the free shares was two years.

In November 2013 and November 2010, 300 thousand stock options were offered for acquisition of one share of AUFEMININ SA, each with an exercise price of € 26.19 and € 17.15 respectively were issued to senior executives. These options vested upon expiration of the first (50%) and second (50%) years after the grant date, insofar as the earnings target established for the individual tranche (EBITDA for the fiscal year prior to the year of vesting) was achieved. Once they have vested, the options can be exercised for a total of five (50%) or four (50%) years. 99 thousand stock options granted in April 2008, each one entitling the holder to purchase one share of AUFEMININ SA (exercise price: € 20.46), have become vested in equal annual instalments over a period of four years. The option grant is not conditioned on any further earnings or market conditions. These options can be exercised for the first time at the end of the fourth year after the options were granted and for a total of four years thereafter.

The number of options and the weighted average exercise price developed as follows:

	2016		2015	
	Options in thousands	Exercise price[1] in €	Options in thousands	Exercise price[1] in €
Balance as of January 1	441	23.32	557	21.62
Lapse	–67	24.00	–6	8.94
Exercise	–124	17.16	–110	15.50
Balance as of December 31	**250**	**26.19**	**441**	**23.32**
Thereof exercisable	250	26.19	441	23.32

[1] Weighted average exercise price.

The weighted average stock price at the date of exercise of the stock options during the financial year was € 28.94 (PY: € 25.57). The exercise price for options outstanding at the balance sheet date was € 26.19 (PY: between € 17.15 and € 26.19). As in the previous year, the weighted average remaining term of the options was three years.

The compensation expense for option rights and free shares recognized in personnel expenses amounted to € 0.2 million in the reporting year (PY: € 0.5 million); the additional paid-in capital was increased accordingly.

Upon closing date of the acquisition with respect to the majority shareholding in **Business Insider** at the end of the previous year (see note (2c)), both management board members of Business Insider were granted a total of 21,952 new stock options to acquire shares in Business Insider Inc. as a replacement for an existing stock option program. The new stock options are vested over a period of ten years. 30 % of these granted stock options become vested after three years and subsequently, a further 10 % of the granted stock options become vested each year over the remaining vesting period. The option rights become exercisable once they are vested until the end of the total period of 10 years after grant date. The exercise of the options is not dependent upon any other earnings or market conditions. Should the employment relationship with the two management board members be terminated after the first three years, there is – depending on the reason for the termination – a purchase obligation on the side of Axel Springer or rather a right to acquire the shares arising from the options which have vested. Within a three-month period after the total period of ten years, the management board members are entitled to tender all shares that have been obtained through the options to Axel Springer at fair value on exercise date, which leads to an irrevocable obligation to be settled in cash. Thus, it is a cash-settled share-based payment.

At grant date, the fair value of these stock options was € 12.9 million. A partial amount of € 7.4 million of the fair value of the options was treated as consideration transferred in the course of the initial consolidation for the acquisition (see note (2c)). The remaining fair value of € 5.5 million was classified as remuneration for the continuing employment of the board members of Business Insider. The fair value was determined on the basis of an option pricing model using a Monte Carlo simulation, taking into account the strike price of the options, the risk-free interest rate and the expected dividends; the volatility was derived using a peer group comparison. At each reporting date, the option rights will be remeasured; likewise, the personnel expenses to be recorded over the vesting period will be calculated.

As of December 31, 2016, one management board member had resigned from the company, so that a total of 6,098 options have expired. As a result, 15,854 options exist at the end of the year, none of which are exercisable. The exercise price to be paid for the option per share is kUSD 3.6 (k€ 3.4). The weighted average remaining term of these options was 8.8 years (PY: 9.8 years).

In the reporting year, an amount of € 1.1 million (PY: 0.0 million) in other operating income and an amount of € 1.7 million (PY: € 0.2 million) in personnel expenses was recorded.

The value of the liability as of December 31, 2016 arising from the option program amounted to € 8.5 million (PY: € 7.8 million).

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

(14) Pension obligations

The pension obligations in the reporting year relate almost exclusively to Group companies domiciled in Germany. The pension obligations outside Germany included in the previous year primarily pertained to defined benefit pension plans in Switzerland, which were reclassified into the disposal group at the end of 2015 (see note (11)).

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 € 48.6 million (PY: € 51.3 million, of which € 7.8 million to foreign pension insurance carriers) 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 different pension plans within the Group are organized in accordance with the legal, tax-related, and economic conditions of each country. The reserves for performance-based pension plans correspond to the cash value of the obligations on the reporting date less the time value of the plan assets. Along with general actuarial risks such as risks from salary and pension increases, longevity risk, and interest rate risk, these are inflation risk and capital market and investment risk.

Essentially, three 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. The two defined-benefit 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 promises 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.

In the previous year, pension obligations in other countries relate above all to Switzerland. The employees were insured against the risks of old age, death, and disability in various defined-benefit plans in a legally separate employee benefit fund at an independent third party. The plan assets outside of Germany were mainly attributable to the individual redemption values of the reinsurer.

The measurement was based on the following parameters:

Information in %	2016	2015	
		Germany	Other countries
Discount rate	1.7	2.4	0.9
Salary trend	1.5	1.75	1.0
Pension trend	1.5	1.75	0

[1] The information relates primarily to pension obligations recognized as held for sale as of December 31, 2015.

The amount of the provision is almost completely attributable to Germany and was calculated as follows:

€ millions	12/31/2016	12/31/2015		
		Germany	Other countries	Total
Present value of defined benefit obligations financed by fund	384.8	394.7	2.9	397.6
Fair value of plan assets	–162.9	–161.1	–2.2	–163.3
Present value of defined benefit obligations not financed by fund	149.6	101.7	3.2	104.9
Provision	**371.5**	**335.3**	**3.9**	**339.2**
Thereof current	21.1	22.9	0.0	22.9
Thereof non-current	350.4	312.4	3.9	316.3
Reimbursement right	–26.6	–27.4	0.0	–27.4
Net obligation	**345.0**	**307.9**	**3.9**	**311.8**

The changes in the present value of the pension obligations are almost completely attributable to Germany and are presented in the table below:

€ millions	2016	2015		
		Germany	Other countries	Total
Present value of obligations as of January 1	502.5	533.5	112.9	646.4
Change in consolidated companies	–0.3	–0.9	0.0	–0.9
Current service cost	6.5	7.2	2.1	9.3
Interest expense	11.7	10.1	1.3	11.3
Actuarial gains/losses arising from changes in demographic assumptions	–2.9	–2.5	–0.2	–2.7
Actuarial gains/losses arising from changes in financial assumptions	36.2	–32.6	0.5	–32.2
Payments by employees	3.0	3.0	2.2	5.2
Transfer of pension obligation	0.0	0.1	0.0	0.1
Exchange rate change	0.0	0.0	12.2	12.2
Payments to retirees	–22.3	–21.5	–6.4	–27.9
Plan curtailments	–0.1	0.0	0.0	0.0
Reclassification into or from liabilities in connection with assets held for sale (see note (11))	0.0	0.0	–118.5	–118.5
Present value of obligations as of December 31	**534.4**	**496.4**	**6.1**	**502.5**

In fiscal year 2017, contributions to fund-financed defined benefit plans are expected to total € 30.4 million (PY: € 25.3 million, of which € 0.3 million were employer contributions from Swiss companies).

The fair value of the plan assets is almost completely attributable to Germany and showed the following changes:

€ millions	2016	2015		
		Germany	Other countries	Total
Plan assets as of January 1	163.3	155.7	91.0	246.7
Change in consolidated companies	0.0	0.5	0.0	0.5
Income from plan assets	3.9	3.0	1.0	4.0
Employee contribution	0.2	0.0	2.2	2.2
Employer contribution	0.3	0.0	1.4	1.5
Benefits paid	–0.6	0.0	–6.3	–6.3
Actuarial gains/losses arising from changes in demographic assumptions	–4.2	2.0	0.0	2.0
Actuarial gains/losses arising from changes in financial assumptions	0.0	0.0	1.1	1.1
Exchange rate changes	0.0	0.0	10.1	10.1
Reclassification into liabilities in connection with assets held for sale (see note (11))	0.0	0.0	–98.3	–98.3
Plan assets as of December 31	**162.9**	**161.1**	**2.2**	**163.3**

The investment portfolio for the plan assets is almost completely attributable to Germany and broke down as follows:

€ millions	12/31/2016	12/31/2015		
		Germany	Other countries	Total
Shares	36.2	18.6	0.7	19.3
Bonds	43.0	53.3	0.5	53.8
Money market instruments	0.6	12.3	0.0	12.3
Cash and cash equivalents	75.1	9.4	0.2	9.6
Others	7.3	0.0	0.0	0.0
Plan assets with market price quotations	**162.1**	**93.6**	**1.4**	**95.0**
Real Estate	0.5	67.5	0.6	68.1
Others	0.2	0.0	0.2	0.2
Plan assets without market price quotations	**0.7**	**67.5**	**0.8**	**68.3**
Total	**162.9**	**161.1**	**2.2**	**163.3**

In the previous year, the fair value of the plan assets included real estate used by the company itself in the amount of € 55.4 million.

Plan assets recognized as held for sale as of December 31, 2015 totaling € 98.3 million contained plan assets with an amount of € 77.0 million (thereof € 73.8 million Bonds and € 3.1 million Shares) which have market price quotations and plan assets with an amount of € 21.3 million (thereof € 15.9 million Real Estate and € 5.4 million Others) which do not have market price quotations.

Axel Springer SE is entitled to reimbursement of pension obligations or pension expenses arising in connection with them in the context of the outsourcing of rotogravure printing operations in 2005. The reimbursement right was presented as an other financial asset, whereas in the income statement, the income from the reimbursement was netted with the corresponding pension expenses. Based on the existing contractual regulations, we do not assume a short-term settlement of the reimbursement claim and the corresponding pension obligations any more, and therefore in the reporting period, we classified the asset as well as the related pension liability in an amount of € 24.4 million (PY: € 25.1 million) as non-current. The remaining amount of € 2.2 million (PY: € 2.3 million) was classified as current.

The value of the reimbursement right developed as follows:

€ millions	**2016**	**2015**
Reimbursement right as of January 1	27.4	30.6
Income from reimbursement rights	0.6	0.6
Paid-out benefits	−2.2	−2.3
Actuarial gains/losses arising from changes in demographic assumptions	−0.2	0.0
Actuarial gains/losses arising from changes in financial assumptions	1.0	−1.6
Reimbursement right as of December 31	**26.6**	**27.4**

The expenses for defined benefit pension plans are almost completely attributable to Germany and broke down as follows:

€ millions	**2016**	**2015**		
		Germany	**Other countries**	**Total**
Current service cost	6.5	7.2	2.1	9.3
Interest expense	11.7	10.1	1.3	11.3
Income from plan assets	−3.9	−3.0	−1.0	−4.0
Income from reimbursement rights	−0.6	−0.6	0.0	−0.6
Plan curtailments	−0.1	0.0	−1.9	−1.9
Pension expenses	**13.5**	**13.7**	**0.5**	**14.3**

Service cost is presented within the personnel expenses. The interest portions contained in the pension expenses and the income from the plan assets and interest reimbursements are presented as components of interest expenses.

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:

Information in %	Increase by 25 basis points	Decrease by 25 basis points
2016		
Discount rate	−3.4	3.7
Salary trend	0.1	−0.1
Pension trend	2.4	−2.3

Information in %	Increase by 25 basis points		Decrease by 25 basis points	
2015	Germany	Other countries	Germany	Other countries
Discount rate	−3.3	−1.7	3.5	1.8
Salary trend	0.0	0.4	0.0	−0.4
Pension trend	2.4	1.1	−2.3	0.0

[1] The information relates primarily to pension obligations recognized as held for sale as of December 31, 2015.

The sensitivity calculations are based on the average term of the pension obligations calculated as of the balance sheet date. The calculations were carried out in isolation for the actuarial parameters classified as material. As the sensitivity analysis is based on the average term of the expected pension obligations and as a consequence, the expected payment dates are not taken into account, they only lead to approximate information or to describe tendencies. In case of changes to the mortality rates or life expectancies which act as a basis, it is assumed that if life expectancy of the beneficiary increases by one year as of December 31, 2016, pension obligations in Germany would have risen by 3.1% (PY: 3.0% in Germany and 1.7% in the remaining countries).

As of December 31, 2016, the weighted average duration of the defined benefit obligation was 15 years (PY: 14 years in Germany and 17 years in other countries).

(15) Other provisions

The other provisions broke down as follows:

€ millions	Balance as of 01/01/2016	Utilization	Reversals	Additions	Other changes	Balance as of 12/31/2016	Thereof current	Thereof non-current
Other obligations towards employees	113.2	−84.3	−3.7	72.3	1.4	98.9	76.3	22.6
Partial early retirement program (Altersteilzeit)	42.1	−10.9	0.0	11.4	0.2	42.7	10.1	32.6
Structural measures	44.8	−33.9	−1.5	19.1	0.2	28.8	24.1	4.7
Discounts and rebates	14.9	−13.0	−0.7	13.2	0.0	14.4	14.4	0.0
Returns	21.3	−20.4	−0.7	10.9	0.8	11.9	11.9	0.0
Other taxes	7.6	−0.4	0.3	2.0	0.0	9.4	9.4	0.0
Dismantling obligations	7.7	−0.2	−0.4	0.5	0.2	7.8	1.3	6.5
Litigation expenses	5.6	−0.8	−0.7	1.4	−0.1	5.5	4.7	0.8
Other	42.3	−23.7	−15.9	31.0	0.0	33.7	31.1	2.7
Other provisions	**299.6**	**−187.6**	**−23.4**	**161.8**	**2.7**	**253.0**	**183.2**	**69.8**

Other obligations towards employees primarily included variable compensation tied to performance. Structural measures were mainly allocated to the newspaper and magazine as well as distribution and sales divisions, and printing plants. Provisions for returns comprised the expected sales returns of publishing products. Other provisions mainly involved restructuring measures still to be implemented in connection with the sale of the office building complex in Hamburg and guarantee obligations in the context of the takeover of the domestic regional newspapers, TV program guides, and women's magazines by FUNKE Mediengruppe.

The other changes resulted from the initial consolidation of acquired companies, currency translation differences, and also from compounding.

(16) Financial liabilities

The financial liabilities comprised liabilities from a promissory note in the amount of € 577.5 million (PY: € 632.9 million), other liabilities due to banks amounting to € 681.2 million (PY: € 618.6 million), as well as from finance leases of € 0.6 million (PY: € 1.4 million). The maturity of the financial liabilities included current liabilities of € 1.0 million (PY: € 57.6 million) and non-current liabilities of € 1,258.3 million (PY: € 1,195.3 million).

The promissory note was characterized by the following utilizations, interest rates, and maturities at the reporting date.

2016 € million	2015 € million	Interest rate in %	Maturity
177.0	177.0	1.47	10/12/2020
162.0	162.0	1.034	10/11/2018
112.0	112.0	3.06	04/11/2018
71.5	71.5	6-month EURIBOR + 0.9	10/12/2020
58.0	58.0	6-month EURIBOR + 0.7	10/11/2018
0.0	56.5	2.38	04/11/2016

The other liabilities due to banks were characterized by utilization, interest rates, and maturities set forth in the table below. All liabilities were denominated in euros. Short-term loans are not presented in the table.

2016 € million	2015 € million	Interest rate in %	Maturity
190.0	250.0	1-month EURIBOR + 0.50	07/03/2020
300.0	300.0	3-month EURIBOR + 0.80	07/22/2020
130.0	68.0	Eonia + 0,425	07/03/2020
60.0	0.0	Eonia + 0,475	07/03/2020
2.9	3.4	3-month EURIBOR + 0.30	10/15/2022

The interest rates were mainly equivalent to the effective rates of interest. In the case of fixed-interest loan tranches, the interest rates were fixed until the maturity date.

Furthermore, on the reporting date additional unused short-term and long-term credit facilities amounted to € 840.0 million (PY: € 902.0 million).

On the reporting date liabilities from finance leases in the prior year in the amount of € 62.9 million, which are linked with the sale of the office building complex in Hamburg, were disclosed as liabilities related to assets held for sale, see note (11).

(17) Other liabilities

The other liabilities broke down as follows:

€ millions	12/31/2016	12/31/2015
Contingent consideration and other put options for purchase of non-controlling interests	511.5	513.1
Debit balances in accounts receivable	13.4	15.2
Liabilities from derivatives	12.9	55.4
Payments received from disposal of real estate	0.0	67.5
Other	33.7	47.4
Other financial liabilities	**571.6**	**698.6**
Thereof current	379.6	319.5
Thereof non-current	192.0	379.1
Advance payments from customers	173.5	132.5
Liabilities from other taxes	68.0	55.0
Liabilities due to employees[1]	41.8	36.8
Advance payments	27.8	15.2
Accrued liabilities	19.9	19.8
Capital investment subsidies	10.0	10.9
Liabilities due to social insurance carriers	9.5	11.0
Liabilities for duties and contributions	4.9	5.5
Payments received from disposal of real estate	0.0	48.1
Other[2]	29.7	16.6
Other non-financial liabilities	**385.1**	**351.3**
Thereof current	365.5	337.4
Thereof non-current	19.5	13.9
Other liabilities	**956.7**	**1,049.8**
Thereof current	745.1	656.8
Thereof non-current	211.6	393.0

[1] Disclosed in prior year under financial liabilities.
[2] Proportionate reclassification of prior-year figures into advance payments from customers.

The advance payments received from the disposal of real estate were linked to the office building complex in Hamburg that was sold at the beginning of 2016. A portion of the received purchase price in the amount of € 67.5 million was attributable to the plan assets set up for our pension commitments. This part was paid out to the plan assets in January 2016.

The advance payments from customers and the advance payments primarily increased due to the initial consolidation of acquired companies in the reporting year. Liabilities due to employees related to outstanding wage and salary payments, management bonuses, and severance award claims. Accrued liabilities contained liabilities resulting from overtime and unused vacation.

(18) Maturity analysis of financial liabilities

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

€ millions	Carrying amount as of 12/31/2016	Undiscounted cash outflows 2017	2018–2021	2022 ff.
Financial liabilities	1,259.3	14.2	1,286.5	0.5
Contingent consideration and other put options for purchase of non-controlling interests	511.5	333.1	177.2	7.0
Other non-derivative financial liabilities	450.0	437.2	10.5	2.2
Derivative financial liabilities	12.9	12.5	0.4	0.0

€ millions	Carrying amount as of 12/31/2015	Undiscounted cash outflows 2016	2017– 2020	2021 ff.
Financial liabilities	1,252.9	71.4	1,245.8	1.0
Contingent consideration and other put options for purchase of non-controlling interests	513.1	208.5	305.5	7.0
Other non-derivative financial liabilities[1)]	483.9	475.4	6.4	2.0
Derivative financial liabilities	55.4	0.3	55.0	0.0

[1)] Prior-year figures were adjusted, see note (17)

Notes to the consolidated statement of comprehensive income

(19) Revenues

The revenues broke down as follows:

€ millions	2016	2015
Advertising revenues	2,223.1	2,107.6
Circulation revenues	646.9	721.7
Printing revenues	54.6	59.3
Other revenues	365.7	406.3
Revenues	**3,290.2**	**3,294.9**

During the fiscal year, revenues from barter transactions amounted to € 56.4 million (PY: € 54.2 million). These revenues were generated mainly from the bartering of advertising services.

(20) Other operating income and change in inventories and internal costs capitalized

The other operating income broke down as follows:

€ millions	2016	2015
Gain on disposal of subsidiaries	207.2	112.9
Income from disposal of intangible assets and property, plant and equipment	71.8	20.4
Income from reversal of provisions	20.2	12.4
Foreign exchange gains	3.8	7.1
Subsequent valuation of contingent purchase price liabilities and other put options for purchase of non-controlling interests	1.6	27.1
Write-ups	0.0	5.0
Miscellaneous operating income	35.2	87.0
Other operating income	**339.9**	**271.8**

Gains on disposal of subsidiaries were largely attributable to the sale of the Automotive Exchange Private Limited (CarWale) and the disposal of the entire Swiss business in connection with the establishment of Ringier Axel Springer Schweiz AG, jointly founded by Axel Springer and Ringier (see note (2c)). Income from the disposal of property, plant and equipment resulted in € 71.3 million from the sale of the Hamburg office building complex (see note (11)). The miscellaneous operating income contained a large number of non-material items.

Change in inventories and internal costs capitalized increased to € 82.6 million (PY: € 47.3 million) in the reporting year and mainly related to extensive IT development projects to develop and expand our digital business models.

(21) Purchased goods and services

The purchased goods and services broke down as follows:

€ millions	2016	2015
Raw materials and supplies and purchased merchandise	146.5	158.9
Purchased services	825.0	854.6
Purchased goods and services	**971.5**	**1,013.5**

Raw materials and supplies and purchased merchandise comprised paper costs amounting to € 52.9 million (PY: € 63.4 million).

The cost of purchased services was predominantly composed of purchased third-party printing services and professional fees, as well as publisher services in the context of performance-based marketing. The purchased third-party printing services also included paper costs.

(22) Personnel expenses

The personnel expenses broke down as follows:

€ millions	2016	2015
Wages and salaries	940.9	932.8
Social security	138.0	138.2
Pension expenses	8.7	11.8
Expenses for share-based payments	7.9	13.3
Other benefit expenses	4.6	4.2
Personnel expenses	**1,100.1**	**1,100.3**

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

	2016	2015
Salaried employees	11,797	11,572
Editors	2,888	2,730
Wage-earning employees	638	721
Total employees	**15,323**	**15,023**

The increase in personnel figures compared to the prior year resulted particularly from the initial consolidation of acquired companies and from staff increases in the strongly growing digital business units.

(23) Depreciation, amortization, and impairments

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

€ millions	2016	2015
Amortization of other intangible assets	173.8	139.7
Impairment losses in other intangible assets	2.6	1.9
Depreciation of property, plant, and equipment	54.3	56.9
Impairment losses in property, plant, and equipment	1.1	0.3
Depreciation of investment property	0.8	0.9
Depreciation, amortization, and impairments	**232.6**	**199.8**

The increase in the amortization of other intangible assets primarily resulted from increased ongoing investments as well as increased effects of purchase price allocations.

Impairment losses in financial assets recognized in the fiscal year are included in the income from investments.

(24) Other operating expenses

The other operating expenses broke down as follows:

€ millions	2016	2015
Advertising expenses	243.1	234.1
Expenses for non-company personnel	161.0	143.0
Mailing and postage expenses	77.7	94.2
Rental and leasing expenses	61.0	52.5
Consulting, audit and legal fees	51.9	64.5
Commissions and gratuities	36.6	41.6
Maintenance and repairs	31.1	38.9
Subsequent valuation of contingent purchase price liabilities and other put options for purchase of non-controlling interests	30.4	18.8
Travel expenses	30.3	31.4
Training of employees	12.5	14.0
Services provided by related parties	11.8	8.3
Allowances for doubtful receivables	10.2	15.3
Other taxes	8.2	6.1
Foreign exchange losses	5.1	7.6
Miscellaneous operating expenses	80.1	91.8
Other operating expenses	**851.2**	**862.2**

The miscellaneous operating expenses included additions to provisions relating to legal and other risks, as well as other operating expenses.

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

€ millions	2016	2015[1)]
Audits of the annual financial statements	1.2	1.1
Other certification or appraisal services	0.0	0.1
Tax advisory services	0.4	0.3
Other services	0.4	0.6
Total professional fees	**2.1**	**2.1**

1) Prior-year figures adjusted due to a change in legal requirements regarding the disclosure of fees.

The professional fees for the audit of financial statements included the audit of the separate financial statements of Axel Springer SE and other German subsidiaries, the consolidated financial statements and the auditor's review of the half-year financial report. The tax advisory fees were a result of support services regarding specific tax questions. Other services consisted of due diligence services as part of acquisitions within the fiscal year.

(25) Income from investments

The income of companies accounted for using the equity method amounted to € 23.4 million (PY: € 1.7 million). It consisted of our share in the investee's net income (see note (7a)), impairment losses of € 2.5 million (PY: € 3.6 million) as well as the income from the disposal of Thrillist Media Group Inc. of € 29.2 million (see note (7)). In the previous year, the income of companies accounted for using the equity method included gains from revaluations carried out as part of step acquisitions in the amount of € 9.6 million.

The other investment income of € 16.8 million (PY: € 23.0 million) included dividends received from other investments and income from the disposal of NowThis Media Inc. in the amount of € 5.6 million (see note (7b)). In the previous year, the other operating income included gains from revaluations carried out as part of step acquisitions in the amount of € 12.1 million.

(26) Financial result

The net financial result broke down as follows:

€ millions	2016	2015
Interest income from bank accounts	1.2	1.6
Interest income from loans and securities	8.0	14.6
Interest income from taxes	1.7	1.6
Other interest income	1.8	5.6
Interest income	**12.7**	**23.3**
Interest expenses on liabilities due to banks and on promissory note	−14.9	−16.7
Interest expenses on pension provisions, less reimbursements	−7.2	−6.8
Interest expenses from compounding	−3.6	−4.8
Miscellaneous interest expenses	−3.1	−10.7
Interest and similar expenses	**−28.7**	**−39.0**
Other financial result	**−5.4**	**−6.5**
Financial result	**−21.4**	**−22.2**

A total of € 10.7 million (PY: € 20.8 million) of the interest income and € – 16.9 million (PY: € – 27.1 million) of the interest expense was allocated to financial assets and liabilities that were not measured at fair value through profit or loss.

(27) Income taxes

The income taxes paid or owed and the deferred taxes are recognized under income taxes. The income taxes consist of trade tax, corporate income tax, and solidarity surcharge, and the corresponding foreign income taxes. The income tax expenses are broken down below:

€ millions	2016	2015
Current taxes	149.0	134.9
Deferred taxes	−22.9	1.3
Income taxes from discontinued operations	**126.1**	**136.2**
Income taxes from continued operations	0.9	1.3
Income taxes	**126.9**	**137.5**

The expected income tax expense – applying the tax rate of Axel Springer SE – is reconciled to the income tax expense recognized in the income statement as follows:

€ millions	2016	2015
Income before income taxes	576.1	440.8
Tax rate of Axel Springer SE	31.00 %	31.00 %
Expected tax expenses	**178.6**	**136.6**
Differing tax rates	−13.8	−5.2
Changes in tax rates	−19.3	−1.6
Permanent differences	0.4	−6.0
Adjustments to carrying amounts of deferred taxes	10.8	25.5
Current income taxes for prior years	4.2	5.2
Deferred income taxes for prior years	1.6	−1.8
Non-deductible operating expenses	9.5	18.0
Tax-exempt income	−43.3	−30.6
Trade tax additions/deductions	1.6	1.9
Other effects	−4.1	−5.7
Income taxes	**126.1**	**136.2**

Companies with the legal form of a corporation domiciled in Germany are subject to corporate income tax at the rate of 15% and solidarity surcharge of 5.5% of the corporate income tax owed. In addition, the profits of these companies are subject to trade tax, for which the amount is municipality-specific. Companies with the legal form of a partnership are subject to trade tax exclusively. The net income is assigned to the shareholder for purposes of corporate income tax. The group tax rate remains unchanged at 31.0%.

The effects of 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 result mainly from impairment losses in goodwill and deconsolidation effects that are not taken into account for tax purposes. The adjustments made to the carrying amounts of deferred taxes included € 17.3 million (PY: € 13.0 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.

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

€ millions	12/31/2016		12/31/2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	13.3	463.1	25.8	449.3
Property, plant, and equipment and investment property	1.8	79.2	2.1	93.2
Non-current financial assets	0.8	0.3	0.8	0.7
Inventories	0.6	0.0	0.6	0.0
Receivables and other assets	52.5	10.2	31.9	10.0
Pension provisions	21.4	0.5	11.4	0.7
Other provisions	15.0	5.4	14.9	5.1
Liabilities	11.1	41.0	35.5	6.4
Temporary differences	**116.5**	**599.7**	**123.0**	**565.5**
Tax loss carry-forwards	**7.7**	**0.0**	**8.1**	**0.0**
Total	**124.2**	**599.7**	**131.1**	**565.5**
Offsetting	−69.3	−69.3	−84.3	−84.3
Amounts as per balance sheet	**55.0**	**530.5**	**46.8**	**481.2**

The increase in deferred tax liabilities related to intangible assets mainly resulted from initial consolidations that took place during the fiscal year. The development of the deferred taxes regarding property, plant, and equipment and investment property as well as liabilities concerns particularly the disposal of the office building complex in Hamburg (see note (11)). The increase in deferred tax assets for pension provisions results from lower interest rates for IFRS purposes.

The net balance of deferred tax items from January 1 to December 31, 2016 was derived as follows:

€ millions	2016	2015
Deferred tax assets as of January 1	46.8	54.4
Deferred tax liabilities as of January 1	–481.2	–327.9
Net tax position as of January 1	**–434.4**	**–273.5**
Deferred tax of current year	22.9	–1.3
Changes in deferred taxes recognized in other comprehensive income	11.0	–11.7
Changes in consolidation group	–75.0	–151.3
Reclassification into assets and liabilities held for sale	0.0	3.4
Net tax position as of December 31	**–475.5**	**–434.4**
Deferred tax assets as of December 31	55.0	46.8
Deferred tax liabilities as of December 31	–530.5	–481.2

Of the deferred tax assets, an amount of € 49.2 million (PY: € 39.2 million), and of the deferred tax liabilities, an amount of € 1.0 million (PY: € 9.0 million) can be realized in the short term.

The amount of deferred tax assets to be disclosed in accordance with IAS 12.82 was € 4.5 million (PY: € 4.4 million). It is expected that this amount can be realized by utilization against the available operating income.

Deferred taxes in the total amount of € 50.6 million (PY: € 40.9 million) were recognized directly in equity, as they relate 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 € 209.6 million (PY: € 147.0 million), and with respect to trade tax loss carry-forwards amounting to € 45.4 million (PY: € 39.0 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 € 1.9 million (PY: € 1.9 million) for which no deferred tax assets were recognized. Of these tax loss carry-forwards, an amount of € 4.4 million (PY: € 2.8 million) can be carried forward for up to five years and an amount of € 1.9 million (PY: € 3.3 million) can be carried forward for six to ten years. The utilization of tax loss carry-forwards or interest carry-forwards that had not previously been recognized as deferred tax assets caused a reduction in income tax expenses of € 2.3 million (PY: € 0.9 million). In the past fiscal year, there were corrections of recognized tax loss carry-forwards due to tax audits or differing tax assessments in the amount of € 0.3 million (PY: € – 2.3 million).

As a rule, 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 € 8.2 million (PY: € 9.0 million) because a realization is not planned at the present time. In the case of sale or profit distribution, 5% of the gain on disposal or the dividend, respectively, would be subject to taxation in Germany; in addition, foreign withholding taxes might be incurred.

(28) Earnings per share

The earnings per share were determined as follows:

		2016	2015
Result of continued operations attributable to shareholders of Axel Springer SE	€ millions	425.4	249.6
Result of discontinued operations attributable to shareholders of Axel Springer SE	€ millions	1.9	2.8
Net income attributable to shareholders of Axel Springer SE	€ millions	427.3	252.4
Weighted average shares outstanding	000s	107,895	99,682
Earnings per share from continuing operations (basic/diluted)	**€**	**3.94**	**2.50**
Earnings per share from discontinued operations (basic/diluted)	€	0.02	0.03
Net income attributable to shareholders of Axel Springer SE per share (basic/diluted)	**€**	**3.96**	**2.53**

(29) Other income/loss

The other income/loss broke down as follows:

	2016			2015		
€ millions	**Before tax**	**Tax effect**	**Net**	**Before tax**	**Tax effect**	**Net**
Actuarial gains/losses from defined benefit pension obligations	–36.4	11.0	–25.3	36.1	–11.6	24.5
Currency translation differences	–47.0	0.0	–47.0	60.2	0.0	60.2
Changes in fair value of available-for-sale financial assets	13.6	0.0	13.6	12.1	0.0	12.1
Changes in fair value of derivatives in cash flow hedges	0.2	0.0	0.1	0.2	–0.1	0.2
Other income/loss from investments accounted for using the equity method	–1.9	0.0	–1.9	–2.6	0.0	–2.6
Other income/loss	**–71.5**	**11.0**	**–60.5**	**105.9**	**–11.7**	**94.3**

Notes to the consolidated statement of cash flows

(30) Other disclosures

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

Additions in both intangible assets and property, plant, and equipment of € 5.3 million (PY: € 7.9 million) were not yet reflected in cash.

The acquisition costs, cash payments, and purchased assets and liabilities for business acquisitions are presented in the following table (see note (2c) for the major acquisitions):

€ millions	2016	2015
Intangible assets	220.6	472.0
Property, plant, and equipment	10.2	3.9
Non-current financial assets	1.1	0.3
Trade receivables	14.2	39.9
Other assets	29.1	7.1
Cash and cash equivalents	22.4	53.0
Provisions and other liabilities	−53.8	−56.4
Deferred tax liabilities	−80.3	−157.0
Net assets	**163.6**	**362.7**
Acquisition cost (preliminary)	307.2	756.4
Thereof paid	293.7	644.5

The amounts from the purchases of shares in consolidated subsidiaries and business units less cash and cash equivalents acquired reported in the cash flow statement, in addition to the cash payments and acquired funds listed in the table, also include payments for acquisitions of the previous years (in particular payments from contingent considerations totaling € 93.4 million (PY: € 39.2 million); see note (34)).

The following table provides details of sales proceeds, paid up amounts, and disposed assets and liabilities arising from transactions with loss of control (see note (2c) for the major transactions):

€ millions	2016	2015
Goodwill	83.3	44.5
Other intangible assets	107.1	17.7
Property, plant, and equipment and non-current financial assets	5.8	2.1
Trade receivables	16.7	32.0
Other assets	20.0	18.1
Cash and cash equivalents	13.7	8.4
Provisions and other liabilities	−97.9	−42.6
Deferred tax liabilities	−16.0	−6.4
Disposal net assets	**132.6**	**73.9**
Net realizable value	268.1	172.5
Thereof paid-up	90.9	172.5

Besides the received purchase prices (after taxes), the proceeds from disposals (after taxes) comprised in particular the addition of the net assets of € 163.9 million in connection with the establishment of the company Ringier Axel Springer Schweiz AG, see note (2c). The disclosure of cash inflows from divestitures in the cash flow statement is made under proceeds from disposals of consolidated subsidiaries and business units less cash and cash equivalents given up.

The payments from the disposal of financial assets, including repayment of the vendor loan, amounting to € 247.9 million relate to the early repayment of the subordinated vendor loan including capitalized interest from the FUNKE Mediengruppe, see note (7b).

The other financing activities within the cash flow from financing activities include the transfer to the plan assets of € 67.5 million, which was part of previous year's purchase price for the sale of the Hamburg office building complex, see note (11) and note (17).

Regarding cash inflows and outflows with respect to discontinued operations, see note (2d).

Notes to the consolidated segment report

(31) 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 Paid Models, Marketing Models, and Classifieds Ad Models. In addition, there is the Services/Holding segment.

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

(a) Operating segments

All business models which predominantly generate revenues in online classified advertising are summarized in the Classified Ad Models segment. Our portfolio comprises leading domestic and foreign online classified portals focusing on real estate, jobs and cars, as well as general classifieds. Our online classifieds portals include the real estate portals SeLoger, Immoweb, Immowelt/Immonet, the job portals of the StepStone Group (including the portals Totaljobs and Jobsite), the regional portal meinestadt.de, the portals of @Leisure for holiday properties (incl. the portals Traum-Ferienwohnungen and DanCenter acquired in 2016), as well as the car and generalist classified ad portals LaCentrale and Yad2.

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

International Paid Models include Axel Springer's digital and printed media services in Europe and the USA. In Europe our main areas of representation are in Poland, Slovakia, Serbia, Hungary, Switzerland, Belgium and Spain. Onet.pl and azet.sk, the leading internet portals in Poland and Slovakia, also belong to this sub-segment. In the USA, we are represented with businessinsider.com since October 2015 and additionally with eMarketer since July 2016.

The Marketing Models segment compromises 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 zanox Group (including Digital Window) as well as the reach-based marketing offers of Idealo, auFeminin, 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, mergers & acquisitions, and communication. Group services are purchased by customers within the Group and are priced at arm’s length.

(b) Geographical information

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

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

(32) 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 EBITDA, which illustrates earnings before interest, taxes, depreciation and amortization, as well as 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 divisions, and investments (including effects from the subsequent valuation of contingent considerations and other option liabilities for the acquisition of non-controlling interests), as well as impairment and write-ups of investments, effects from the sale of real estate, impairments, and write-ups of real estate used for own operational purposes, plus, since this reporting period, expenses related to the long-term incentive plan for the current Executive Board members granted at the beginning of May 2016. 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 EBITDA and EBIT into the segments is shown below:

€ millions	2016				2015			
	Classified Ad Models	Paid Models	Marketing Models	Services/ Holding	Classified Ad Models	Paid Models	Marketing Models	Services/ Holding
Effects from acquisitions of subsidiaries and investments	−2.6	−17.0	−0.4	0.0	−5.0	10.4	9.0	0.0
Subsequent valuation of contingent consideration and other option liabilities for the acquisition of non-controlling interests	−20.2	−3.0	−6.6	0.0	−2.3	12.1	−0.7	0.0
Effects from initiated and finalized disposals of subsidiaries, investments and real estate	77.4	94.0	50.3	69.1	−7.5	64.4	27.3	−5.1
Impairment on investments	−0.5	0.0	−2.5	0.0	−3.6	0.0	0.0	0.0
Executive Board Program 2016 (LTIP)	0.0	0.0	0.0	−3.5	0.0	0.0	0.0	0.0
Non-recurring effects	**54.1**	**74.0**	**40.9**	**65.6**	**– 18.5**	**86.9**	**35.6**	**– 5.1**

The effects from business acquisitions are mainly attributable to the Paid Models segment, mainly resulting from the effects of purchase price allocations in connection with the acquisition of eMarketer and the establishment of Ringier Axel Springer Schweiz AG (PY: mainly income from the revaluation of step acquisitions of Business Insider (Paid Models) and Bonial Enterprises (Marketing Models)).

The effects of the subsequent valuation of contingent consideration and other option liabilities for the acquisition of non-controlling interests relate primarily to Immowelt and Immoweb in the reporting year (both Classified Ad Models) (PY: ONET (Paid Models), as well as nearly corresponding income (Immowelt) and expenses (Car & Boat Media) in the Classified Ad Models segment)).

The effects from the sale and disposal of real estate and companies conducted and initiated are mainly attributable to the disposal of CarWale (Classified Ad Models), as well as the income from the disposal of the entire Swiss business in connection with the jointly-established Ringier Axel Springer Schweiz AG (Paid Models) and the income from the disposal of Smarthouse Media and the disposal of the investment in Thrillist (both Marketing Models). Furthermore, the gain on the sale of the office building complex in Hamburg is included in the Services/Holding segment. In the previous year, the effects were mainly attributable to the sale of Runtastic (Paid Models) and Talpa Germany (Marketing Models).

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

€ millions	2016	2015
Income from investments included in EBITDA	18.7	3.8
Non-recurring effects included in result from investments accounted for using the equity method	16.8	8.2
Non-recurring effects included in other investment income	4.7	12.7
Income from investments	**40.2**	**24.7**
Depreciation, amortization, impairments, and write-ups (except from purchase price allocations)	–124.3	–110.0
Thereof write-ups	0.0	–5.0
Amortization and impairments from purchase price allocations	–108.3	–84.9
Depreciation, amortization, and impairments	**– 232.6**	**– 199.8**

The non-current segment assets include goodwill, intangible assets, property, plant, and equipment as well as investment properties. The non-current segment assets of the other countries are attributable to the USA in the amount of € 733.6 million (PY: € 430.6 million).

Other disclosures

(33) 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 (€ 580.5 million) and also avail ourselves of our long-term credit lines (€ 1,500.0 million), both for general business purposes as well as to finance acquisitions.

In the reporting period, a tranche of the promissory note was due. The financing volume of our credit lines and their maturity remained unchanged. In addition to the promissory notes with a maturity of up to April 2018 (nominal value of € 112.0 million), to October 2018 (nominal value of € 220.0 million) and to October 2020 (nominal value of € 248.5 million), there are credit lines amounting to € 1,500.0 million, the utilization of which is due for repayment in July 2020. The utilization of the credit lines is tied to compliance with covenants. Since the existence of the credit lines we have fully complied with all credit terms.

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 shareholders' meeting on the authorization to acquire treasury shares on April 16, 2014. Treasury shares can be used for acquisition financing or they can be retired. At the reporting date and the prior year's reporting date, we held no treasury shares.

(34) Financial assets and liabilities

The balance sheet items comprising financial assets and liabilities can be attributed to the measurement categories according to IAS 39 as follows:

€ millions	Carrying amount	Loans and receivables	Financial liabilities	Available-for-sale financial assets	Financial assets and liabilities held for trading	No category according to IAS 39 and non financial assets and liabilities
Assets 12/31/2016						
Other non-current investments and securities	154.5			154.5		
Loans and advances	41.6	41.6				
Derivatives	146.3				146.3	
Other non-current financial assets	342.3	41.6		154.5	146.3	
Trade receivables	614.6	614.6				
Receivables due from related parties	40.0	40.0				
Derivatives	0.6				0.6	
Other	160.3	63.5				96.8
Other assets	160.9	63.5			0.6	96.8
Cash and cash equivalents	224.1	224.1				
Liabilities 12/31/2016						
Financial liabilities	1,259.3		1,258.7			0.6
Trade payables	379.8		379.8			
Liabilities due to related parties	29.6		23.1			6.5
Derivatives designated as a hedging instrument	0.6				0.6	
Derivatives not designated as a hedging instrument	12.4				12.4	
Contingent consideration	309.3					309.3
Other	634.4		249.3			385.1
Other liabilities	956.7		249.3		12.4	695.0
Assets 12/31/2015						
Other non-current investments and securities	66.7			66.7		
Loans and advances	300.5	300.5				
Derivatives	203.8				203.8	
Other non-current financial assets	571.0	300.5		66.7	203.8	
Trade receivables	570.9	570.9				
Receivables due from related parties	7.2	7.2				
Derivatives	5.1				5.1	
Other	123.1	43.7				79.4
Other assets	128.3	43.7			5.1	79.4
Cash and cash equivalents	253.8	253.8				
Liabilities 12/31/2015						
Financial liabilities	1,252.9		1,251.5			1.4
Trade payables	343.1		343.1			
Liabilities due to related parties	23.7		10.7			13.1
Derivatives designated as a hedging instrument	0.7				0.7	
Derivatives not designated as a hedging instrument	54.6				54.6	
Contingent consideration	307.8					307.8
Other[1)]	686.7		335.4			351.3
Other liabilities	1,049.8		335.4		54.6	659.8

1) Prior-year figures were adjusted, see note (17).

With the exception of the following financial assets and liabilities, the valuation is at amortized cost.

€ millions	12/31/2016 Fair value based on market price (level 1)	12/31/2016 Fair value based on observable market data (level 2)	12/31/2016 Fair value not based on observable input factors (level 3)	12/31/2015 Fair value based on market price (level 1)	12/31/2015 Fair value based on observable market data (level 2)	12/31/2015 Fair value not based on observable input factors (level 3)
Other non-current investments and securities			106.0			14.2
Derivatives not designated as a hedging instrument (positive fair value) (see note (36b))		0.6	146.3		5.1	203.8
Derivatives designated as a hedging instrument (negative fair value) (see note (36a))		0.6			0.7	
Derivatives not designated as a hedging instrument (negative fair value) (see note (36b))		12.4			54.6	
Contingent consideration			309.3			307.8

Besides additions of € 77.9 million (PY: 2.1 million) other non-current investments and securities related to positive fair value changes of € 13.9 million (PY: € 12.1 million) recognized directly in equity. The additions were particularly attributable to the shares in Group Nine Media which were recognized at fair value amounting to € 72.3 million at the date of acquisition, see note (7b).

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

€ millions	2016	Thereof Immoweb	Thereof Zanox	Thereof Bonial Holding	Thereof Onet	Thereof Car&Boat Media
January 1	307.8	61.2	0.0	52.8	42.9	89.8
Acquisitions or granting of option rights	75.2		63.1			
Payment	−93.4				−1.9	−89.7
Subsequent valuation affecting net income	17.2	5.5	0.0	1.8	0.9	−0.6
Thereof other operating income	−3.1				−1.5	−0.6
Thereof other operating expenses	20.3	5.5		1.8	2.4	
Compound	2.2	0.7		−0.4		0.5
Other	0.3					
December 31	**309.3**	**67.4**	**63.1**	**54.2**	**41.9**	**0.0**

€ millions	2015	Thereof Car&Boat Media	Thereof Immoweb	Thereof Bonial Holding	Thereof Onet
January 1	266.4	82.2	57.5	0.0	55.6
Acquisitions or granting of option rights	74.2			52.8	
Divestment	–0.6				
Payment	–39.2	–3.43			–2.3
Subsequent valuation affecting net income	3.1	9.8	2.8		–11.0
Thereof other operating income	–16.3				–11.0
Thereof other operating expenses	19.4	9.8	2.8		
Compound	3.9	1.3	0.8		0.6
Other	0.3				
December 31	**307.8**	**89.8**	**61.2**	**52.8**	**42.9**

The fair value measurement of the contingent purchase price liabilities essentially depends on the estimated results of the acquired companies in the years before the possible exercise periods of the option rights or the payment dates of the earn-outs. The earnings used as a basis for measurement are generally EBITDA figures adjusted for material non-recurring effects. In case of an increase of the relevant estimated earnings measures by 10%, the value of the contingent consideration would increase by approximately 11%. A decrease of the relevant earnings measures by 10% would result in a reduction of approximately 5%.

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	12/31/2016		12/31/2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	448.0	456.1	503.4	511.5
Thereof promissory note	448.0	456.1	503.4	511.5

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

The net gains and losses of financial instruments (excluding interest and income from investments) recognized in the income statement are presented in the following table.

€ millions	2016	2015
Loans and receivables, financial liabilities	–27.3	3.8
Available-for-sale financial assets	5.5	14.7
Financial assets and liabilities held for trading	15.0	–22.1

The net gains and losses in the categories of “loans and receivables” and “financial liabilities” consisted mainly of the result from the currency conversion and valuation allowances.

The net gains or losses of available-for-sale financial assets consisted mainly of the gains and losses on the disposal of these financial assets and impairments.

The net gains or losses in the category of “financial assets and liabilities held for trading” mostly resulted from changes in fair value of foreign currency derivatives and expenses from other financial derivatives.

In the fiscal year, positive fair value changes of € 14.1 million (PY: € 12.4 million) before taxes were recognized directly in equity.

(35) 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 note loan and liabilities for banks) of 39.1% (PY: 46.6%).

The effects of market interest rate changes on variable-interest financial instruments not hedged with financial derivatives are calculated using a sensitivity analysis. Assuming a parallel shift in the yield curve of +50 basis points, the financial result would decrease by € 1.8 million (PY: € 3.0 million). Assuming a parallel shift of the interest curve by - 50 basis points, the financial result would remain unchanged (PY: improvement of less than € 0.1 million). The financial result reacts less sensitively to interest rate reductions due to variable interest rate financial instruments with an agreed minimum interest rate.

Currency risks from operations are mainly avoided through the occurrence of operating costs in the countries in which we sell our products and services. Remaining currency risks from operations are insignificant to the Group since the majority of EBITDA is earned in the euro currency zone. In the reporting period, the share of EBITDA not earned in euros was 20% (PY: 23%).

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 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 2020) as well as by the promissory note (€ 580.5 million). Note (18) 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 (40).

(c) Credit risk
Financial assets may be impaired if business partners do not adhere to payment obligations. The maximum exposure to risk from financial assets, which are fundamentally subject to credit risk, correspond to their carrying amounts.

Significant risk items are contained in non-current financial assets (loans) as well as in trade receivables, receivables due from related parties, and other assets.

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. Appropriate allowances are formed to account for discernible default risks.

Investments in securities are 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)).

(36) Financial derivatives

(a) Financial derivatives designated as hedging instruments
In the reporting period, designated hedging instruments were used in particular to hedge against the interest rate risks of long-term liabilities. The cash flows were hedged through an interest rate swap. Regarding maturity and nominal amount the interest rate swap was chosen to match the corresponding tranches of the variable-interest loans (hedged items). The interest rate swap was measured at fair value. The changes in the fair value were recognized in accumulated other comprehensive income until the hedged item was realized.

The fair value measurement of the interest rate swap on the reporting date yielded negative fair values of € –0.6 million (PY: € –0.7 million). During the reporting period a profit of € 0.1 million was recorded in other comprehensive income (PY: € 0.2 million).

In addition, designated hedging instruments were used to hedge against currency risks from purchase price payments for company acquisitions in foreign currency. Unrealized gains of € 4.1 million (PY: € 7.9 million) from foreign exchange transactions and currency options realized during the year were initially recorded in other equity to hedge purchase price payments and were included in acquisition costs of the acquired non-financial assets. On the reporting date as well as in the previous year, there were no further derivatives designated as hedging instruments.

(b) Financial derivatives not designated as hedging instruments

As of December 31, 2016 forward exchange transactions with a negative fair value of €–12.4 million and a positive fair value of € 0.6 million (PY: negative fair value of € –54.6 million, positive fair value of € 5.1 million) were recorded; these were entered in order to secure against currency risks in loans from foreign subsidiaries or a contingent purchase price liability. The nominal value of the hedged transactions on the balance sheet date amounted to € 138.3 million (PY: € 379.6 million). The profits and losses from the fair value measurement of these forward exchange transactions, as well as the opposite profits and losses from the foreign currency measurement of the hedged loan claims and obligations were recognized.

In order to secure our investment in Doğan TV, we concluded several put options for a successive sale of all shares with the seller. With regard to the accounting of this hedging agreement as well as changes in the reporting year, see note (7b). From the valuation of these put options we recognized losses of € 4.9 million (PY: gains of € 4.4 million) in the financial result. Besides the agreed fixed price secured by bank guarantees, the valuation of the derivatives depends in particular on the discounting of the future payment entitlements. A supposed variation of the interest rate by 25 basis points would alter the valuation within profit and loss by € 1.4 million (PY: € 1.9 million).

(37) Relationships with related parties

Related parties are defined as those persons and companies that control the Axel Springer Group, or that are controlled, jointly managed, or subject to significant influence by the Axel Springer Group. Accordingly, the members of the Springer family, the companies controlled, jointly managed, or 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. Control of the Group is exercised by Axel Springer Gesellschaft für Publizistik GmbH & Co. or its parent company, Friede Springer GmbH & Co. KG, a majority of which is attributable to Dr. h.c. Friede Springer. In addition, the subsidiaries, joint ventures, and associated companies of the Axel Springer Group have been defined as related companies. In addition to the active members of the Executive Board and Supervisory Board of Axel Springer SE (including their family members) and their controlled or jointly managed holdings, the institutions managing the plan assets of the Axel Springer Group must also be considered related parties.

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

€ millions	Total	Associated companies	Other related parties	Total	Associated companies	Other related parties
Balance sheet	12/31/2016			12/31/2015		
Loans	2.7	1.5	1.3	6.4	5.3	1.0
Receivables	40.0	37.6	2.3	7.2	2.7	4.5
Thereof trade	6.8	5.6	1.1	6.3	2.6	3.7
Allowances included	18.3	3.1	15.2	26.5	7.7	18.9
Provisions	15.2	0.0	15.2	11.4	0.0	11.4
Liabilities	29.4	15.5	13.9	23.7	3.3	20.5
Thereof trade	2.4	0.8	1.7	4.7	2.7	2.0
Income statement	2016			2015		
Goods and services supplied	24.6	17.7	6.8	19.6	15.4	4.3
Goods and services received	40.3	2.2	38.0	45.3	16.3	29.0
Financial result	1.0	0.9	0.1	1.0	0.9	0.1

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

€ millions	2016	2015
Balance as of January 1	26.5	24.1
Additions	1.1	6.0
Utilization	−9.3	−3.5
Other changes	−0.1	0.0
Balance as of December 31	**18.3**	**26.5**

As of December 31, 2016, receivables in the amount of € 2.6 million (PY: € 1.7 million) were neither past due nor subject to valuation allowances. With regard to these receivables, there were no indications at the reporting date that would suggest that the related parties would not fulfill their payment obligations.

The receivables and liabilities mainly relate to the associated company Ringier Axel Springer Schweiz AG and relate to outstanding receivables and liabilities in connection with the formation of the company (see note (2c)).

The provisions referred to pension obligations owed to members of the Executive Board. The liabilities include obligations from the share-based compensation programs granted to the Management Board of Axel Springer SE in the amount of € 6.5 million (PY: € 13.0 million).

Goods and services provided to related parties were mostly related to the distribution of newspapers and magazines. The services received from related parties mainly regarded Executive Board or Supervisory Board services, purchased publishing products and other services.

In mid-December 2015 we sold our shares in PRINOVIS Ltd. & Co KG, Hamburg. In the previous year, PRINOVIS rendered services in the amount of € 10.0 million based on a master agreement for the printing of magazines for companies of the Axel Springer Group.

In 2016, the fixed compensation of the members of the Executive Board of Axel Springer SE amounted to € 9.1 million (PY: € 8.7 million). The variable compensation amounted to € 10.1 million (PY: € 10.2 million). The measurement of the share-based compensation granted to the Executive Board of Axel Springer SE resulted in personnel expenses of € 3.5 million (PY: € 5.6 million) and other operating income of € 3.1million (PY: € 0.0 million). Guaranteed pension payments to members of the Executive Board resulted in a personnel expense of € 2.3 million (PY: € 0.8 million).

The compensation of the members of the Supervisory Board amounted to € 3.0 million (PY: € 3.0 million). A Supervisory Board member received compensation of € 0.1 million for services as an author (PY: € 0.1 million).

The compensation of the members of the Executive and Supervisory Board 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 € 2.7 million (PY: € 2.7 million) was paid to former Executive Board members and former managing directors and their survivors. A total amount of € 33.6 million (PY: € 34.2 million) was deferred for pension obligations.

For transactions with the institutions managing the plan assets of the Axel Springer Group, please find the explanations in note (14).

(38) Contingent liabilities

As of December 31, 2016, contingent liabilities from guarantees existed in the amount of € 4.9 million (PY: € 40.3 million). The guarantee granted in connection with the sale of our print activities to FUNKE Mediengruppe has become obsolete due to full repayment in the reporting period, see note (2d).

(39) Contingent assets

Contingent assets were due from KirchMedia GmbH & Co KGaA i. L. in the amount of € 221.0 million (PY: € 221.0 million). Insofar as advance payments are announced in the context of the insolvency proceedings against KirchMedia GmbH & Co. KGaA i.L., we recognize them as receivables. The receivables accepted in the table of claims by the insolvency administrator originally totaled € 325.0 million. A total of € 3.3 million (PY: € 29.3 million) was paid out in the reporting year.

(40) Other financial commitments

The other financial commitments broke down as follows:

€ millions	12/31/2016	12/31/2015
Purchase commitments for		
- intangible assets	0.8	1.2
- property, plant, and equipment	228.7	25.4
- inventories	22.9	24.9
Future payments under operating leases	198.5	202.1
Future payments under finance leases	0.7	1.5
Long-term purchase obligations	59.9	53.9
Other financial obligations	**511.5**	**309.0**

In 2016, the construction of the new Axel Springer headquarter building was started in direct vicinity of the old headquarter building in Berlin. From 2020 on up to 3,500 employees will be working on about 52,000 m^2. Total construction budget will be approximately € 300 million. As of the balance sheet date, investments amounted to € 42 million (see note (5)). The purchase commitments for property, plant, and equipment largely result from this new construction project.

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

The future minimum lease payments from operating leases on December 31, 2016 are broken down in the following table:

€ millions	2016	2015
Due in up to one year	58.5	55.0
Due in one to five years	118.9	117.9
Due in more than five years	21.1	29.2
Total	**198.5**	**202.1**

(41) Events after the reporting date

At the beginning of January 2017, the acquisition of 100% of the shares in ShareASale.com Inc., Chicago, USA, was completed (for further information, see note (2c)).

There are no further significant events after the reporting date to be reported.

(42) 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 Management 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.

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

No.	Company	12/31/2016 Share-holding in %	via No.	12/31/2015 Share-holding in %	via No.	
1	Axel Springer SE, Berlin	-	-	-	-	
	Fully consolidated subsidiaries					
	Germany					
2	AS Osteuropa GmbH, Berlin	100.0	18	100.0	18	
3	AS TV-Produktions- und Vertriebsges. mbH, Hamburg	100.0	1	100.0	1	
4	Axel Springer All Media GmbH & Co. KG, Berlin	100.0	1	100.0	1	6)
5	Axel Springer Asia GmbH, Hamburg	100.0	18	100.0	18	
6	Axel Springer Auto-Verlag GmbH, Hamburg	-	-	100.0	1	
7	Axel Springer Auto-Verlag GmbH (previously Axel Springer Auto & Motorsport Verlag GmbH), Hamburg	100.0	1	-	-	5)
8	Axel Springer Digital Classifieds GmbH, Berlin	100.0	10	100.0	10	5)
9	Axel Springer Digital Classifieds Holding GmbH, Berlin	100.0	8	100.0	8	5)
10	Axel Springer Digital GmbH, Berlin	100.0	1	100.0	1	5)
11	Axel Springer Digital Ventures GmbH, Berlin	100.0	10	100.0	10	5)
12	Axel Springer Digital Ventures US GmbH (previously Zweiundneunzigste "Media" Vermögensverwaltungsges. mbH), Berlin	100.0	11	-	-	
13	Axel Springer Druckhaus Spandau GmbH & Co. KG, Berlin	100.0	1	100.0	1	6)
14	Axel Springer Financial Media GmbH, Munich	-	-	100.0	1	
15	Axel Springer ideAS Engineering GmbH, Berlin	100.0	31	100.0	31	5)
16	Axel Springer ideAS Ventures GmbH, Berlin	100.0	31	100.0	31	5)
17	Axel Springer International GmbH, Berlin	100.0	1	100.0	1	5)
18	Axel Springer International Holding GmbH, Berlin	100.0	17	100.0	17	5)
19	Axel Springer Kundenservice GmbH, Hamburg	100.0	1	100.0	1	5)
20	Axel Springer Media Logistik GmbH, Berlin	-	-	100.0	1	
21	Axel Springer Mediahouse Berlin GmbH, Berlin	100.0	1	100.0	1	5)
22	Axel Springer Medien Accounting Service GmbH, Berlin	100.0	1	100.0	1	5)
23	Axel Springer Offsetdruckerei Ahrensburg GmbH & Co. KG, Ahrensburg	100.0	1	100.0	1	6)
24	Axel Springer Offsetdruckerei Kettwig GmbH & Co. KG, Essen	100.0	1	100.0	1	6)
25	Axel Springer Personalservice GmbH, Berlin	100.0	1	-	-	5)
26	Axel Springer Services & Immobilien GmbH, Berlin	100.0	1	100.0	1	5)
27	Axel Springer Sport Dienstleistungs-GmbH (previously Dreiundachtzigste "Media" Vermögensverwaltungsges. mbH), Hamburg	100.0	28	-	-	
28	Axel Springer Sport Verlag GmbH, Hamburg	100.0	1	-	-	5)
29	Axel Springer Syndication GmbH, Berlin	100.0	31	100.0	31	5)
30	Axel Springer TV Productions GmbH, Hamburg	100.0	1	100.0	1	5)
31	"Axel Springer Verlag" Beteiligungsgesellschaft mbH, Berlin	100.0	1	100.0	1	5)
32	Axel Springer Vertriebsservice GmbH, Hamburg	-	-	100.0	1	
33	B.Z. Ullstein GmbH, Berlin	100.0	31	100.0	31	5)
34	Bilanz Deutschland Wirtschaftsmagazin GmbH, Hamburg	100.0	31	100.0	31	5)
35	BILD GmbH & Co. KG, Berlin	100.0	1	100.0	1	6)
36	Bonial Enterprises GmbH & Co. KG, Berlin	-	-	100.0	37	
37	Bonial Holding GmbH, Berlin	72.5	10	72.5	10	9)
38	Bonial International GmbH, Berlin	100.0	37	100.0	37	
39	Bonial Management GmbH, Berlin	100.0	37	100.0	37	
40	Buch- und Presse-Großvertrieb Hamburg GmbH & Co. KG, Hamburg	77.1	1	78.1	1	6)
41	Buzz Technologies GmbH (previously Vierundsiebzigste "Media" Vermögensverwaltungsges. mbH), Berlin	51.0	1	-	-	
42	Casamundo GmbH, Hamburg	100.0	90	100.0	90	

No.	Company	12/31/2016 Share-holding in %	12/31/2016 via No.	12/31/2015 Share-holding in %	12/31/2015 via No.	
43	Commerz-Film GmbH, Berlin	100.0	18	100.0	18	
44	comparado GmbH, Lüneburg	100.0	54	100.0	54	
45	COMPUTER BILD Digital GmbH, Hamburg	-	-	100.0	1	
46	COMPUTER BILD Digital GmbH (previously Axel Springer Computer Verlag GmbH), Hamburg	100.0	1	-	-	5)
47	Content Factory TV-Produktion GmbH, Berlin	100.0	84	100.0	84	5)
48	DanCenter GmbH, Hamburg	100.0	122	-	-	
49	eprofessional GmbH, Hamburg	100.0	86	100.0	86	
50	finanzen.net GmbH, Karlsruhe	75.0	11	75.0	11	10)
51	Gofeminin.de GmbH, Cologne	100.0	96	100.0	96	
52	hamburg.de GmbH & Co. KG, Hamburg	61.9	10	61.9	10	6)
53	Idealo International GmbH, Berlin	100.0	54	100.0	54	
54	Idealo Internet GmbH, Berlin	74.9	10	74.9	10	
55	Immonet GmbH, Hamburg	100.0	58	100.0	58	
56	ImmoSolve GmbH, Bad Bramstedt	51.0	55	51.0	55	9)
57	Immowelt AG, Nuremberg	100.0	58	100.0	58	
58	Immowelt Holding AG, Nuremberg	55.0	9	55.0	9	
59	infoRoad GmbH, Heroldsberg	60.4	7	-	-	9)
60	Maz&More TV-Produktion GmbH, Berlin	100.0	84	100.0	84	5)
61	Media Impact GmbH & Co. KG, Berlin	74.9	4	74.9	1	6)
62	meinestadt.de GmbH, Cologne	100.0	63	100.0	63	
63	meinestadt.de Holding GmbH, Berlin	100.0	9	100.0	9	
64	meinestadt.de Vertriebs-GmbH, Cologne	100.0	62	100.0	62	
65	MeinProspekt GmbH, Munich	100.0	38	100.0	38	
66	Newspaper Impact GmbH (previously Neunundsiebzigste "Media" Vermögensverwaltungsges. mbH), Hamburg	100.0	1	-	-	5)
67	PACE Paparazzi Catering & Event GmbH, Berlin	100.0	1	100.0	1	5)
68	Panther Holding GmbH, Berlin	100.0	54	100.0	54	
69	Room 49 GmbH, Berlin	100.0	16	100.0	16	5)
70	Sales Impact GmbH & Co. KG, Hamburg	100.0	1	100.0	1	6)
71	Smarthouse Media GmbH, Karlsruhe	-	-	91.0	11	
72	StepStone Continental Europe GmbH (previously Vierundachtzigste "Media" Vermögensverwaltungsges. mbH), Berlin	100.0	74	-	-	5)
73	StepStone Deutschland GmbH, Düsseldorf	100.0	74	100.0	74	5)
74	StepStone GmbH, Berlin	100.0	9	100.0	9	5)
75	Transfermarkt GmbH & Co. KG, Hamburg	51.0	35	51.0	35	6)
76	Traum-Ferienwohnungen GmbH, Bremen	50.01	88	-	-	
77	Ullstein Ges. mit beschränkter Haftung, Berlin	100.0	31	100.0	31	5)
78	Umzugsauktion GmbH & Co. KG, Schallstadt	100.0	55	100.0	55	6)
79	upday GmbH & Co. KG, Berlin	100.0	1	100.0	1	6)
80	upday Holding GmbH, Berlin	100.0	79	100.0	79	
81	Vertical Media GmbH, Berlin	88.0	84	88.0	84	9)
82	Visoon Video Impact GmbH & Co. KG (previously thads.media vermarktungs GmbH & Co. KG), Berlin	51.0	4	100.0	4	6)
83	Visual Meta GmbH, Berlin	75.6	54	75.6	54	
84	WeltN24 GmbH, Berlin	100.0	1	100.0	1	5)
85	YOURCAREERGROUP GmbH, Düsseldorf	100.0	74	100.0	74	5)
86	ZANOX AG, Berlin	52.5	10	52.5	10	9)
87	Zuio GmbH, Berlin	-	-	100.0	31	
	Other countries					
88	@Leisure BR B.V., Eindhoven, Netherlands	100.0	89	100.0	89	

No.	Company	12/31/2016 Share-holding in %	12/31/2016 via No.	12/31/2015 Share-holding in %	12/31/2015 via No.	
89	@Leisure Holding B.V., Rotterdam, Netherlands	51.0	9	51.0	10	
90	@Leisure NH B.V., Amsterdam, Netherlands	-	-	100.0	89	
91	AanZee VillaXL B.V. (previously Villa XL B.V.), Bergen, Netherlands	100.0	89	100.0	89	
92	Administrationsselskabet af 1.10.2015 ApS, Copenhagen, Denmark	100.0	142	-	-	
93	alFemminile s.r.l., Milan, Italy	100.0	96	100.0	96	
94	APM Print d.o.o., Belgrade, Serbia	100.0	172	74.9 25.1	199 172	
95	AS-NYOMDA Kft, Kecskemét, Hungary	100.0	174	100.0	174	
96	AUFEMININ SA, Paris, France	78.4	18	79.5	18	
97	auFeminin.com Productions SARL, Paris, France	100.0	96	100.0	96	
98	Automotive Exchange Private Limited, Mumbai, India	-	-	90.3	5	
99	Axel Springer Beteiligungen Switzerland AG, Zurich, Switzerland	100.0	107	-	-	
100	Axel Springer Digital Classifieds France SAS, Paris, France	100.0	9	100.0	9	
101	Axel Springer España S.A., Madrid, Spain	100.0	1	100.0	1	
102	Axel Springer France S.A.S., Paris, France	100.0	1	100.0	1	
103	Axel Springer IdeAS Polska Sp. z o. o., Breslau, Poland	-	-	99.0 1.0	15 1	
104	Axel Springer International AG, Zurich, Switzerland	100.0	105	100.0	105	
105	Axel Springer International Limited, London, Great Britain	100.0	18	100.0	18	
106	Axel Springer Norway AS, Oslo, Norway	100.0	105	100.0	105	
107	Axel Springer Switzerland AG, Zurich, Switzerland	100.0	1	100.0	1	
108	Azet.sk a.s., Zilina, Slovakia	-	-	80.0	178	
109	Belles Demeures S.A.S., Paris, France	100.0	169	100.0	169	
110	Belvilla Ferienwohnungen GmbH, Kitzbühel, Austria	50.0	88	50.0	88	11)
111	Blikk Kft., Budapest, Hungary	100.0	176	100.0	176	
112	Bonial Enterprises North America Inc., New York, USA	100.0	36	100.0	36	
113	Bonial SAS, Paris, France	100.0	38	100.0	38	
114	Business Insider Europe Limited, London, Great Britain	100.0	115	100.0	115	
115	Business Insider Inc., New York City, USA	100.0	11	96.5	11	
116	Candidate Manager (US) Inc, Boston, USA	100.0	117	100.0	117	
117	Candidate Manager Ltd, Dublin, Ireland	100.0	180	100.0	180	
118	Car&Boat Media SAS, Paris, France	61.0 39.0	9 100	51.0 -	9 -	9)
119	CaribbeanJobs Ltd, George Town, Cayman Islands	100.0	180	100.0	180	
120	Coral-Tell Ltd., Tel Aviv, Israel	100.0	9	100.0	9	
121	Cybersearch S.A., Guatemala City, Guatemala	100.0 0.0	194 180	- -	- -	7)
122	DanCenter A/S, Copenhagen, Denmark	100.0	142	-	-	
123	DanCenter EDB Service ApS, Copenhagen, Denmark	100.0	122	-	-	
124	Digital Window Inc., Wilmington, USA	100.0	125	100.0	125	
125	Digital Window Limited, London, Great Britain	100.0	86	100.0	86	
126	DreamLab Sp. z.o.o. (previously DreamLab Onet.pl sp. z o.o.), Krakow, Poland	100.0	163	100.0	163	
127	eMarketer Europe Ltd., London, Great Britain	100.0	128	-	-	
128	eMarketer Inc., New York, USA	93.4	11	-	-	9)
129	ENFEMENINO AUFEMININ S.A. (previously enFemenino SARL), Madrid, Spain	100.0	96	100.0	96	
130	Estascontratadocom S.A., Panama City, Panama	100.0	194	-	-	
131	Etoilecasting.com SAS, Paris, France	100.0	96	100.0	96	
132	Gambettes Box SAS, Paris, France	100.0	152	100.0	152	
133	Garantie System SAS, Paris, France	100.0	118	100.0	118	

No.	Company	12/31/2016 Share-holding in %	12/31/2016 via No.	12/31/2015 Share-holding in %	12/31/2015 via No.	
134	GoBrands Sp. z o.o., Krakow, Poland	100.0	163	100.0	163	
135	Good & Co Labs, Inc., San Francisco, USA	100.0	74	-	-	
136	ictjob SPRL, Waterloo, Belgium	99.0 1.0	74 189	99.0 1.0	74 189	
137	Immoweb SA, Brussels, Belgium	80.0	100	80.0	100	[9]
138	Interactive Junction Holdings Proprietary Limited, Rosebank/Johannesburg, South Africa	100.0	180	100.0	180	
139	Jobs LU Ltd, Dublin, Ireland	100.0	180	100.0	180	
140	Jobs.ie Ltd, Dublin, Ireland	100.0	180	100.0	180	
141	Jobsite UK (Worldwide) Limited, London, Great Britain	100.0	192	100.0	192	
142	Land & Leisure A/S, Kopenhagen, Denmark	100.0	89	-	-	
143	Les Rencontres aufeminin.com SAS, Paris, France	100.0	96	-	-	
144	Livingly Media, Inc., San Carlos, USA	100.0	96	100.0	96	
145	Marmiton SAS, Paris, France	100.0	96	100.0	96	
146	Maritimo 101 SL, Malaga, Spain	100.0	142	-	-	
147	Media Impact Polska Sp. z o.o., Warsaw, Poland	50.0 50.0	163 177	50.0 50.0	163 177	
148	Merci Alfred S.A.S., Paris, France	100.0	96	100.0	96	
149	Milkround Online Ltd., London, Great Britain	100.0	198	-	-	
150	My Little Box KK, Tokyo, Japan	100.0	152	100.0	152	
151	My Little Campus SAS, Paris, France	100.0	152	100.0	152	
152	My Little Paris S.A.S., Paris, France	70.0	96	70.0	96	[9]
153	My Web Ltd, Ebene, Mauritius	100.0	166	100.0	166	
154	MyJob Group Ltd, Sheffield, Great Britain	100.0	141	100.0	141	
155	NARKS INFOSERVIS, a.s., Bratislava, Slovakia	100.0	201	100.0	201	
156	Netmums Limited, London, Great Britain	100.0	96	100.0	96	
157	New Digital d.o.o. Belgradee, Belgrade, Serbia	100.0	172	100.0	172	
158	NIJobs.com Ltd, Belfast, Ireland	100.0	180	100.0	180	
159	NIN d.o.o., Belgrade, Serbia	99.7	172	99.7	172	
160	ofeminin.pl Sp. z o.o., Warsaw, Poland	51.0 49.0	96 177	51.0 49.0	96 177	
161	OFERTIAMX RETAIL SERVICES, S. de R.L. de C.V., Mexico City, Mexico	100.0	186	-	-	
162	ONET Holding Sp. z o.o., Warsaw, Poland	75.0	176	75.0	176	[9]
163	Onet S.A. (previously Grupa Onet.pl SA), Krakow, Poland	100.0	162	100.0	162	
164	OnetMarketing Sp. z o.o., Krakow, Poland	100.0	163	100.0	163	
165	Opineo Sp. z o.o., Wroclaw, Poland	100.0	162	100.0	162	
166	Pnet (Pty) Ltd, Johannesburg, South Africa	100.0	180	100.0	180	
167	Poliris S.A.S., Paris, France	-	-	100.0	183	
168	Praxis SARL, Chambery, France	100.0	169	100.0	169	
169	PressImmo On Line S.A.S., Paris, France	100.0	183	100.0	183	
170	profession.hu Kft, Budapest, Hungary	100.0	176	100.0	176	
171	Residence de Monbrison A/S, Kopenhagen, Denmark	73.2	142	-	-	
172	Ringier Axel Springer d.o.o., Belgrade, Serbia	100.0	176	100.0	176	
173	Ringier Axel Springer Inwestycje Sp. z o.o., Warsaw, Poland	99.0	177	99.0	177	
174	Ringier Axel Springer Magyarország Kft, Budapest, Hungary	100.0	176	98.2	176	
175	Ringier Axel Springer Management AG, Zurich, Switzerland	-	-	100.0	176	
176	Ringier Axel Springer Media AG, Zurich, Switzerland	50.0	105	50.0	105	[3]
177	Ringier Axel Springer Polska Sp. z o.o., Warsaw, Poland	100.0	176	100.0	176	
178	Ringier Axel Springer Slovakia a.s., Bratislava, Slovakia	89.0	176	100.0	176	

		12/31/2016		12/31/2015		
No.	Company	Share-holding in %	via No.	Share-holding in %	via No.	
179	Saknai Net Ltd., Tel Aviv, Israel	70.0	120	70.0	120	[9]
180	Saongroup Limited, Dublin, Ireland	100.0	192	100.0	192	[12]
181	SeLoger Finances S.A.S., Paris, France	100.0	169	-	-	
182	Seloger Solutions SAS, Paris, France	100.0	183	100.0	183	
183	SeLoger.com SAS, Paris, France	97.7 2.3	100 9	97.7 1.9	100 9	
184	Skapiec Sp. z o.o., Wroclaw, Poland	100.0	162	100.0	162	
185	soFeminine.co.uk Limited, London, Great Britain	100.0	96	100.0	96	
186	SOKOWEB TECHNOLOGIES, S.L., Barcelona, Spain	63.6	38	63.6	38	[9]
187	SPORT.SK s.r.o., Zilina, Slovakia	66.7	178	-	-	
188	StepStone France SAS, Paris, France	100.0	74	100.0	74	
189	StepStone NV, Brussels, Belgium	100.0 0.0	74 190	100.0 0.0	74 190	[7]
190	StepStone Austria GmbH, Vienna, Austria	100.0	73	100.0	73	
191	StepStone Services Sp. z o.o., Warsaw, Poland	100.0	74	100.0	74	
192	StepStone UK Holding Limited, London, Great Britain	100.0	74	100.0	74	
193	Tecoloco El Salvador S.A. de C.V., San Salvador, El Salvador	100.0 0.0	194 180	- -	- -	[7]
194	Tecoloco International Inc, Panama City, Panama	100.0	180	-	-	
195	Tecoloco S.A. de C.V. Honduras, Tegucigalpa, Honduras	99.6 0.4	194 180	- -	- -	
196	Tecoloco.com S.A. de C.V. Nicaragua, Managua, Nicaragua	95.0 3.0 2.0	194 193 121	- - -	- - -	
197	Topic Travel B.V., The Hague, Netherlands	100.0	89	100.0	89	
198	Totaljobs Group Limited, London, Great Britain	100.0	192	100.0	192	
199	Trans Press d.o.o., Belgrade, Serbia	-	-	100.0	172	
200	Traveezee Insurance N. V., Eindhoven, Netherlands	100.0	89	100.0	89	
201	United Classifieds s.r.o., Bratislava, Slovakia	60.0	108	60.0	108	
202	upday France SARL, Paris, France	100.0	80	-	-	
203	upday Polska Sp. z o.o. Sp.k., Warsaw, Poland	100.0	80	100.0	80	
204	upday UK Ltd., London, Great Britain	100.0	80	-	-	
205	Viviana Investments Sp. z o.o., Warsaw, Poland	-	-	100.0	177	
206	WEBIMM SAS, Paris, France	65.0	183	65.0	183	
207	YOURCAREERGROUP Switzerland GmbH, Kloten, Switzerland	100.0	74	100.0	74	
208	zanox B.V., Amsterdam, Netherlands	100.0	86	100.0	86	
209	ZANOX Hispania SL, Madrid, Spain	100.0	86	100.0	86	
210	zanox SAS, Paris, France	100.0	86	100.0	86	
211	zanox Switzerland AG, Zurich, Switzerland	100.0	86	100.0	86	
212	zanox Sp. z o.o., Warsaw, Poland	100.0	86	100.0	86	
213	zanox SRL, Milan, Italy	100.0	86	100.0	86	
214	ZANOX VEICULAÇÃO DE PUBLICIDADE NA INTERNET LTDA., São Paulo, Brazil	100.0 0.0	86 49	100.0 0.0	86 49	[7]
215	zanox we create partners AB, Stockholm, Sweden	100.0	86	100.0	86	

No.	Company	12/31/2016 Share holding in %	via No.
	Other subsidiaries[1]		
	Germany		
216	@Leisure Deutschland GmbH i.L., Hamburg	100.0	88
217	Achtundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
218	Achtundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	31
219	Achtundsiebzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
220	AS Buchversand GmbH, Munich	100.0	31
221	Axel Springer All Media Verwaltungs-GmbH, Berlin	100.0	1
222	Axel Springer Financial Media GmbH, Munich	100.0	1
223	Axel Springer Liveware IT GmbH, Berlin	100.0	15
224	Axel Springer Print Management GmbH, Berlin	100.0	1
225	Axel Springer Security GmbH, Berlin	100.0	1
226	Axel Springer Transformator Holding GmbH, Berlin	100.0	11
227	BILD Multimedia Verwaltungs GmbH, Berlin	100.0	1
228	CEO Event GmbH, Berlin	100.0	81
229	Contact Impact GmbH, Hamburg	52.9	4
230	Dreamlabs GmbH i.L., Berlin	100.0	57
231	Dreiundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
232	Dreizehnte "Media" Vermögensverwaltungsges. mbH, Hamburg	100.0	1
233	Einundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
234	Finanzen Corporate Publishing GmbH, Berlin	100.0	1
235	Fünfundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
236	Fünfundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
237	Fünfundsiebzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	31
238	hamburg.de Beteiligungs GmbH, Hamburg	100.0	52
239	Hammerich & Lesser Zeitschriften- und Buchverlag GmbH, Hamburg	100.0	1
240	Hauptstadtsee 809. VV GmbH, Berlin	100.0	1
241	Informationsmedien Handels GmbH, Hamburg	100.0	1
242	kinkaa GbR, Berlin	50.0	54
		50.0	68
243	Media Impact Management GmbH, Berlin	74.9	4
244	meinestadt.de Vermögensverwaltungsgesellschaft mbH, Cologne	100.0	62
245	myPass GmbH, Berlin	100.0	1
246	Neunundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
247	Sales Impact Management GmbH, Hamburg	100.0	1
248	Scubia GbR, Berlin	50.0	68
		50.0	54
249	Sechsundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
250	Sechsundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	31
251	Sechsundsiebzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	31
252	Shop Now GmbH i.L., Berlin	90.0	16
253	Siebenundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
254	Siebenundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	31
255	Tarif24 GmbH, Berlin	100.0	54
256	TOPS Online Publications GbR, Lüneburg	90.0	44
		10.0	54
257	TraderFox GmbH, Reutlingen	50.1	50
258	Transfermarkt Verwaltungs GmbH, Hamburg	51.0	35
259	TunedIn Media GmbH i.L., Berlin	86.4	1
260	Umzugsauktion Verwaltungs GmbH, Schallstadt	100.0	55
261	upday Management GmbH, Berlin	100.0	1
262	Vierundneunzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
263	Visoon Video Impact Management GmbH (vormals Neunzigste "Media" Vermögensverwaltungsgesellschaft mbH), Berlin	51.0	4
264	Zuio GmbH, Berlin	100.0	31
265	Zweiundachtzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
266	Zweiundsechzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1
	Other countries		
267	African Jobs Online Ltd, Port Louis, Mauritius	100.0	180
268	Alpha Real spol. s.r.o., Zilina, Slovakia	100.0	178
269	AUTOVIA, s.r.o., Bratislava, Slovakia	100.0	201
270	Axel Springer Hírszolgálat Kft, Tatabánya, Hungary	100.0	174
271	Axel Springer International Group Limited, London, Great Britain	100.0	1
272	Axel Springer Media France S.A.R.L., Neuilly-sur-Seine, France	100.0	61
273	Axel Springer Media Italia s.r.l., Milan, Italy	100.0	61
274	Axel Springer Publishing International Limited, London, Great Britain	100.0	271
275	Axel Springer Services Inc. (previously Axel Springer Digital Ventures Inc.), Wilmington, USA	100.0	11
276	Axel Springer TV International Limited, London, Great Britain	100.0	271
277	Azet.sk – katalóg s.r.o., Zilina, Slovakia	100.0	178
278	BEMFEMININO.COM.BR, Sao Paulo, Brazil	99.9	96
		0.1	97
279	BILD Inc., City of Wilmington, USA	100.0	35
280	Car Price List Yad2 Ltd., Tel Aviv, Israel	100.0	120
281	City-Nav Sp. z o.o., Poznań, Poland	69.3	163
282	CompuTel Telefonservice AG, Chur, Switzerland	100.0	107
283	Cpress Media s.r.o., Zilina, Slovakia	100.0	178
284	Digitalni klik d.o.o., Zagreb, Croatia	60.0	57
285	ETSBA Ltd., Tel Aviv, Israel	100.0	120
286	Euro Blic Press d.o.o., Banja Luka, Bosnia-Herzegovina	100.0	172
287	eurobridge Inc., New York, USA	100.0	1
288	Gemini Moon Trading 343 Proprietary Limited, Cap Town, South Africa	100.0	139
289	Immostreet ES, Barcelona, Spain	100.0	169

No.	Company	12/31/2016 Share holding in %	via No.	
290	Jean Frey AG, Zurich, Switzerland	100.0	107	
291	Jobcity Ltd., Tel Aviv, Israel	100.0	120	
292	Media Impact Inc. (previously Axel Springer Group Inc.) , New York, USA	100.0	61	
293	Realty Media House s.r.o., Bratislava, Slovakia	100.0	156	
294	Saongroup Caribbean (Jamaica) Ltd, Kingston, Jamaica	100.0	119	
295	Saongroup Caribbean (Trinidad) Ltd, Port of Spain, Trinidad and Tobago	100.0	119	
296	Saongroup.com India Pvt Ltd, Pune, India	100.0	180	
297	Tecoloco Holding S.A. de C.V., San Salvador, El Salvador	100.0	194	
		0.0	180	7)
298	Tecoloco.com S.A. de C.V. Panama, Panama City, Panama	100.0	194	
299	upday Polska Sp. z o.o., Warsaw, Poland	100.0	80	
300	wewomen.com Inc., Wilmington, USA	100.0	96	
301	Yad2Pay Internet Ads Ltd., Haifa, Israel	100.0	120	
302	Yad2Pay Ltd., Tel Aviv, Israel	100.0	120	
	Investments accounted for using the equity method			
	Germany			
303	AS TYFP Media GmbH & Co. KG, Berlin	50.0	1	
304	Axel Springer Plug and Play Accelerator GmbH, Berlin	50.0	11	
305	Bonial Ventures GmbH, Berlin	74.9	1	4)
306	mytic myticket AG, Frankfurt am Main	20.0	1	
307	Project A Ventures GmbH & Co. KG, Berlin	26.3	10	
	Other countries			
308	AC3 SAS, Guipavas, France	40.0	183	
309	Blendle B.V., Utrecht, Netherlands	21.0	11	
310	Editions Mondadori Axel Springer (EMAS) S.E.N.C., Montrouge Cedex, France	50.0	102	
311	INFOR BIZNES Sp. z o.o., Warsaw, Poland	49.0	173	
312	Ozy Media, Inc., Mountain View CA, USA	16.8	11	8)
313	Ringier Axel Springer Switzerland AG, Zurich, Switzerland	50.0	99	
	Other associated companies and joint ventures[2)]			
	Germany			
314	Agenda Media GmbH i.L., Berlin	49.0	84	

No.	Company	12/31/2016 Share holding in %	via No.
315	Berliner Pool TV Produktion Gesellschaft mbH, Berlin	50.0	84
316	Blitz-Tip Radio Hessen Beteiligungsges. mbH & Co. KG, Bad Soden am Taunus	33.3	1
317	Dropspot GmbH i.L., Berlin	40.0	1
318	Filmgarten GmbH, Berlin	42.0	54
319	Ges. für integr. Kommunikationsforschung mbH & Co. KG, München	20.0	1
320	Ges. für integr. Kommunikationsforschung Verwaltungs GmbH, Munich	20.0	1
321	hy! GmbH, Berlin	49.0	1
322	Intermedia Standard Presse-Code GmbH, Hamburg	32.0	1
323	InterRed GmbH, Haiger	24.0	1
324	ISPC Intermedia Standard Presse-Code GmbH & Co.KG, Hamburg	32.0	1
325	LAUT AG, Konstanz	25.0	1
326	Marina Wendtorf Invest II GmbH & Co. KG, Kiel	49.0	143
327	Mont Ventoux Media GmbH, Berlin	50.0	30
328	Project A Management GmbH, Berlin	26.3	10
329	Project A Services GmbH & Co. KG, Berlin	37.5	10
330	Qivive GmbH i. L., Bad Homburg	33.3	1
331	Radio Hamburg GmbH & Co. KG, Hamburg	35.0	1
332	Sparheld International GmbH, Berlin	30.0	54
333	V.V. Vertriebs-Vereinigung Berliner Zeitungs- und Zeitschriften-Grossisten GmbH & Co. KG, Berlin	48.5	1
334	Zeitungs- und Zeitschriften Vertrieb Berlin GmbH, Berlin	35.5	1
	Other countries		
335	Asocijacija Privatnih Media, Belgrade, Serbia	20.0	172
336	BULGARPRESS OOD, Veliko Tarnovo, Bulgaria	25.5	1
337	EMAS Digital SAS, Montrouge Cedex, France	50.0	102
338	HUNGAROPRESS Sajtóterjesztö Kft, Budapest, Hungary	24.0	1
339	SereniPay SAS, Paris, France	19.4	118
340	VINA WOMAN UK LTD., London, Great Britain	30.0	96

No.	Company	12/31/2016 Shareholding in %	via No.	Equity Mio. € [13]	Net income Mio. € [13]
	Other significant investments				
	Germany				
341	ANTENNE BAYERN GmbH & Co. KG, Ismaning	16.0	1	-	- [15]
342	RADIO/TELE FFH GmbH & Co. Betriebs-KG, Bad Vilbel	15.0	1	-	- [15]
	Other countries				
343	Airbnb, Inc., San Francisco, USA	0.1	1	-	- [15]
344	Doğan TV Holding A.S., Istanbul, Turkey	7.0	43	413.5	– 46.3
345	Group Nine Media, Inc., New York, USA	13.0	11	-	- [14]
346	Lakestar II LP, Guernsey, Guernsey	6.6	11	69.3	– 4.3
347	QWANT SAS, Paris, France	19.0	11	3.4	– 4.1

[1] No full consolidation due to immaterial impact (relation of net income and balance sheet total for the company to net income and balance sheet total of the Group).
[2] No at-equity consolidation due to immaterial impact (relation of net income of th 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 possiblility to influence the variable outflaws.
[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%.
[8] Significant influence on the basis of contractual agreements.
[9] Due to option rights in the reporting year and/or in the prior year a share of 100 % consolidated.
[10] Due to option rights in the reporting year and in the prior year a share of 89.99 % consolidated.
[11] Control due to contractual agreements and rights to obtain power.
[12] Applying rules of Section 357(1) of the Companies Act 2014.
[13] Unless otherwise stated, equity and profit for the year according to local annual financial statements for the financial year 2015. Values translated into foreign currency using the closing rate as at December 31, 2016.
[14] The company was founded in the year under review. There is no financial statement yet.
[15] No statement of equity and profit for the year as the annual financial statements are not published.

Boards

Supervisory Board

The Supervisory Board is composed of the following persons:

Name, occupation	Seats on other mandatory supervisory boards	Seats on comparable boards in Germany and abroad
Dr. Giuseppe Vita Chairman of the Supervisory Board of Axel Springer SE		UniCredit S.p.A., Italy (Chairman of the Board of Directors)
Dr. h. c. Friede Springer Vice Chairwoman of the Supervisory Board of Axel Springer SE	ALBA Finance plc & Co. KGaA (until December 2016) ALBA plc & Co. KGaA (until December 2016)	ALBA Group plc & Co. KG (Advisory Board until December 2016)
William E. Ford (since August 29, 2016) CEO General Atlantic		IHS Markit Ltd., United Kingdom (Board of Directors) Oak Hill Advisors, L.P., USA (Partnership Committee) TBG AG, Switzerland (Board of Directors) Tory Burch LLC, USA (Board of Directors)
Oliver Heine Attorney at law and partner in the law firm Heine & Partner		YooApplications AG, Switzerland (Board of Directors)
Rudolf Knepper Entrepreneur		
Lothar Lanz Member of various Supervisory Boards	Bauwert AG (Chairman) Home24 AG (Chairmen) TAG Immobilien AG (Vice Chairman) Zalando SE (Chairman since May 2016, before member of the Supervisory Board)	Doğan TV Holding A.S., Turkey (Supervisory Board) Kinnevik AB, Sweden (Board of Directors, since May 2016)
Dr. Nicola Leibinger-Kammüller President and Chairwoman of the Managing Board of TRUMPF GmbH + Co. KG	Lufthansa AG (until April 2016) Siemens AG Voith GmbH	
Prof. Dr.-Ing. Wolfgang Reitzle Entrepreneur	Continental AG (Chairman) Hawesko Holding AG (Vice Chairman) Linde AG (Chairman, since May 2016) Medical Park AG (Chairman)	Ivoclar Vivadent AG, Liechtenstein (Board of Directors) LafargeHolcim Ltd., Switzerland (Chairman of the Board of Directors, until May 2016)
Martin Varsavsky CEO Prelude Fertility Inc.		Fon Wireless Limited, United Kingdom (Chairman of the Board of Directors)
Prof. Dr. Wolf Lepenies (until July 31, 2016) University Professor (emer.) FU Berlin; Permanent Fellow (emer.) at Wissenschaftskolleg zu Berlin		

Executive Board

The Executive Board is composed of the following persons:

Executive Board member	Seats on mandatory supervisory boards	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) Business Insider Inc., USA (Chairman of the Board of Directors) eMarketer Inc., USA (Board of Directors since July 2016) Ringier Axel Springer Schweiz AG, Switzerland (Board of Directors) Time Warner Inc., USA (Board of Directors) Vodafone Group Plc., Great Britain (Board of Directors) Warner Music Group Corp., USA (Board of Directors)
Jan Bayer President Paid Models Media scholar		Business Insider Inc., USA (Board of Directors) eMarketer Inc., USA (Board of Directors since July 2016) Media Impact GmbH & Co. KG (Advisory Board) Ringier Axel Springer Media AG, Switzerland (Board of Directors since June 2016)
Dr. Julian Deutz Chief Financial Officer Master's Degree in Business Administration	Immowelt AG (Supervisory Board from June 2016 until December 2016) Immowelt Holding AG (Supervisory Board, from June 2016 until December 2016)	Axel Springer Digital Classifieds GmbH (Supervisory Board until February 2016) Axel Springer International AG, Switzerland (Board of Directors) Axel Springer Schweiz AG, Switzerland (Board of Directors) ITAS Media Private Limited, India (Board of Directors until October 2016) Ringier Axel Springer Management AG, Switzerland (Board of Directors until June 2016) Ringier Axel Springer Media AG, Switzerland (Board of Directors until June 2016) Ringier Axel Springer Schweiz AG, Switzerland (Board of Directors) SeLoger.com SAS, France (Supervisory Board) StepStone GmbH (Supervisory Board)
Dr. Andreas Wiele President Marketing and Classified Ad Models Lawyer	Immowelt AG (Chairman) Immowelt Holding AG (Chairman) ZANOX AG (Chairman)	@Leisure Holding B.V., Netherlands (Chairman of the Board of Directors) AUFEMININ SA, France (Board of Directors) Axel Springer Digital Classifieds France SAS, France (Chairman of the Supervisory Board) Axel Springer Digital Classifieds GmbH (Chairman of the Supervisory Board until February 2016) Business Insider Inc., USA (Board of Directors) Car & Boat Media SAS, France (Chairman of the Supervisory Board) Coral-Tell Ltd., Israel (Chairman of the Board of Directors) Immoweb SA, Belgium (Chairman of the Board of Directors) Media Impact GmbH & Co. KG (Advisory Board) meinestadt.de GmbH (Chairman of the Supervisory Board) SeLoger.com SAS, France (Chairman of the Supervisory Board) StepStone GmbH (Chairman of the Supervisory Board)

Financial Calendar

- **March 9, 2017**
  Annual Results press conference in Berlin,
  Telephone conference for investors and analysts
- **April 26, 2017**
  Annual General Meeting
- **May 10, 2017**
  Quarterly Statement as of March 31, 2017
- **August 2, 2017**
  Interim Financial Report as of June 30, 2017
- **November 8, 2017**
  Quarterly Statement as of September 30, 2017

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