10

Annual Report

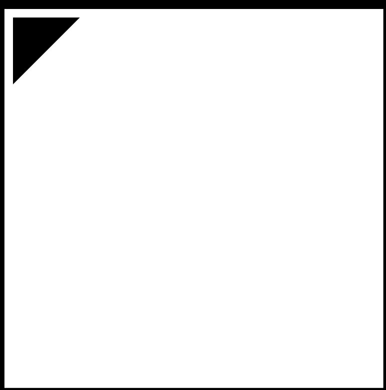
axel springer

Contents

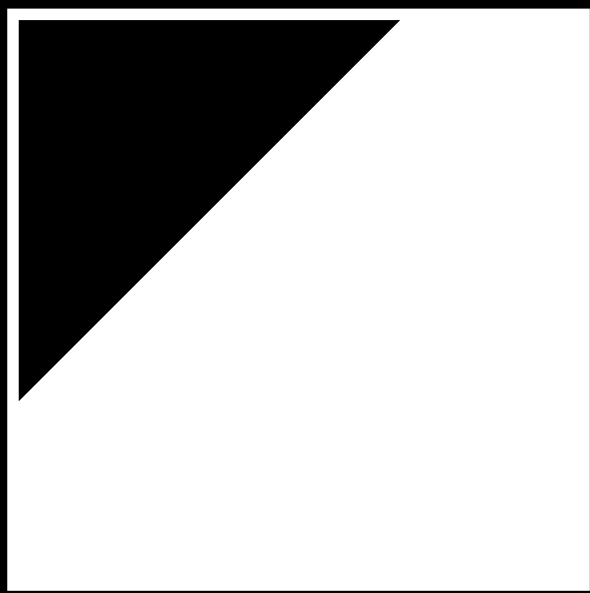
Group Key Figures

in € millions	Change yoy	2010	2009	2008	2007
Group					
Total revenues	**10.8 %**	**2,893.9**	**2,611.6**	**2,728.5**	**2,577.9**
Digital Media revenues as percent of total revenues (pro forma)		*24.4 %*	*21.2 %*	-	-
International revenues as percent of total revenues		*28.1 %*	*21.0 %*	*21.9 %*	*20.8 %*
Circulation revenues	−0.2 %	1,174.3	1,176.2	1,215.8	1,190.6
Advertising revenues	21.6 %	1,384.8	1,138.5	1,248.1	1,207.5
Other revenues	12.8 %	334.8	296.9	264.7	179.8
EBITDA[1]	**53.0 %**	**510.6**	**333.7**	**486.2**	**470.0**
EBITDA margin[1]		*17.6 %*	*12.8 %*	*17.8 %*	*18.2 %*
Consolidated net income	−12.7 %	274.1	313.8	571.1	−288.4
Consolidated net income, adjusted[2]	85.5 %	283.2	152.6	254.6	234.6
Segments					
Revenues					
Newspapers National	−1.6 %	1,194.2	1,213.7	1,277.6	1,290.3
Magazines National	−6.1 %	486.1	517.8	564.1	587.8
Print International	28.6 %	400.9	311.7	409.8	408.3
Digital Media	51.3 %	711.8	470.4	378.2	208.1
Services/Holding	2.8 %	100.8	98.1	99.0	83.4
EBITDA[1]					
Newspapers National	21.4 %	296.0	243.8	348.9	363.9
Magazines National	83.7 %	101.0	55.0	88.8	73.9
Print International	> 100 %	61.5	12.3	27.8	10.6
Digital Media	98.7 %	85.8	43.2	20.9	36.7
Services/Holding	64.7 %	−33.7	−20.5	−0.2	−15.1
Liquidity and financial position					
Free cash flow[3]	29.4 %	299.3	231.3	219.7	238.7
Capex[4]	-	−59.2	−38.9	−46.7	−58.8
Total assets	22.8 %	3,603.2	2,934.3	2,809.1	3,826.9
Equity ratio		*49.2 %*	*40.8 %*	*38.0 %*	31.7 %
Net liquidity/debt	-	79.6	−193.0	−369.5	−743.1
Share related key figures					
Earnings per share[5]	−19.6 %	8.19	10.19	18.54	−9.70
Earnings per share, adjusted[2][5][6]	82.6 %	8.27	4.53	7.79	7.18
Dividend[7]	9.1 %	4.80	4.40	4.40	4.00
Year-end share price	62.6 %	122.00	75.05	51.39	98.00
Market capitalization as of December 31[8]	78.8 %	3,999.2	2,236.5	1,525.4	2,998.8
Free float		40.8 %	23.5 %	23.1 %	26.2 %
Average number of employees	**7.7 %**	**11,563**	**10,740**	**10,666**	**10,348**

1) Adjusted for non-recurring effects and effects of purchase price allocation.
2) Adjusted for significant, non-operating items (see page 47).
3) Cash flow from operating activities, plus capital expenditures, minus cash inflows from disposals of intangible assets and property, plant and equipment.
4) Capital expenditures on intangible assets, property, plant and equipment, and investment property.
5) Diluted.
6) The adjusted diluted earnings per share for all the years indicated in the table were calculated on the basis of weighted average shares outstanding (diluted) in 2010.
7) Dividend proposal for the financial year 2010.
8) Based on shares outstanding at the year-end closing price, excluding treasury shares.



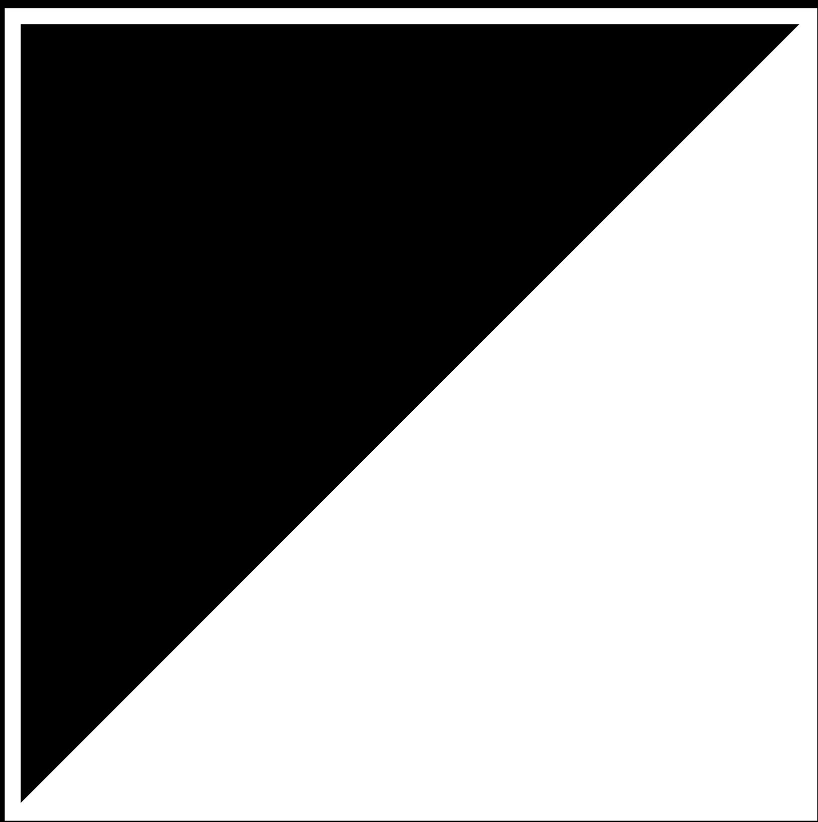
2004:
98 % Print
2 % Digital



2010:
76 % Print
24 % Digital[1)]

1) Pro forma for acquisitions.

Axel Springer is a leading integrated multimedia company in Europe, offering a considerable number of print and digital media. For the future, we have set for our company the ambitious goal of generating half our total revenues from digital media channels, and the other half from print media channels.



Our Goal:
50 % Print
50 % Digital

MAIL FROM WAGNER

Dear Axel Springer shareholders,

For profitability reasons alone, it makes no sense for Springer to employ somebody like me. It takes me one or two hours just to write one single sentence. That is inexcusable, practically indecent behavior.

Please fire me!

While information flies around on the Internet in a matter of seconds, I get paid to twiddle my thumbs at Springer. The Management Board must be crazy or romantic.

Recently somebody in the chief editorial office of BILD caught an early whiff of spring. That would be a harmless letter, one that I could deliver in time for the 6:00 p.m. deadline.

I didn't make the deadline.

If I were a gardener, it would be a simple letter about budding trees in the first rays of spring sunlight. Because I am not a gardener, I begin to think about the humanization of nature.

Seeds, pregnant bellies …

Suddenly I write "amid the whirling mass of lethargic winter flies, a ray of sunlight revives the spirits."

I delete the sentence immediately, because it's nonsense. That would mean in winter we are dead spirits, or maybe only dormant spirits.

An hour goes by on that.

During this hour, machinery is rattling, airplanes are taking off, people are making decisions.

The reason why it is so hard to write the first sentence about the spring is that it really is a hypothesis, thought up. Literature, if you will. Fiction. I am meant to write about the first whiff of spring, about something that has not happened yet, but that we yearn for.

It tends to rain in the spring. People living on the Mosel and Elbe will see all their worldly possessions, the very foundations of their lives, swept away in the murky floodwaters.

Now two hours have passed and I still haven't found the right sentence, one as beautiful as a poem and as true as a philosophical maxim.

Why hasn't Springer thrown me out?

I think it is because Springer is like a film. It employs battalions of storytellers, set designers, costume designers, directors, technicians, and actors. It is a group company, composed of managers and dreamers.

Charlie Chaplin founded United Artists in America almost a 100 years ago. He was an independent artist.

You can be that at Springer: You can be somebody who spends two hours writing about the spring.

Warmest regards,

F. J. Wagner

Franz Josef Wagner

You can write an email to Franz Josef Wagner:
fjwagner@bild.de

Franz Josef Wagner was a war reporter, series author, and senior editor at Axel Springer. Readers of BILD have been receiving "Mail from Wagner" since 2001: This is the column in which he has been writing letters five times a week, since January 3, 2001, to people prominent in current affairs, or simply to "God and the world."

Dr. Mathias Döpfner
Chairman of the Management Board

The most important success factor of all has always been, and still is, content. Without irresistibly good content we would have no business model; without excellent journalists we would have no profit.

Dear Shareholders!

In our regular meetings with investors, especially in New York, London, or Frankfurt, I am always asked why Axel Springer AG is so successful, despite the media crisis, and what we are doing to ensure that we continue to be that successful in the future. In response, I tell them that strict cost discipline is an important prerequisite. And of course, we are helped very much by our strong, market-leading brands. And the distribution expertise we have built up over decades is very important, as is the best possible marketing. But certainly, one of the most important factors contributing to the success of our business is the decision we made many years ago to energetically pursue a policy of systematic digital transformation, which is closely tied to the internationalization of our business. And we have made good progress in that endeavor, as evidenced by the fact that our digital activities contribute 24.3 % of our total revenues and generate an average EBITDA margin of 12.0 %. In the last year alone, the proportion of our total revenues contributed by international activities has risen from 21.0 % to 28.1 %.

And then I almost always conclude by saying that the most important success factor has always been, and still is, content. Many investors are surprised by that statement, or take it as a politically correct afterthought. But that it is not! Content and journalism – and especially the passionate focus on those aspects – are still the crucial prerequisite for the success of any publishing company. That is just a truism, of course. An automobile manufacturer, for example, will always say that making good cars is the most important success factor. But in the media industry, which is frequently roiled by new distribution channels, unconventional business models, revolutionary technologies, and entirely new forms of journalistic presentation, this simple truth is sometimes forgotten.

The primacy of content: What does that mean, exactly? Good journalists and excellent authors who can write really well are the most important members of a publishing organization, even if they may sometimes be difficult. Without people who write such great work that readers are irresistibly drawn to, the sales force of a publishing house would have nothing to sell, the marketers would have nothing to market, and the managers would have nothing to manage. That holds true in the analog world and most certainly in the digital world. To put it simply, without irresistibly good content we would have no business model; without excellent journalists we would have no profit. Or once again, for analysts: No EBITDA without authors who can make readers addicted to their work.

I remember having dinner with Franz Josef Wagner on a summer evening in 2001. The purpose of that meeting was to convince him to give up his position as editor-in-chief of B.Z. and write a daily column for BILD instead. He was not excited by the proposition. I countered that he really is an author at heart and that writing is more suited to him than the managerial tasks of being an editor-in-chief. But he was almost insulted by that. I told him that great authors are harder to find and are even more important to our Company than editors-in-chief. But he would not believe me. I swore to him that he would make a greater impact as a daily columnist for BILD than as the editor-in-chief of a mass-circulation daily in Berlin. He still did not believe me, but began to waiver. And then I told him that I understood Axel Springer to be a family of individualists, each with a different temperament and character, who enjoy maximum personal and professional freedom on the basis of shared fundamental values and journalistic excellence, rather like a federation of "United Artists." And then he finally consented.

At our latest meeting, ten years and 2,087 columns later, I asked Franz Josef Wagner to write a letter to our shareholders in the Company's annual report, as a way of conveying a first-hand impression of what constitutes the basis of our business. But pay no attention when Wagner says he ought to be fired for profitability reasons; he only writes that to keep you reading!

Authors are difficult. Authors are expensive. Authors cause problems with advertising customers and even with production, if their work is late. Nonetheless, the success of our publishing Company is critically dependent on the professional satisfaction of the good authors who work for us. Take Hans Zippert, the world record holder in satirical columns. He has written a column for the front page of WELT every day since January 1999, that makes 3,566 columns by the time this annual report goes to print. And "Zippert zappt" never missed a single day for vacation or illness. (No matter what he gets paid, the man is underpaid, no doubt about it.) Or take Benjamin von Stuckrad-Barre, the flesh-eating plant in the greenhouse of literary reporting. Or Hendrik M. Broder, who writes online stories faster than Lucky Luke can draw his colt (and shoots at least as accurately and courageously). And many, many others.

A good publishing house is sometimes like a "house of fools," fool being understood in the original sense of a court jester, who was the only member of the court who had the privilege of speaking the truth to the king. Thus, he needed to be courageous, an outstanding observer, an incorruptible analyst, a virtuoso of language, and a good entertainer: just like a good journalist, whose highest art is to present the truth to the sovereign (that being the citizen) in an entertaining way. Laughter is the best way to keep your readers coming back.

Sometimes, what is apparently irrational proves to be the most prudent course of action. The spirit of "United Artists" is paying handsome dividends. In 2010, dear shareholders, the operating result (EBITDA) of your Company reached a new record level of € 510.6 million. In relation to consolidated revenues, which rose by 10.8 % (or adjusted for consolidation effects, by 3.5 %) to € 2.9 billion, that corresponds to an EBITDA margin of 17.6 %.

And this performance is certainly not an isolated occurrence. When Axel Springer AG went public in 1985, it had an EBITDA margin of 6.2 %; in 2001, it was 6.7 %. A new management team took over in 2002. Since 2004, the EBITDA margin has been higher than 17 % in almost in every year. And since 2002, the market capitalization of Axel Springer AG has risen by 151 %, from € 1.6 billion to € 4.0 billion. That increase, coupled with the considerably improved liquidity of the Company's share, was also a major factor leading to Axel Springer's elevation to the MDAX in early September 2010.

The Management Board and Supervisory Board of Axel Springer AG propose that the Company distributes a dividend of € 4.80 per share for the financial year 2010; our Company has never paid a higher dividend. Assuming the proposal is accepted, the dividend pay-outs for the years 2002–2010 will add up to € 804 million, that being € 89 million a year on average. Adding together the capital appreciation and dividend payments, you – the shareholders – enjoyed an average return of 11.1 % per year over the period from 2002 to 2010.

To ensure the continuation of that success, we will faithfully adhere to our strategy, which we have emphatically pursued for nearly ten years now, and will continue to pursue in the coming years as well, though with the necessary sensitivity to new and unforeseeable developments. Sound strategies are usually simple, even tedious. We still understand our mission to be the company for brand-based content. We will continue to pursue our overriding goal of profitable growth, primarily by means of strengthening our core business of German-language media, and internationalization, and digitization. And we will continue to pursue the goal of generating 50 % of our total revenues in the fast-growing digital business; we want to achieve that goal as quickly as possible, but at the latest in seven years. As in the past, we still believe that the best way of achieving that goal is to remain true to the competencies that have made our Company strong for 60 years, also in the analog world.

1. We know how to create strong brands with good content. In the digital world, that means: We establish or acquire market-leading content portals (like Bild.de and aufeminin.com).

2. We know how to establish lucrative classified ad marketplaces with these reach platforms. Digitally that means: We establish or acquire market-leading real-estate portals, job exchanges, or classified ad portals for automobiles (like StepStone, immonet, and SeLoger, assuming that goes through).

3. We know how to market brands and reach values to advertising customers. Digitally that means: We establish or acquire market-leading online marketers, especially performance-based marketing companies (like zanox and Digital Window).

Far from being a threat, digitization is actually a huge opportunity for our industry. The new generation of smart phones and tablets, in particular, gives us the chance to deliver the brands and content created by our authors to whole new groups of readers and tap new sources of revenue. Worldwide, more than two billion mobile Internet connections are expected to exist by the year 2014. If that is not good news, what is?

As the last and most important success factor, we must not allow our past success to instill even the smallest whiff of complacency. Happiness and pride over what we have achieved, yes; but satisfaction, never.

Sincerely yours,

Mathias Döpfner

PS: We were immensely relieved to learn that our two reporters, who were imprisoned in Iran for 132 days, have been set free. We expressly wish to thank everyone who worked quietly behind the scenes or vociferously in public to achieve that outcome, for their support and solidarity. The freedom of research and expression is a valuable, dangerous, and endangered prize.

6 Management Board

Dr. Mathias Döpfner

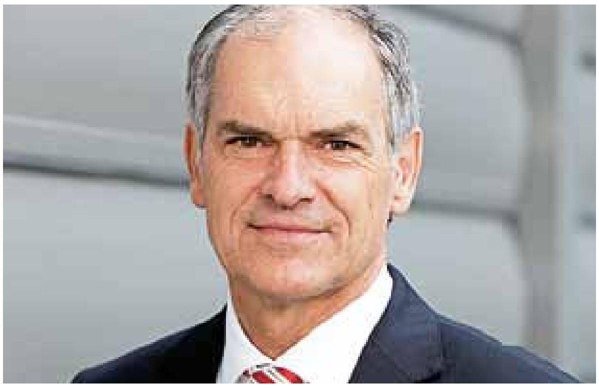
Chairman and Chief Executive Officer Subscription Newspapers and International

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

Rudolf Knepper

Vice Chairman
Printing, Logistics, and HR

Born 1945, master's degree in engineering and Master's degrees in engineering and in business/engineering.
Career milestones
(since 1973 with Axel Springer):
Head of Corporate Planning Office for Printing;
Manager of the Hamburg Printing Plant;
Head of Production Newspaper Printing;
Member of the Management Board since 1994,
Vice Chairman since 2002.



Lothar Lanz

Chief Operating Officer and
Chief Financial Officer

Born 1948, master's degree in commerce.
Career milestones:
Bayerische Hypotheken- und Wechselbank AG; Member of the Executive Board at HSB HYPO Service-Bank AG; Member of the Executive Board at Nassauische Sparkasse; Member of the Executive Board and Chief Financial Officer at ProSiebenSat.1 Media AG.
Member of the Management Board since 2009.

Dr. Andreas Wiele

BILD Group and Magazines

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 Management Board since 2000.

Highlights

Axel Springer was extremely successfully in the implementation of its business strategy in 2010. The core elements of that strategy are to extend the Group's market leadership position in the German-language core business and to advance the process of internationalization and digitization. The following examples are brief highlights of our innovations and successes in the past year, which have only bolstered our resolve to press forward with our chosen strategy.

Axel Springer encompasses a wide variety of media, brands, and minds. Whether they are engaged in writing or marketing, whether they work in print, online, mobile, or web TV, the people presented on the following pages have one thing in common: They all want to actively shape the future of the media industry, with passion and creativity. And they are certainly representative of their 11,557 other colleagues.

“Beyond tremendously increasing the reach of the aufeminin portal, which obviously helps me when meeting my advertising customers, we created many new content offerings and other features in 2010. Among them, aufeminin.tv is certainly the most spectacular: With Europe’s first web TV channel for women, we can offer our advertising customers completely new ways of presenting and staging their brands and products.”

- *Agnès Alazard-Rool, Managing Director Sales, aufeminin.com, Paris*

aufeminin.com

aufeminin.com is the leading women’s portal in Europe. The company, in which Axel Springer holds a majority interest, has its headquarters in Paris and offers a broad range of information, services, and communities on topics such as trends and fashion, beauty, health, and psychology, in eleven countries: France, Germany, Spain, Italy, Great Britain, Belgium, Poland, and Switzerland in Europe, and also in Canada, Morocco, and Vietnam.

"We spent several months working on the iPad version for BILD. The team was composed of onliners, print folks, programmers, and product managers. We want to surprise our readers every day, all over again, with a style of journalism they haven't experienced yet. With stories that can be told in a more intensive, better, and urgent way than ever before. With stories that can be grasped with your hands."

▸ *Michael Paustian, Deputy Editor-in-Chief of BILD, Berlin*

BILD HD

Strong, cross-media brand families form the basis for the success of Axel Springer. Whether printed as a newspaper, or presented online at Bild.de, or on applications for Internet-capable TV sets, or mobile on smart phones with BILDmobil, or on tablet computers with BILD HD (since 2010): Wherever they happen to be, BILD gives its readers an information edge and frames the issues of the day with a diverse array of exclusive reports. BILD is concise, with a sharply defined profile. And the BILD app for the iPhone, which we introduced as part of our premium initiative, had been enjoyed by more than 450,000 buyers and subscribers by the end of 2010, proving the point that users are also willing to pay for digital content. Having generated a record profit in 2010, BILD is more profitable than ever.

"Working with others to build a new company from the ground up is one of the most exciting challenges a person can face. For the eastern Europe joint venture with Ringier, we mastered that challenge in record time. The process began in March 2010; we commenced operations in early July; licenses were purchased to expand our portfolio further in mid-July; and we made our first major digital media acquisition in December 2010."

Mark Dekan, CFO Ringier Axel Springer Media AG, Zurich

Ringier Axel Springer Media AG

Over the last few decades, both Ringier and Axel Springer have continually expanded their activities in the media markets of central and eastern Europe. Together, they publish more than 100 print titles, including numerous market-leading, widely-circulated tabloid dailies and magazines, and operate more than 70 online portals. The two companies complement each other ideally in central and eastern Europe, with regard to both content expertise and strategic interests. United in the joint venture Ringier Axel Springer Media AG, they will now proceed to exploit the digital growth opportunities associated with the digital transformation.

ringier
axel springer

“Ringier Axel Springer Serbia already publishes the country’s biggest mass-circulation daily, BLIC; and in association with the other national subsidiaries of the joint venture, we can achieve much more, while remaining completely free in our entrepreneurial and journalistic decisions. That structure is vital to our economic success.”

▸ *Jelena Drakulic-Petrovic, General Manager Ringier Axel Springer Serbia, Belgrade*

Ringier Axel Springer Serbia d.o.o.

Since 2010, Ringier Axel Springer Serbia has been part of a dynamic association of independent enterprises, Ringier Axel Springer Media AG. Thus, Serbian BLIC has been joined by other successful mass-circulation dailies like FAKT, BLESK, and NOVÝ CAS. Its broad portfolio, coupled with its clear focus on growth and digitization, make Ringier Axel Springer Media AG the market leader in the segment of mass-circulation tabloid dailies, and one of the biggest publishers of magazines in Poland, Serbia, Slovakia, and the Czech Republic, as well as Hungary, pending the approval of the joint venture by the relevant anti-trust authorities.

"We implemented numerous innovative projects in 2010, especially in the digital realm. Towards the end of this extraordinarily successful year, we consciously refocused our attention on our strong print titles by modernizing the optical presentation and expanding the content of WELT and WELT am SONNTAG. Those measures will permanently strengthen our ambitious journalistic program."

▸ *Jan-Eric Peters, Editor-in-Chief of all WELT titles, Berlin*

WELT Group

The integrated newsroom of the WELT Group is busy around the clock processing news and stories for seven different media channels, including print, online, and mobile devices. Having introduced three iPad apps, the WELT Group was one of the first publishing companies to be represented on the iPad, which was launched in 2010. We launched the iKiosk app to coincide with the market introduction of the iPad in the United States, followed shortly thereafter by The ICONIST and finally by WELT HD, which was named "iPad App of the Year" in Germany, by the editorial staff of Apple's iTunes store in December 2010. By the end of 2010, WELT HD was the most frequently downloaded and sold iPad app of any daily newspaper in Germany.

"At first, HÖRZU HEIMAT was only an idea that was kicking around in my head. A magazine that reveals the beauty of Germany, its nature, people, crafts, and regions. From the development phase to the first issue, the HÖRZU editorial team worked very hard, with tremendous creativity, passion, and joy, to produce a magazine that combines tradition with modernity. A magazine filled with 124 printed pages to delight its readers."

▸ *Caren Schütt, Editor of HÖRZU HEIMAT, Hamburg*

HÖRZU HEIMAT

HÖRZU is the biggest weekly TV program guide in Europe, with detailed TV listings and high-quality journalism. HÖRZU broadened its editorial core competence and its topic range by introducing two independent new magazines, HÖRZU WISSEN and HÖRZU HEIMAT. HÖRZU HEIMAT reveals the most beautiful facets of Germany, with well-written and photographed stories about Germany's land and people, traditions and customs, art and culture, and cuisine.

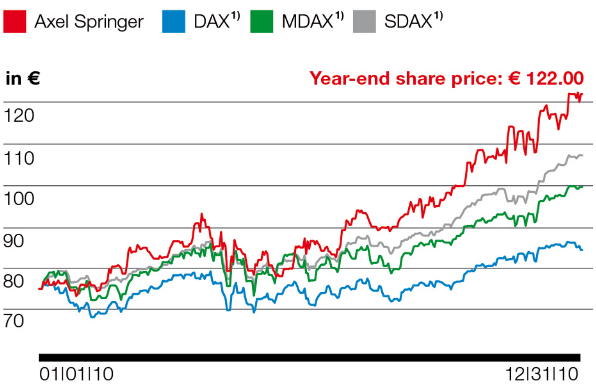
The Axel Springer share

The Axel Springer share was very successful in 2010: It was elevated to the MDAX, the share price rose by 62.6 % and the share's market liquidity increased considerably compared to the preceding year, after the proportion of widely held shares was increased.

Turbulent stock markets in 2010

After a phase of considerable volatility in the first half of the year, which was caused by financial instability in the euro zone and media reports on the high level of government debt of some European countries, among other factors, international stock markets registered substantial growth, especially in the final quarter of 2010. For the full year 2010, the DAX gained 12.5 %, the MDAX gained 32.7 % and the SDAX gained an impressive 42.9 %. The German sector index Prime Media likewise exhibited an impressive gain of 60.2 % in 2010. By contrast, the DJ EuroStoxx Media Index, which includes the most important European media shares, experienced a rather moderate gain of 4.3 %.

Comparison Total Market

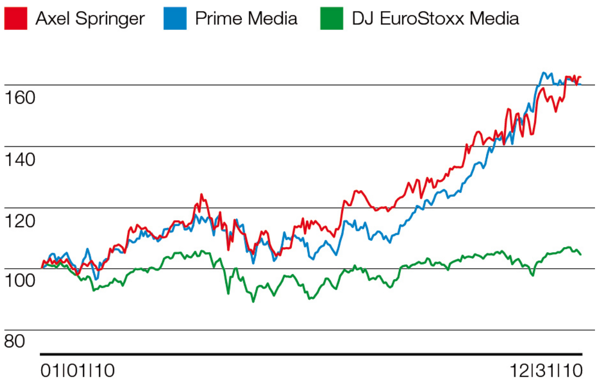


[1] Indexed on the year-end share price of Axel Springer AG as of Dezember 30, 2009.

Strong performance of the Axel Springer share

The Axel Springer share outperformed the relevant comparison indexes by a wide margin in 2010. Having started the year on January 1 at € 75.05, it fell to its low for the year of € 73.31 on January 26, 2010. Over the rest of the year, the share price rose on a nearly continuous basis, reaching its high for the year of € 122.35 on December 28, 2010, before closing at € 122.00. Calculating in the dividend payment in May 2010, our shareholders received a total return of 68.4 %.

Index Comparison Media



Elevated to the MDAX

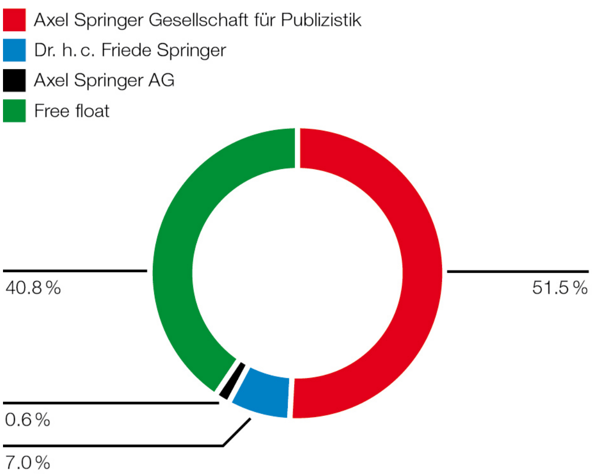
The Axel Springer share has fulfilled the main criteria for inclusion in the MDAX, those being market capitalization and trading volume, already since the end of 2009. On September 20, 2010, 25 years after it was first listed on the stock exchange, the stock of Axel Springer AG was elevated to the MDAX. In a reflection of growing investor interest in our share, it rose steadily from 102nd place to 39th place in the trading volume rankings of Deutsche Börse AG in the years from 2007 to the end of 2010. At year-end 2010, the market capitalization of Axel Springer's widely held shares totaled about € 1.6 billion, putting it in 20th place in the MDAX.

As of November 30, 2010, the Axel Springer share is also represented in the MSCI index Germany Mid Cap, which is part of several MSCI indexes.

Share placement increases proportion of widely held shares

On September 24, 2010, 2.7 million treasury shares (representing approximately 8.3 % of the company's share capital) and an additional 2.8 million Axel Springer shares from the holdings of Deutsche Bank Luxembourg S.A. (likewise representing approximately 8.3 % of the company's share capital) were placed with investors by way of an accelerated book-building procedure.

Shareholder Structure



Status: December 31, 2010

Thanks to the strong interest shown by investors, the placement price was € 92.00, just slightly below the stock market price at that time. Axel Springer raised about € 250 million on the placement, and the proportion of widely held shares increased by 16.6 percentage points to 40.8 %. Furthermore, the daily trading volume increased substantially, which had been one of the principal goals of the share placement. Whereas the average daily value of shares traded had been roughly € 1.3 million before the placement, our average daily trading volume rose to about € 7.9 million after the placement.

Another record dividend

Our shareholders will receive a record dividend for the second year in a row. Following the proposal of the Management Board and Supervisory Board, the annual shareholders' meeting resolved, on April 23, 2010, to pay a dividend of € 4.40 per share (PY: € 4.40). Thus, € 131.2 million was paid from the total unappropriated net profit of € 145.1 million, and the remaining € 13.9 million was appropriated to the other retained earnings.

A total of about 330 shareholders, or 82.7 % of voting capital, were present or represented at the annual shareholders' meeting. The proposed resolutions of the management were adopted with majorities of at least 96.1 % in every case.

Axel Springer portfolio shows positive performance

A portfolio invested in the shares of Axel Springer has performed very well in the last five years. Any shareholder who had purchased Axel Springer shares in the amount of € 10 thousand on December 30, 2005 and held the shares for five years, reinvesting the dividends received during that time, would have seen the value of his portfolio rise by 41.4 % to more than € 14 thousand by the end of 2010. Thus, a portfolio composed of Axel Springer shares appreciated by an average of 7.2 % per year, even as the DAX Price Index rose by an average of only 1.7 % per year in the last five years.

Intensified investor relations

We intensified our IR activities still further in 2010. We presented the company and strategy of Axel Springer to investors at 28 (PY: 20) conferences and road shows in important international financial centers, chief among them Germany, Great Britain, the USA, France, Switzerland, Austria, and Spain.

On December 10, 2010, moreover, we hosted our third annual Capital Markets Day for stock analysts, institutional investors, and bank representatives at our company headquarters in Berlin. We also held numerous meetings and telephone conferences with investors on the occasion of the publication of our financial reports. The telephone conferences were broadcast as live streams on the Internet; they were also recorded and posted on our website for later consideration.

Besides institutional investors and stock analysts, we are always glad to speak with individual investors as well – whether in person at our annual shareholders' meeting, by telephone, or via e-mail. Our contact information is printed on the last page of this annual report, where you will also find our financial calendar with important IR dates. Up-to-date information on the latest developments can always be found on the Investor Relations section of our website at www.axelspringer.de. That is where you can also order our print publications and download special investor presentations.

As part of the German Investor Relations Awards (Extel Survey), Axel Springer received first place among SDAX companies. This award is given by the German Investor Relations Association DIRK and Thomson Reuters, based on the evaluations of investment fund managers and stock analysts.

Growing analyst coverage

At year-end 2010, the Axel Springer share was covered by ten stock analysts. In addition to Commerzbank, Deutsche Bank, DZ Bank, Goldman Sachs, J.P. Morgan, LBBW, and Société Générale were joined in their coverage by Berenberg, Close Brothers Seydler, and equinet in 2010. And by the end of February 2011, five other institutions, namely Bankhaus Lampe, Hammer Partners, HSBC, Silvia Quandt, and Warburg began covering our share as well.

Share Information

in €	2010	2009	Change
Earnings per share (diluted)	8.19	10.19	– 19.6 %
Earnings per share (adjusted, diluted)	8.27	4.53	82.6 %
Dividend[1]	4.80	4.40	9.1 %
Total dividend payout, in € millions	157.3	131.2	19.9 %
Year-end share price	122.00	75.05	62.6 %
Highest price	122.35	78.00	56.9 %
Lowest price	73.31	46.94	56.2 %
Market capitalization in € millions[2)3)]	3,999.2	2,236.5	78.8 %
Daily traded volume (Ø, in € millions)	3.3	0.6	> 100 %
Dividend yield[1)3)]	3.9 %	5.9 %	-
Total yield per share per year[4]	68.4 %	54.6 %	-

[1] Dividend proposal for financial year 2010.
[2] Calculated on the basis of the year-end closing price.
[3] Based on shares outstanding, excluding treasury shares.
[4] Share price development plus dividend payment.

Information on Listing

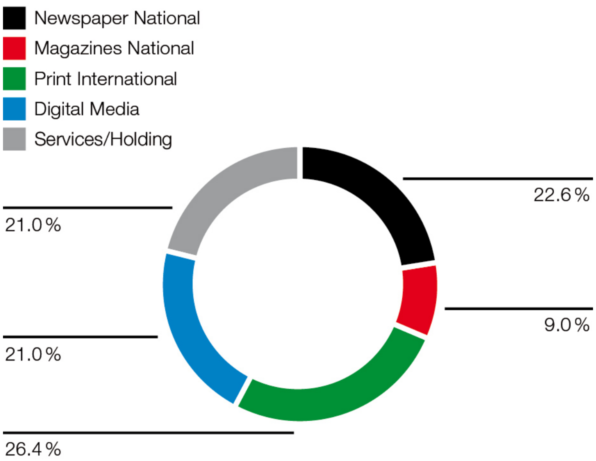
Share type	Registered share with restricted transferability
Stock exchange	Frankfurt (official market)
Stock exchange segment	Prime Standard
Security Identification Number	550135, 575423
ISIN	DE0005501357, DE0005754238
Thomson Reuters	SPRGn.DE
Bloomberg	SPR GY

25 Employees

Axel Springer's personnel policies are guided by the management principles of creativity, entrepreneurship, and integrity. We reward both the willingness to strive for outstanding performance and the creative potential of our 11,563 employees, on average during the past year (PY: 10,740).

Employees by Segments

Annual average



Specialized vocational training and continuing education

In order to meet the growing challenges of its business, a comprehensive vocational training and continuing education program has been made a key aspect of Axel Springer's personnel policy.

With a total of 214 vocational trainees at year-end 2010, Axel Springer is clearly living up to its responsibility as a provider of vocational training. We offer vocational training for the occupations of Digital and Print Media Managers, Marketing Managers, Office Communication Managers, and Specialists in Media and Information Services, among others. We also offer a dual work-study track leading to a Bachelor of Science degree in business administration.

Whether print or online, the success of media offerings hinges on their quality and credibility. Therefore, the provision of high-quality education to young journalists is extremely important to us. In 2007, the Axel Springer Academy emerged from the Axel Springer School of Journalism, which had been founded in 1986. It is widely considered to be Germany's most modern journalism school, by reason of its cross-media approach. As an idea factory for the Axel Springer Group, the Axel Springer Academy has already developed many interesting media projects, some of which have received prestigious awards. In 2010, for example, a team from the Axel Springer Academy won the Grimme Online Award for an Internet documentary on the 20th anniversary of the fall of the Berlin Wall. The academy's reputation as a highly innovative institution is grounded also in the combination of traditional journalism instruction with a modern, cross-media approach. A good example of that approach was the December 2010 "Power Plant D" project, the world's first iPad app developed and produced by a journalism school. Traditionally, the Academy collaborates closely with WELT KOMPAKT; in 2009, moreover, it entered into a cooperation agreement with the renowned Columbia School of Journalism in New York.

Axel Springer offers all its employees an extensive continuing education program, including seminars for managers and employees, work-accompanying continuing education courses, mentoring programs, networking meetings, foreign-language courses, tours, and presentations on topics of current interest. The purpose of all these measures is to enable our employees to meet the challenges arising in connection with the strategic development of our company. In addition to its standardized offering of seminars, our Personnel Development Department also supports the operating departments and their teams in matters of necessary departmental training.

The purpose of our "Development Dialog," a structured meeting between the employee and the supervising manager that we have been introducing throughout the company since 2008, is to help employees further develop on a personalized, needs-oriented basis. About 3,900 employees from 39 departments of Axel Springer AG and eight subsidiaries participated in these meetings in 2010.

Promoting young talent

In 2010, we launched a Group-wide general management program known as the Top Talent Program to prepare 20 of our young managers for new management responsibilities. This program, conducted in collaboration with various business schools, runs for 18 months at a time and starts anew every two years. Designed specifically for Axel Springer, this modular program covers topics such as strategy, media law, finance, leadership, and project management.

Outstanding young talent is the future of any company. And for that reason, we participated in more than 50 university job fairs and cooperation arrangements with selected universities and student initiatives in 2010; more than twice as many as in 2009. Not only did senior managers of Axel Springer participate in these events, we also developed real-life media case studies for university marketing. As a result of these efforts, both the quantity and quality of applications for our young talent development programs have increased substantially.

We made our trainee program available to even more participants in 2010. This program helps top university graduates start their careers in the media business by providing theoretical and methodological instruction, promoting personal networking within the company, and giving them the opportunity to "learn by doing" in our operating departments. Axel Springer also develops young talents internally; for example, it provides a college scholarship to especially well-qualified vocational trainees.

Systematic successor management

We launched a systematic successor management program in 2010 with the goal of identifying potential successors for key positions and providing targeted development assistance at an early stage to prepare them for their future roles, so that we can fill key managerial positions from within our own ranks at all times. This program has enabled Axel Springer to conduct long-term, cross-disciplinary successor management for the first time.

Leadership in times of change

Creativity, entrepreneurship, integrity: These three corporate values have increasingly been applied as the basis of our management culture since the introduction of our management principles in 2008. In 2010, we successfully completed a workshop series entitled "Charting the Course to a New Management Culture." More than 600 managers participated in more than 70 workshops to instill the new management principles within our organization.

We also completed a leadership program entitled "Leadership in Times of Change" at the beginning of 2010. The goals of this program were to strengthen the culture of leadership at Axel Springer, to intensify an active examination of the management conduct of every manager, to upgrade their management capabilities, and to promote teamwork, reflection, and feedback.

Idea management program

Our idea management program employs targeted bonus incentives to fully exploit the idea-generating potential of all employees, in order to make the company even more innovative and profitable. In 2010, we paid a total of € 259 thousand to our employees (PY: € 264 thousand) as a reward for the many improvement suggestions they submitted.

Pension plan

By participating in the VarioRente program, a forward-looking company pension plan based on deferred compensation, our employees can accumulate an additional pension benefit for themselves. In June 2009, the Management Board and Central Works Council of Axel Springer AG agreed not only to extend the voluntary pension agreement with the Central Works Council, but also to make the terms even more attractive. The 6 % interest paid on contributions will continue for another three years. In addition, Axel Springer will continue to pay an annual subsidy for another five years. The pension plan offer was very well received again in 2010, evidenced by the average participation rate rising to 38 % (PY: 35 %).

Equal opportunity and diversity

Axel Springer promotes the development of all its employees. To facilitate the implementation of suitable personnel measures and ensure equal opportunity for men and women in the company, a special working group, composed equally of employer and employee representatives, was established in 1997. In 1999, Axel Springer was the first media company to join the "Women in Business" forum; and in 2008, we signed the Diversity Charter.

In April 2010, we launched a new, Group-wide project entitled "Opportunities:Equal!" to increase the percentage of women in management positions, so as to achieve a better balance of women and men in the company's management. The specific goal to be pursued under this program was defined in June: that is, to increase the percentage of women in all management levels of the company to more than 30 %, as a company-wide average, in the next five to eight years. Instead of a uniform quota, we adopted individual targets for each department of the company. At December 31, 2010, the percentage of women in management positions at Axel Springer and some of its subsidiaries in Germany was 19.4 %. In recognition of its exemplary personnel policies geared to equal opportunity, Axel Springer AG was honored with the TOTAL E-QUALITY Seal in 2010, for the third year in a row.

Compatibility of work and family

We improved our day care program for the children of employees further in 2010. In June 2010, Axel Springer AG opened up a new day care center close to its offices in Hamburg. We also increased the number of available spots in the day care center in Berlin, which we opened already in April of 2008.

In the interest of helping its employees balance work and family, Axel Springer AG entered into a master agreement with pme Familienservice, a specialized services provider, to provide independent advice and referrals for child care, emergency child care, and caring for family members in need of nursing care. Starting in 2011, this offer will be extended to all company locations in Germany.

28 Social responsibility

To remain successful over time, a company must operate on a sustainable basis. At Axel Springer, our activities are guided by the International Social Policy, which applies to all our companies worldwide, and by our Environmental Protection Guideline. Furthermore, Axel Springer voluntarily submits to regular EC Eco-Audits of our printing facilities in Germany, which are conducted by an independent appraiser to verify compliance with our Environmental Protection Guidelines.

Since 2005, which is much sooner than most other German companies, Axel Springer has been voluntarily publishing a Sustainability Report every second year. The Sustainability Report meets the more than 120 economic, social, and ecological performance criteria of the Global Reporting Initiative (GRI) and is also audited by an independent institution. The latest 2009 Sustainability Report was published in the middle of 2010. Like the one before it, GRI gave this report its highest seal of completeness, “Level A+.” Our current Sustainability Report can be found at www.axelspringer.com/sustainability.

Societal engagement

Axel Springer is the only media company to have its own corporate constitution. Dating back to 1967, this document proclaims the company’s unconditional support of liberty and the rule of law in Germany, the social market economy, the unification of Europe, and the alliance with the United States of America, based on shared values. We also advocate reconciliation between Germans and Jews, and support the vital rights of the Israeli people.

For decades, the Axel Springer publishing company also advocated for the reunification of Germany. On the occasion of the 20th anniversary of the German reunification, we honored the “Fathers of Unity” with a memorial installation by the French sculptor Serge Mangin, depicting Helmut Kohl, George Bush (senior), and Mikhail Gorbachev, which was officially unveiled by Helmut Schmidt in late September. The installation also features a plaque quoting the words of Axel Springer: “Unity in freedom – that is our mission.”

On our website www.medienarchiv68.de, launched in early 2010, we examine another chapter in Germany’s history: the student movement in the years from 1966 to 1968, as well as Axel Springer’s coverage of events in those times. There, interested persons will find original documents, including some 5,900 articles, editorials, letters from readers, caricatures, reports, commentaries, and interviews from those years. By that means, we seek to examine self-critically the role of our publishing house and newspapers during those years and encourage a candid, differentiated debate.

In the reporting year, the WELT Group supported World Press Freedom Day 2010 by publishing the May 3, 2010 issues of WELT and WELT KOMPAKT with empty cover pages. The World Press Freedom Day, which was first proclaimed by the United Nations in 1991, purports to remind the world that free, pluralistic, and independent media are an important element of every democratic society, and that censorship is a violation of human rights.

Social engagement

Axel Springer conducted numerous activities and projects in support of other socially and politically relevant issues in 2010, including donation campaigns and the support and recognition of volunteerism.

Donations

Haiti was struck by a powerful earthquake in January 2010, leading to the deaths of approximately 300 thousand people and making another 1.2 million homeless. To help the earthquake victims in this Caribbean country, which is one of the poorest in the world, BILD and ZDF jointly hosted a fundraising gala. Donations totaling roughly € 24.0 million were collected as a result of that broadcast.

Furthermore, the association “BILD hilft e.V.” raised a record amount of donations, € 15.4 million, in the fundraising gala “A Heart for Children” in December 2010. “A Heart for Children” has been helping children in need in Germany and around the world for 32 years.

Inspired by "A Heart for Children," the Czech newspaper BLESK, published by the joint venture Ringier Axel Springer Media, organized its first-ever "Magic Night for Children," raising donations of about € 220 thousand.

Volunteerism

The B.Z. campaign "Berlin Heroes" was very successful again in 2010. More than 2,000 Berliners and numerous companies volunteered more than 13 thousand "hero hours" to work on various projects. This B.Z. campaign also received the "Honorary Needle" of the Berlin Charities Association. And in December, it won the German Engagement Award in the Business category, in recognition of the fact that the "Berlin Heroes" are truly unique in the German media world.

In November 2010, the business competitiveness initiative "Germany – Land of Ideas" presented the "Berliners Help Others" initiative with the award "Selected Location in the Land of Ideas." This charitable association was founded by BERLINER MORGENPOST ten years ago to support worthy associations, institutions, and projects devoted to helping young and old people who, through no fault of their own, have fallen on hard times. The award honored the exemplary nature of the social engagement of the "Berliners Help Others" program. The business competitiveness initiative "Germany – Land of Ideas" is an innovation contest organized jointly by the German federal government and the German business community to honor outstanding social projects.

In Poland, the FAKT Foundation was created in 2010. Through this foundation, the Polish mass-circulation daily FAKT, a subsidiary of the joint venture Ringier Axel Springer Media, helps people in need; especially poor families with many children, single parents, older people, and victims of natural disasters.

Sustainable business practices

Axel Springer has been documenting resource efficiency indicators for energy, CO_2, water, and waste at its printing plants and office buildings already since 1998.

Furthermore, all our locations and companies are bound by the company's Environmental Protection Guideline to minimize the burden on the environment and to use resources as efficiently as possible.

Environmental Indicators of the Printing Plants

per million m^2 of printed paper	2010	Change yoy
Waste water (in m^3)	4.4	−3.7 %
Solid waste (in t)	2.0	3.2 %
Energy consumption (in MWh)	7.6	5.1 %
Greenhouse gas emissions (in t)	2.6	1.4 %

Compared to the prior year, we reduced the overall volume of wastewater per square meter of printed paper in 2010. The other environmental performance indicators of our printing plants in Germany and Hungary were slightly higher than the corresponding figures for 2009. A heightened proportion of unsellable output (printer's waste) resulting from an increased number of shorter print runs led to an increase in the solid waste generated per square meter of printed paper, especially in Essen-Kettwig. The summer of 2010 was very hot and the month of December was unusually cold. These extreme weather conditions also affected the electricity, natural gas, and water consumption of our printing plants in 2010, leading to higher energy consumption and greenhouse gas emissions per square meter of printed paper.

Sustainability management of our suppliers

We also expect our suppliers (especially along the wood, paper, and recycling chain) to engage in sustainable business practices. More specifically, we expect them to extract raw materials in the most environmentally compatible way possible and produce their products in a socially responsible manner. The corresponding ecological and social criteria are set out in our Environmental Protection Guideline and the International Social Policy.

Combined Management Report of the Group and of Axel Springer AG

General assessment of the Group's business performance and operating results in 2010

The Group's business performance in 2010 exceeded our expectations considerably. We upgraded our original forecast, issued in March of last year, twice during the later course of the year.

The 10.8 % increase in **consolidated revenues** to € 2,893.9 million mainly reflects the success of our internationalization and digitization strategy. The revenue growth was further accelerated by consolidation effects in the international and digital business. But the Group's total revenues also increased organically over the preceding year; adjusted for consolidation effects, revenues were 3.5 % higher in 2010 than in 2009.

In the German print market, Axel Springer generated outstanding results, both in the Newspapers National segment and the Magazines National segment, on slightly lower revenues. The development of the international print business was heavily influenced by the first-time consolidation of the Ringier joint venture in the second half of the year. Revenues increased substantially and profits rose by an even wider margin. The Digital Media segment, which has now become the Group's second-biggest revenue source, continued to generate strong growth and nearly doubled its profit.

The Group's **EBITDA** (earnings before interest, taxes, depreciation, and amortization) increased at a much faster rate than revenues. In 2010, Axel Springer generated net income of € 510.6 million, indicative of a 53.0 % increase over the prior-year figure and marking a new record. The EBITDA margin rose from 12.8 % to 17.6 %. This outstanding result attests to the operational strength of our company. The consolidated net income after taxes amounted to € 274.1 million (PY: € 313.8 million). Adjusted for non-operating effects, however, consolidated net income amounted to € 283.2 million and was therefore substantially higher than the corresponding prior-year figure (PY: € 152.6 million). The earnings per share amounted to € 8.19 (PY: € 10.19); the adjusted earnings per share was € 8.27 (PY: € 4.53).

At the annual shareholders' meeting to be held on April 14, 2011, the Management Board and Supervisory Board will propose that the company distribute a dividend of € 4.80 (PY: € 4.40) per qualifying share.

Outlook for 2011

In 2011, Axel Springer will continue to pursue the threefold strategy of expanding its market leadership position in the German-language core business, and advancing the process of internationalization and digitization.

For the full year 2011, we anticipate a single-digit increase in Group's **total revenues**, to which all revenue categories (circulation revenues, advertising revenues, and other revenues) are expected to contribute. This is without any further acquisitions. We expect that slightly lower revenues in the national print business will be more than offset by higher revenues in the international print business and in the digital media business.

Again, without any further acquisitions, we expect that **EBITDA** for the full year 2011 will be slightly higher than the corresponding figure for 2010. Specifically, we expect that a slight decrease in EBITDA generated in the national print business resulting primarily from higher paper costs, due to rising prices, will be more than offset by substantially higher EBITDA contributions in the international and digital business segments.

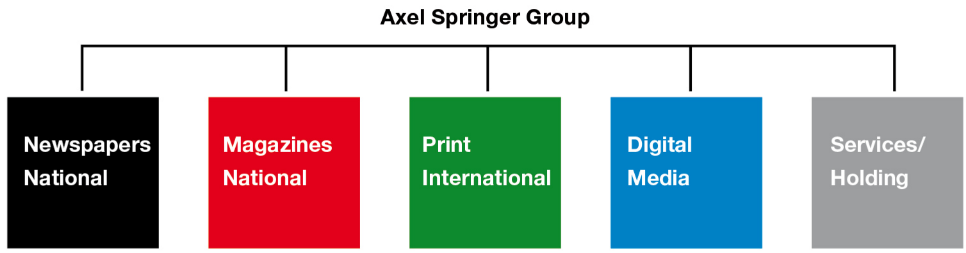
Introductory remarks

The present combined management report for Axel Springer AG and the Group contains statements about the economic situation and business performance of the Axel Springer Group. These statements are also largely applicable to the parent company Axel Springer AG. Additional information on the economic situation of Axel Springer AG is provided in a separate chapter on page 63ff.

In the interest of enhanced comparability, the operating earnings indicator EBITDA has been adjusted for non-recurring effects and for the effects of purchase price allocations (see Section 31 of the notes to the financial statements).

Business and framework conditions

Segments



Corporate structure and business activities

Legal structure of the Group, business locations

Axel Springer AG is an exchange-listed stock corporation with its registered head office in Berlin. The company maintains one other German location in Hamburg. In addition, the Axel Springer Group comprises numerous companies in other countries of Europe, such as in Budapest (Hungary), Prague (Czech Republic), Warsaw (Poland), Bratislava (Slovakia), Belgrade (Serbia), Moscow (Russia), Zurich (Switzerland), Paris (France), and Madrid (Spain). Through its subsidiaries, joint ventures, and licenses, we are represented in a total of 35 countries. At December 31, 2010, the Axel Springer Group comprised 119 fully consolidated companies, including 64 outside of Germany. The consolidated shareholdings of the Group are listed in Section 42 of the notes to the financial statements.

Segments and organizational structure

The business activities of Axel Springer are divided into a total of five segments: Newspapers National, Magazines National, Print International, Digital Media, and Services/Holding. We employ a cross-media approach to link these segments, both strategically and economically, in order to make optimal use of synergies and identify all possible ways of generating value, ideally.

Newspapers National

This segment comprises the newspaper and advertising supplements published in Germany, which are sub-divided into newsstand newspapers and subscription newspapers, as well as regional and national newspapers.

Portfolio Newspapers National (Selection)

Newsstand Newspapers		Subscription Newspapers	
National	**Regional**	**National**	**Regional**
▪ BILD ▪ BILD am SONNTAG	▪ B.Z. ▪ B.Z. am SONNTAG	▪ DIE WELT ▪ WELT KOMPAKT ▪ WELT am SONNTAG	▪ HAMBURGER ABENDBLATT ▪ BERLINER MORGENPOST

BILD is Europe's biggest daily newspaper. Among **newsstand newspapers**, it is the market leader in Germany by a wide margin. Together with the Berlin newspaper B.Z., it commands a market share of 80.4 %, based on the paid circulation of German newsstand newspapers. B.Z. is also the market leader in the Berlin newspaper market.

Among **subscription newspapers**, DIE WELT is Germany's third-biggest premium daily newspaper, with a market share of 16.8 % (including the tabloid-format WELT KOMPAKT, based on paid circulation). The biggest subscription newspaper in Hamburg and the surrounding area is our regional newspaper HAMBURGER ABENDBLATT, with a market share of 37.0 %, and BERLINER MORGENPOST is the second-biggest subscription newspaper of the German capital city. As for national newspapers, our Sunday newspapers BILD am SONNTAG and WELT am SONNTAG are the clear leaders, commanding an 85.0 % share of the circulation market.

Magazines National

Axel Springer is the third-biggest German magazine publisher, with leading market positions in all the main segments.

Portfolio Magazines National (Selection)

TV Program Guides and Womens' Magazines	Automotive, Computer, and Sports Magazines	Music Magazines
TV Program Guides	**Automotive**	**Music**
▪ HÖRZU	▪ AUTO BILD	▪ ROLLING STONE
▪ TV DIGITAL	▪ AUTO TEST	▪ MUSIKEXPRESS
▪ FUNK UHR	▪ AUTO BILD KLASSIK	▪ METAL HAMMER
Women	**Computer**	
▪ BILD der FRAU	▪ COMPUTER BILD	
▪ FRAU von HEUTE	▪ COMPUTER BILD SPIELE	
	Sports	
	▪ SPORT BILD	

In the category of **TV program guides and women's media**, the biweekly TV DIGITAL is the highest-circulation TV program guide in the high-price segment, while HÖRZU occupies the leading position in the category of premium weekly TV program guides. The market leader in the category of women's magazines is BILD der FRAU, with a circulation market share of 19.9 %.

Nearly all the Group's **automotive, computer, and sports media** are derived from the BILD family of brands. AUTO BILD, COMPUTER BILD, and SPORT BILD are each leaders in Europe in their respective categories. The Group's specialty titles also occupy top positions in their respective market segments.

The market segment of **music magazines** comprises ROLLING STONE, MUSIKEXPRESS, and METAL HAMMER.

Print International

Outside Germany, Axel Springer publishes more than 170 newspapers and magazines through its own subsidiaries and joint ventures, and by way of licensing. The Group's international activities are focused mainly on eastern Europe, where Axel Springer has further extended both its presence and its portfolio through the joint venture Ringier Axel Springer Media. In the mass-circulation newspapers segment, Axel Springer is currently the market leader in four countries of eastern Europe (to become five countries, once the joint venture with Ringier is approved by the Hungarian cartel authority). In western Europe, Axel Springer's activities are focused on the countries of Switzerland, France, and Spain.

Markets Print International

Western Europe	Eastern Europe
	Ringier Axel Springer Media
▪ Switzerland	▪ Hungary[1]
▪ France	▪ Poland
▪ Spain	▪ Czech Republic
	▪ Slovakia
	▪ Serbia

Further Markets: Russia, Romania, India

[1] The cartel approval for the Hungarian activities is still pending.

Eastern European markets

In **Hungary**, Axel Springer publishes more than 30 magazines and ten daily newspapers, and is that country's second-biggest publishing company, with a market share of 21.4 %, based on paid circulation. Axel Springer is the leading publisher of TV program guides, regional and business newspapers, home as well as garden magazines, automotive magazines, cooking magazines, and puzzle magazines.

Axel Springer and Ringier will contribute their Hungarian activities to the joint venture Ringier Axel Springer Media following the approval by the cartel authority. One of the publications to be contributed by Ringier is Blikk, which is the biggest mass-circulation newspaper in Hungary, based on paid circulation.

In **Poland**, Ringier Axel Springer Media publishes three newspapers and 14 magazines. These includes Poland's leading newsstand newspaper FAKT and the country's only sports daily PRZEGLAD SPORTOWY and give us a market share of 39.7 % in the national daily newspapers segment, based on paid circulation, making Ringier Axel Springer Media the biggest newspaper publisher in Poland.

In the **Czech Republic**, our joint venture with Ringier is the biggest publishing house, with six newspapers and eleven magazines. Besides the leading mass-circulation newspaper BLESK, Axel Springer is also the market leader in the category of automotive magazines. And BLESK PRO ZENY is the widest-reach women's magazine in that country.

Axel Springer's market leadership position in **Slovakia** is largely based on the NOVY CAS family of brands, consisting of two newspapers and four magazines. The eponymous mass-circulation newspaper is the country's biggest newspaper, with a market share of 44.1 %. In total, Ringier Axel Springer Media publishes two newspapers and nine magazines in Slovakia.

In **Serbia**, Ringier Axel Springer Media publishes four newspapers and four magazines, and is the publisher with the highest total circulation and the widest reach in that country. With BLIC the joint venture also publishes the biggest newspaper in Serbia.

Thanks to the G+J portfolio, which was acquired in 2009, we now publish seven titles in **Russia**: the business magazine FORBES, COMPUTER BILD, OK!, GEO, GALA BIOGRAFIA, GEO TRAVELLER, and GEOLENOK.

Through our 40 % investment in Edipresse AS Romania, Axel Springer publishes a total of 13 magazines in **Romania**.

Western European markets

In **Switzerland**, Axel Springer publishes HANDELSZEITUNG, as well as 14 magazines. It is the market leader in the segments of business and finance magazines and TV program guides. The business magazine BILANZ and the business newspaper HANDELSZEITUNG are the most-read publications in the business segment. In the category of general-interest magazines, Axel Springer publishes the country's biggest subscription magazine, BEOBACHTER; in the category of TV program guides, the Group is likewise the market leader, through its publications TELE and TV STAR.

In **France**, we publish a total of nine titles, including TV program guides, women's magazines, cooking magazines, and automotive magazines. Four of those titles are published in a joint venture with the Mondadori Group. The most important titles are the TV program guide TELE MAGAZINE, the cooking magazine VIE PRATIQUE GOURMAND, and the automotive magazine AUTO PLUS.

Axel Springer publishes twelve magazines in **Spain**. We are the No. 1 publisher in the category of video game and computer magazines; in the automotive magazine segment, we publish the market leaders AUTO BILD ESPAÑA and AUTO BILD 4x4.

Digital Media

The Digital Media segment comprises our German online offerings, as well as our digital activities in foreign countries, and our portfolio of radio and television investments.

Portfolio Digital Media (Selection)

Content portals	Marketplaces	Marketing
■ Bild.de ■ aufeminin.com ■ gamigo.de ■ autobild.de ■ welt.de ■ computerbild.de ■ abendblatt.de ■ finanzen.net	■ stepstone.de (Jobs) ■ idealo.de (Price comparison) ■ immonet.de (Real estate)	■ zanox ■ Digital Window ■ eprofessional

Content portals

Bild.de is the widest-reach German-language information and entertainment portal, as well as one of the leading moving-image platforms on the German Internet thanks to its video portals.

With an average of more than 14.9 million visits per month, BILDmobil is the biggest German information portal for mobile terminal devices, while WELT ONLINE occupies the leadership position among the websites of German premium newspapers.

Axel Springer's portfolio in this segment is supplemented by the online portals of the Group's German regional newspapers and magazines, and its foreign print media. Axel Springer also operates the women's portal aufeminin.com, the European market leader among websites for fashion, beauty, and lifestyle, as well as a large number of special-interest portals, such as the finance portal finanzen.net and the online games provider gamigo.de, for example. In addition, we operate a soccer community, transfermarkt.de.

Marketplaces

Whether they are looking for jobs, real estate, or cars, our online marketplaces help Internet users find the right products, amid the sheer abundance of available offerings. StepStone is one of the leading online job exchanges in Europe; idealo.de is one of the biggest German search engines for price and product comparisons; and immonet.de is likewise one of the leading German online portals for real estate marketing. Axel Springer also holds investments in autohaus24.de, a multi-brand new car portal (19.9 %), and in buecher.de (33.3 %), an online shop for books, music, and movies. Furthermore, Axel Springer holds a 12.4 % equity interest in SeLoger.com, the leading French real estate portal; in addition, we have issued a public takeover bid for that company (see page 43). In India, Axel Springer is invested in Carwale.com, the market leader in the online segment of new and used car brokerage, and in BagItToday.com, a marketplace for lifestyle products.

Marketing

Through the zanox Group (including Digital Window and buy.at), Axel Springer is the European market leader and one of the world's leading service providers in the segment of performance-based online marketing. As an independent service provider, we help advertisers conduct and optimize their online advertising campaigns.

TV/radio activities

In the TV/radio sector, the Group holds a non-controlling interest in Turkey's biggest private-sector TV and radio company, the Doğan TV Group. This TV Group is the market leader, both in terms of audience shares and advertising market shares. Schwartzkopff TV is a successful production company specializing in TV entertainment formats. Axel Springer also holds investments in regional TV stations in the key markets of Hamburg and Berlin, and non-controlling interests in Germany's most successful radio stations.

Services/Holding

The Services/Holding segment comprises the Group's own newspaper printing plants and its investment in the rotogravure joint venture PRINOVIS, as well as the internal departments of Logistics and Distribution, and various service and holding company functions.

Management and supervision

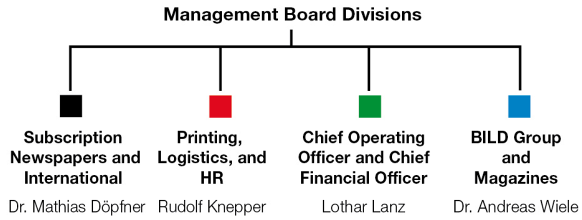
Management principles

Axel Springer's management principles are aligned with our core values of creativity, entrepreneurship, and integrity, as well as the five principles enshrined in Axel Springer's own corporate constitution. For more information on our internal guidelines, please refer to the statements on corporate governance on page 84 of this annual report.

Management Board divisions

Our Management Board is composed of four members; their work is supervised and supported by a Supervisory Board composed of nine members.

Axel Springer Management Board Divisions



Every one of our clearly defined corporate divisions is firmly assigned to one of the four Management Board members as described below.

Management Board Chairman Dr. Mathias Döpfner heads up the Management Board division **Subscription Newspapers and International**, which comprises the newspapers, and the online and mobile portfolios of the WELT Group, and the cross-media offerings of our regional newspapers. He is also responsible for our multimedia brands in the fast-growing international markets. This Management Board division also covers the corporate staff functions of Information and Public Relations, Executive Personnel, Security, Public Affairs, Customer Loyalty Reinforcement, and the Axel Springer Academy.

The Vice Chairman of the Management Board, Rudolf Knepper, heads up the Management Board division **Printing, Logistics, and HR**, which comprises the offset printing plants, logistics and services, and the investment in the rotogravure joint venture PRINOVIS. This Management Board division also covers Corporate Purchasing and Human Resources.

Lothar Lanz is the Management Board member in charge of **Finance and Services**. This division comprises the financial staff and service functions, such as Corporate Accounting, Corporate Controlling/ Corporate Development, Corporate Finance, Mergers & Acquisitions, Legal, Taxation, Governance, Risk, & Compliance, IT, and Investor Relations.

Dr. Andreas Wiele heads up the Management Board division **BILD Group and Magazines**, which comprises the cross-media offerings of the BILD family of brands and the corresponding magazines, sub-divided into the publishing groups BILD and BILD am SONNTAG; automotive, computer, and sports media; TV program guides, and women's media.

As a company-wide function, the "Electronic Media" management division reports directly to the full Management Board. The Axel Springer Media Impact division reports to the two Management Board members in charge of the market-oriented divisions "Subscription Newspapers and International" and "BILD Group and Magazines."

Basic principles of the compensation system

We compensate our employees, all the way up to the top management level, on the basis of their performance and success. Axel Springer introduced a variable compensation system based on target agreements in 2007. The targets are agreed every year anew; they include both corporate targets and individual division targets. In 2010, moreover, we paid a voluntary, profit-sharing bonus of € 500 to qualifying employees.

The compensation of the Management Board is likewise determined on the basis of their performance and success. Their compensation includes a remuneration as well as variable components, some of which are geared to the achievement of Group and individual targets, while others are geared to the long-term increase in the company's value (as measured by the performance of the Axel Springer share). A detailed description of Management Board compensation can be found in the "Compensation Report" section of the "Corporate Governance" chapter (starting on page 91). There, you will also find information on the compensation of our Supervisory Board members (starting on page 93).

Important products, services, and business processes

The revenues of the Axel Springer Group are mainly composed of circulation and advertising revenues. Circulation revenues are generated on the sales of our newspapers, magazines, and digital information and entertainment offerings, while advertising revenues are generated by marketing the reach of our print and online media.

Our value chain is designed on a cross-media basis. It comprises all the important processes of a media company, from conception to editorial process and production, distribution, and marketing.

Cross-media concept

We constantly strive to enhance the presentation of our information and entertainment offerings, for example by improving existing formats with new editorial and graphic concepts or by introducing new products. In that respect, we place an especially strong emphasis on our digital media portfolio, the further development of which is crucial to the success of our operating business. For that reason, we also employ market research and pilot projects to identify highly promising trends and technologies at an early stage and to participate in their progression. At the same time, we always apply a cross-media approach, so that we can make optimal use of synergies, expertise, and reach.

Editorial content

Producing journalistic content in a creative and efficient way, and exploiting that content on a cross-media basis, is one of our core competencies. All journalistic content is gathered in our newsrooms and processed there in accordance with the demands of our print and online media. We operate such integrated newsrooms for the print, online, and moving-image media of the BILD and WELT Groups, as well as BERLINER MORGENPOST, B.Z., and HAMBURGER ABENDBLATT, for example, and also for some of our international editorial teams.

Production

We produce our German newspapers in the Group's own three offset printing plants in Hamburg-Ahrensburg, Essen-Kettwig, and Berlin-Spandau, among other places. We perform all the necessary steps ourselves, from plate production to shipping logistics. The production process for our digital media usually involves the processing and aggregation of information in databases and the posting of that information on our websites or other digital resources. For that purpose, we employ hardware in the form of server capacities and the appropriate software, and take the necessary steps to assure the right flow of data and information among the different components.

Distribution

Our newspapers and magazines are distributed in more than 120 thousand retail sales outlets, which are supplied in a fast, reliable manner, employing a sophisticated logistics and transport system. We also distribute our media worldwide, via press wholesalers and press import companies.

We distribute our digital media through a variety of channels, including the Internet, mobile terminal devices, and download platforms like Apple's App Store. In 2010, we developed a new distribution channel, the kiosk app "iKiosk," featuring more than 30 newspapers and magazines, and the associated Internet platform ikiosk.de.

Marketing

Another important revenue source for Axel Springer, besides the traditional circulation revenues generated on sales of our print titles, are advertising revenues. In that respect, our journalistic content serves the purpose of reaching the target groups that are relevant to advertisers, so as to generate the reach that can be marketed in the form of ad space.

Aside from the transaction-driven marketing models employed by companies such as idealo.de, for example, Axel Springer also offers a wide range of other online advertising, such as banners, layer ads, and wallpaper, as well as video formats, all of which are used for traditional reach marketing. We also seek to harness the potential of the growing online market by expanding our own online marketing activities. As the leading platform in Europe for performance-based online marketing, the zanox Group brings advertisers and publishers together on the Internet, so as to generate new sales and marketing possibilities for them on an international level. Advertisers use our platforms to make their products and services available so that publishers can advertise those products and services by means of text links, ad banners, and online videos. While the publishers receive a commission from the advertisers for every successfully completed online transaction, our platform operates as an independent service provider, recording data flows and transactions, providing the necessary infrastructure, and offering special services, including the payment of commissions.

Axel Springer's newspapers and magazines, and its brand-derived digital media, are centrally marketed in Germany by Axel Springer Media Impact, the country's leading cross-media marketer (based on gross market shares).

Strategy and success monitoring

The goal of our corporate strategy, which comprises the three main tenets of market leadership in the German-speaking world, internationalization, and digitization, is to sustainably increase the company value of Axel Springer by means of profitable growth.

Strategy

In view of the constantly growing use of digital media, we instigated the transformation from a mostly print-dominated publishing house to an integrated cross-media provider at an early stage. The long-term goal of our efforts to further develop our offerings in Germany and abroad and expand our digital activities is to become Europe's leading multimedia company, with strong brands and revenues and profits derived to an equal share from our print and digital activities. We are pursuing this goal intensively by means of extending our leading market position in the German-language core business, and by driving internationalization and digitization.

Market leadership in the German-language core business

Axel Springer is the market leader in the German-language print business. Based on paid circulation, we are the No. 1 publisher of newspapers and the No. 3 publisher of magazines. We strive to secure and solidify our market leadership position by continually developing and implementing creative new journalism concepts, and by improving our existing print media or adapting them to suit changing reader preferences, in matters of conception, journalistic quality, and/or layout. We also conduct targeted marketing campaigns and other activities to reinforce the brand loyalty of our readers. Most of all, we focus on continually improving our strong brands in combination with innovative cross-media advertising formats, in order to allow for optimal exploitation of the wide reach of our print and online media.

Internationalization

Axel Springer's internationalization strategy is focused primarily on eastern Europe, where we launch or purchase new titles and also act as licensors and licensees for magazines or newspapers. Appropriate investments are chosen on the basis of business strategies that fit in well with those of the Axel Springer Group, as well as the professionalism of their management, and the monetization potential of their digital business models.

The joint venture with Ringier is an important milestone in our internationalization strategy. With five market-leading mass-circulation newspapers in attractive growth markets (pending the approval of the competent cartel authority in Hungary), this partnership provides an outstanding basis for the further expansion of our core business of journalism; it also creates ideal conditions for the further expansion of our digital media business.

Digitization

In its digital business, Axel Springer focuses on its three main areas of competence: content portals, online marketplaces, and online marketing. We develop our business by means of organic growth and acquisitions.

We strive to transfer those attributes that make our print media so outstanding – journalistic quality and strong brands – to our national and international **content portals** in a targeted manner. Thanks to the continuous improvement of editorial content and intensive networking with virtual networks and online communities, the target groups, and consequently also the reach values of our content portals, are growing as well. In our content portals, we are increasingly moving also in the direction of paid premium content and offerings, putting to good use the experiences we have gathered from the formats introduced during the course of the past year. By that means, we are exploiting new potential revenue sources.

Our **online marketplaces** like StepStone, idealo.de, and immonet.de are attractive platforms for online shopping and online classified ads. We are constantly improving these marketplaces, while also taking advantage of the synergies resulting from the combination with our content portals and print titles.

We are also exploiting the potential of the growing online market by expanding our own **online marketing** activities. In line with our strategy, we are seeking to further expand the offerings of the zanox Group and the online marketing activities of our marketer Axel Springer Media Impact.

Internal management system

We have designed our internal management system and have designed suitable control parameters on the basis of our corporate 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. Those reports contain the monthly results of our most important publications, 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; in case of deviations, we conduct further analyses or initiate suitable corrective measures.

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

Financial performance indicators and control parameters

Our central focus is to sustainably increase both the profitability and value of our company. The most important target and control parameters for the company's financial performance are revenues and earnings (measured by EBITDA). Those parameters also form the basis for the performance-based remuneration of our Management Board and other top executives (please refer to page 91 for more information on our compensation system). Both these indicators and the EBITDA margin derived from them are anchored in our internal planning and controlling system.

We employ various relative indicators to monitor the successful implementation of our strategy, including the proportion of consolidated revenues represented by international revenues, for the purpose of analyzing the progress we are making towards the goal of internationalization, and the revenues of the "Digital Media" segment as a benchmark for our progress on digitization.

We employ a capitalized value method based on weighted capital costs to assess the economic efficiency of investments in new or existing business lines. The weighted capital cost rate is calculated on the basis of an ideal capital structure.

The risk of a capital investment project is generally represented by using a capital markets equilibrium model, applying a beta factor (for the business-specific, systematic risk), and a market premium (for the country-specific, non-systematic market risk). As a general rule, it is assumed that the company's systematic risk is equivalent, on average, to that of comparable companies in our peer group of European media companies. Other specific risks are additionally reflected in the updated, weighted capital costs.

Financial Performance Indicators

Selected financial performance indicators on the Group level, in € millions	2010	2009
Consolidated revenues	2,893.9	2,611.6
Proportion of international revenues	28.1 %	21.0 %
Proportion of digital media[1]	24.4 %	21.2 %
EBITDA	510.6	333.7
EBITDA margin	17.6 %	12.8 %

[1] Basis: Pro forma revenues in the Digital Media segment and pro forma revenues total.

Non-financial performance indicators and control parameters

Besides financial performance indicators, we also employ non-financial performance indicators to measure our success relative to the further development of our company, the implementation of our strategies, and the enhancement of our company value. Although the non-financial performance indicators are not reflected in our income statement, they are nonetheless key drivers of Axel Springer's value-driven development. They serve as early indicators, both of changes in financial performance indicators and of the success of strategic measures, and therefore they enable us to quickly initiate corrective measures when necessary.

The following non-financial performance indicators are significant for monitoring the company's performance relative to customers, markets, and products offered:

- Average paid circulation of all significant newspapers and magazines;
- Average monthly unique visitors/visits, and other business model-specific indicators of our online media, and the resulting market position;
- Reach values of our media in the advertising market and indicators of brand and advertisement familiarity.

Axel Springer has also set itself the goal of being Europe's most customer-friendly media company. To that end, since 2007 we have developed an elaborate measurement and evaluation system to measure our annual customer retention index, in collaboration with the institution TNS Infratest. This index is the most important indicator of satisfaction and loyalty of our readers and advertising customers. It is composed of numerous factors, including the perceived quality of our publications, the brand loyalty of our customers, repeat purchase rates, and the respective competitive advantage. The customer retention initiative has triggered a cultural transformation in our company and further bolstered our commitment to customers over the last four years. And thanks to the multi-faceted measures aimed at delivering added value to all our customer groups, it makes a strategic contribution to the long-term business success of our Group.

In order to identify and promote efficient processes within our company as well, we measure the quality of our internal cooperation and service orientation in a similar manner and aggregate the results to form an internal customer retention index. Together with the external customer retention index, this indicator forms the basis for a continuous improvement process that contributes to the long-term enhancement of the company's profitability.

In addition to the above-mentioned control parameters, Axel Springer also counts social and ecological factors among its non-financial performance indicators. For their observation, we rely on the sustainability criteria of the Global Reporting Initiative (GRI). Our main ecological efficiency indicators are wastewater volumes, solid waste quantities, climate-affecting emissions, and energy consumption. For more information on the subject of sustainability, please refer to page 29 of this annual report or to our sustainability report.

Research and development

Axel Springer does not have a traditional research and development department of the kind that can be found in industrial enterprises; nonetheless, throughout the company, we constantly strive to optimize our offerings and to establish innovative products in the market. Above all, we continuously introduce new print, online, or mobile formats, develop our editorial content, and uphold our journalistic excellence. In that regard, we pay especially close attention to identifying changing media usage habits as early as possible.

In our print business, we developed and tested innovative new formats last year, including 3-D versions of BILD and BILD am SONNTAG. We also introduced HÖRZU HEIMAT as a stand-alone magazine format.

In our digital business, we expanded our paid-content offerings for mobile terminal devices. Concurrently with the market introduction of the iPad in the United States, we launched the iKiosk, an app featuring an extensive selection of our newspapers and magazines. In May, moreover, we launched the first digital magazine developed specifically for the iPad, "THE ICONIST," a lifestyle app that combines the pleasure of reading print titles with the considerable added benefits of digital formats. Another premiere was the first iPad app for car lovers, which our French automotive magazine SPORT AUTO introduced to the market in 2010. All in all, we expanded our offering of iPhone and iPad apps substantially in 2010. In May, for example, we introduced the iPad app WELT HD to coincide with the launch of our iKiosk in Germany, followed in December by another iPad app, BILD HD, both of which underscored the innovation strength of Axel Springer.

Our classified ad marketplaces also came out with innovative new apps last year. For example, StepStone introduced its job market app for the iPhone and immonet.de developed the first app for mobile real estate research, featuring innovative augmented-reality technology (see page 58).

An important innovation in the TV sector is watchmi. This service, launched at the beginning of last year, combines TV program data from the TV DIGITAL editorial team with a self-learning software program that automatically records TV shows according to the user's individual preferences, so that they can be watched at any time.

Overview of business developments

General economic environment

The recovery of the **global economy** continued in 2010.

However, the strength of the worldwide economic recovery varied widely. Emerging-market countries, and especially China, had already put the economic crisis behind them in the summer of 2010; in the meantime, they have actually undertaken restrictive monetary and fiscal policy measures to counter rising inflationary pressures. The industrialized nations, on the other hand, have not yet returned to their former economic strength. Persistent structural problems in the financial and real estate sectors and strong budget consolidation pressures to address the high levels of private and public debt hampered the economic recovery, especially in the United States and in the peripheral euro zone countries of Portugal, Ireland, Greece, and Spain (Ifo Institute 2010; OECD 2010).

The **German economy**, by contrast, experienced strong growth in 2010 and recovered from the economic crisis more quickly than neighboring countries. According to calculations of the German Federal Statistical Office, German gross domestic product expanded at an inflation-adjusted rate of 3.6 %. Once again, foreign trade was an important driver of economic growth: Exports increased at a real rate of 14.2 %, imports at a somewhat slower rate of 13.0 %. But domestic demand provided an even stronger boost to the German economy. Investment spending was especially important, having increased at an inflation-adjusted rate of 5.5 %, while consumer spending rose at a rate of 0.5 % (German Federal Statistical Office).

According to the German Federal Statistical Office, the inflation rate was 1.1 % in 2010, that being significantly higher than the inflation rate in 2009 (+ 0.4 %). Food and energy prices were the main culprits. According to surveys conducted by the market research company GfK Group, consumer sentiment improved markedly during the course of 2010, with income expectations and purchasing propensity rising to high levels, especially in the final quarter of the year.

The jobs market benefited substantially from the economic recovery. The number of unemployed job-seekers fell by 5.2 % to an average of 3.2 million in 2010. At the same time, the imposition of shortened work hours declined considerably (German Federal Employment Agency).

Internationally, the countries of central and eastern Europe mostly recovered in 2010 from the serious economic downturn, helped in particular by substantially higher exports.

Anticipated Economic Development (Selection)

Change in gross domestic product compared to prior year (real)	2010
Germany	3.6 %
Switzerland	2.6 %
France	1.6 %
Spain	−0.2 %
Hungary	1.1 %
Poland	3.5 %
Czech Republic	2.4 %
Slovakia	4.1 %
Serbia[1)]	1.5 %
Russia[1)]	4.0 %

Forecast values, with the exception of Germany. Source: Eurostat.
[1)] Source: IWF.

Industry environment

Press distribution market

Continuing the trend of prior years, the German press distribution market contracted slightly in 2010.The total paid circulation of the newspapers and magazines tracked by the German circulation research institution IVW, weighted for their respective publication frequencies, was 2.9 % lower than the corresponding figure for the prior-year period. Thanks to the price increases implemented over the last four quarters, however, circulation revenues were only 1.3 % less than the corresponding prior-year figure.

All together, the 369 **daily and Sunday newspapers** tracked by IVW generated total sales of 22.6 million units per issue, indicative of a 2.7 % decrease compared to the prior-year period. With a decline of 5.0 %, newsstand sales suffered a much steeper drop than subscription sales (– 1.7 %); thus, the trend observed in the prior year continued in 2010. Within the press distribution market, the demand for daily and Sunday newspapers (weighted for their respective publication frequencies) declined by 2.8 %.

At 112.9 million units per issue, total sales of **general-interest magazines** (including membership and club magazines) declined by 2.1 % from the prior year. Having managed a slight gain of 0.2 %, newsstand sales fared better than subscription sales (– 2.2 %). The demand for general-interest magazines, weighted for their respective publication frequencies, declined by 3.4 % in 2010.

Whereas print media circulation numbers declined again, the popularity of online media increased further in 2010. According to the study entitled "internet facts 2010-III" published by the online research association Arbeitsgemeinschaft Online Forschung (AGOF), 50.7 million people in Germany already use the Internet (users during the last three months). That corresponds to 71.9 % of German residents aged 14 and older. As the Internet has become established in all segments of the population, the demographic structure of Internet users has drawn increasingly closer to that of the overall population. Of the 50.7 million people who use the Internet on a regular basis, 65.4 % use it to obtain news about world events and 57.9 % use it for regional or local news. Thus, news is one of the main reasons for using the Internet, besides e-mail, online research, and weather information. Jobs and real estate listings were also two of the 20 most-used online categories.

Based on IVW data, the content portals of the German print media were visited much more frequently in 2010 than in 2009. Thus, the 20 most-visited portals of German daily newspapers registered an average 35.5 % increase, those of magazines a 17.6 % increase in the number of visits.

Advertising market

The German advertising market experienced an appreciable recovery in 2010. According to Nielsen Media Research, the **total gross advertising market** increased by 11.8 % to reach € 21.2 billion. This gain resulted mainly from increases in online media and television. The gross advertising revenues (excluding media advertising) surveyed by Nielsen Media Research refer only to ads for branded products and services and for large retail chains, and do not include classified ads and advertising supplements; therefore, those figures do not fully reflect the actual, total business performance. In addition, gross advertising revenues are based on officially listed standard advertising rates, while net advertising revenues take into consideration discounts allowed and free ad space. The latter figure, therefore, is a more transparent indicator of actual advertising revenues. Thus, the Association of the German Advertising Industry (ZAW) estimates that **net advertising revenues** increased by 1.9 % across all types of media. At € 6.7 billion, the gross advertising revenues of the **print media** (excluding classified ads and advertising supplements and excluding media advertising) were 1.1 % higher than the corresponding prior-year figure.

According to Nielsen Media Research, the volume of display ads in **newspapers** (excluding classified ads and media advertising) declined slightly by 1.8 % in 2010. The higher volume of advertising expenditures in certain sectors (including services, finance, home and garden equipment, and construction, among others) was not enough to offset the lower volume of advertising expenditures in numerous other industries (especially retail, automotive, tourism, energy, health, and pharmaceuticals). The decrease in the retail sector resulted mainly from the reduced advertising print volume of discount stores. According to ZMG statistics (Zeitungs Marketing Gesellschaft), regional subscription newspapers (including classified ads) also suffered declines, with a 5.4 % decrease in net ad volumes in 2010. With the exception of job ads, all other classified ads, and especially those for real estate, travel, and cars, were lower in 2010. Thanks to the improved situation of the employment market, by contrast, the volume of job ads exhibited a clearly positive development (+ 11.2 %). The ad volumes of national newspapers (including classified ads) declined by an average of 1.3 % in 2010 (S+H Medienstatistik).

According to Nielsen Media Research, the gross advertising revenues of **general-interest magazines** (excluding media advertising) increased by 5.2 % in 2010 to reach € 2.7 billion. The categories that benefited most from this increase were illustrated current-interest magazines (+ 8.7 %), automotive magazines (+ 10.1 %), home and garden magazines (+ 12.7 %), monthly women's magazines (+ 4.6 %), and weekly women's magazines (+ 4.7 %). The categories that sustained revenue declines in 2010 were primarily IT/telecommunications magazines (– 7.8 %), and biweekly women's magazines (– 2.0 %).

Also in the case of general-interest magazines, the development of net advertising revenues was unfavorable.

According to Nielsen Media Research, gross advertising revenues (excluding media advertising) in the German **online market** (conventional banner advertising, excluding search term marketing and affiliates) rose by 36.2 % to € 2.3 billion in 2010. The revenue increase in conventional online banner formats occurred mainly in the sectors of services, finance, automotive, personal care products, retail, food, and telecommunications. Also in the online market, the development of gross advertising revenues does not adequately reflect the real trend. On a net basis, ZenithOptimedia estimates that the German online advertising market (including search term marketing and affiliates) increased by 18.2 % in 2010.

According to Nielsen Media Research, the gross advertising revenues of **advertising-financed TV** in Germany (excluding media advertising) were also substantially higher in 2010, having risen by 16.3 % to € 10.2 billion. Whereas the gross advertising revenues of private-sector TV stations increased by 16.6 % to € 9.8 billion, the advertising revenues of state-owned TV stations rose by 10.3 % to € 376.7 million.

In the German **radio** market, gross advertising revenues (excluding media advertising) increased by 5.3 % to € 1.2 billion. The gross advertising revenues of state-owned radio stations were 12.4 % higher and those of private-sector radio stations were 2.6 % higher than the respective prior-year figures.

Also in the case of TV and radio advertising revenues, gross advertising revenues do not truly reflect the actual development.

Print Advertising Demand 2010 (Selection)

Change in net ad revenues compared to prior year (nominal)	Newspapers	Magazines
Germany	−2.2 %	−1.9 %
France[1]	−2.9 %	0.5 %
Spain[1]	−5.7 %	−5.0 %
Hungary	−5.2 %	−6.7 %
Poland[1]	−8.9 %	−8.2 %
Russia[2]	11.8 %	
Switzerland[3]	1.6 %	10.8 %
Czech Republic[3]	35.2 %	6.4 %
Slovakia[3]	−3.0 %	−5.1 %
Serbia[3]	8.5 %	6.6 %

Source: ZenithOptimedia, Advertising Expenditure Forecast (December) 2010.
[1] Excluding classified ads.
[2] Print media in total.
[3] Gross advertising revenues, excluding classified ads. Gross advertising revenues do not adequately reflect the actual development of advertising revenues; that is particularly true of the Czech Republic, due to non-recurring effects.

Acquisitions, divestitures, and strategic partnerships

In 2010, the business performance of the Axel Springer Group was heavily influenced by the expansion of international operations. Specifically, we acquired new companies, entered into strategic partnerships, and generally broadened our portfolio even more.

Of particular importance is the joint venture Ringier Axel Springer Media AG, which is headquartered in Zurich. The Swiss publisher Ringier AG and Axel Springer AG contributed their eastern European media activities in a total of five countries (50 % interest in all cases; cartel approval for the Hungarian activities is still pending) to this joint venture, which was formed on July 1, 2010. Axel Springer also made a cash capital contribution of approximately € 39 million to the joint venture and a compensation payment of approximately € 125 million to Ringier.

As a result of this combination of the partners' business activities in Hungary, the Czech Republic, Poland, Slovakia, and Serbia, the joint venture is one of the leading multimedia companies in eastern Europe. Thanks to its strong, successful brands, its wide-ranging portfolio, and the clear focus on growth and digitization, moreover, Ringier Axel Springer Media AG is the market leader in the segment of mass-circulation newspapers and one of the biggest magazine publishers in every one of the countries named above. Thus, the formation of the joint venture had a major influence on the performance of Axel Springer's international print activities in 2010. The activities of Ringier Axel Springer Media AG have been fully consolidated in the consolidated financial statements of Axel Springer AG since July 1, 2010.

The joint venture Ringier Axel Springer Media has boosted our international print business in several important ways. For example, we have tapped new markets like Serbia and Slovakia and expanded our activities in the Czech Republic. Furthermore, we acquired the licensing rights to publish the magazine GEO in the Czech Republic, Slovakia, and Hungary.

Axel Springer Russia had already purchased all the equity in G+J Russia in the fourth quarter of 2009. The acquisition was completed in March 2010, when the cartel authority issued its approval; since then, Axel Springer has published GEO, GALA BIOGRAFIA, GEO TRAVELLER, and GEOLENOK, as well as various online products, in Russia.

In the national print business, we focused even more on our highest-circulation and widest-reach German titles and streamlined our portfolio of newspapers and magazines in a targeted manner. In the first quarter of 2010, for example, we implemented the sale of our investment in Westfalen-Blatt, which had been agreed in the prior year. In the second quarter, we sold the business and financial magazines Euro and Euro am Sonntag, which had belonged to Axel Springer Financial Media, and our investment in CORA Verlag, a publisher of entertainment literature.

In Axel Springer's digital business, we focused on expanding our range of performance-based online marketing services in 2010, among other things. In early March 2010, the Digital Window network of affiliates was strengthened by the acquisition of Perfiliate Ltd., which operates under the name buy.at in Great Britain and the United States. Jointly with PubliGroupe, we then contributed our shares in Digital Window to the zanox Group, making it one of the leading European companies in the business of performance-based online marketing.

In April 2010, immonet.de acquired the company Umzugsauktion GmbH & Co. KG, which offers price comparisons among moving companies and connects potential customers with vendors on its web portal umzugsauktion.de.

We also accelerated the international expansion of our online classified ad markets. Having completed the sale of the Solutions division of StepStone in the second quarter of 2010, we have been able to sharpen even more our focus on further developing the company's online job exchanges.

In the second quarter of 2010, we sold our investments in wallstreet:online AG, Zertifikate-Journal AG, and the business operations of our Financial Media division. We also sold wallstreet:online Capital AG in the third quarter.

In September 2010, Axel Springer purchased a 12.4% equity interest in SeLoger.com, the leading real estate portal in France, for a price of € 34.00 per share (corresponding to a total amount of approximately € 70 million) and then made a voluntary public tender offer to the remaining shareholders for all the outstanding shares for the same price. The offer price valued the entire share capital of SeLoger.com at € 566.4 million. However, this offer was not supported by the company's supervisory board and SeLoger.com took various defensive measures. In order to increase the offer's chances for success, Axel Springer raised the offer price to € 38.05 per share in January 2011. In that connection, the offer was made subject to the condition of a minimum acceptance threshold. Thus, the transaction will be effected only if Axel Springer holds at least 50.01 % of the company's share capital upon completion of the process. The adjusted offer, which values the company at € 633.4 million, now enjoys the unconditional support of SeLoger.com. The French securities market regulatory authority is expected to announce the achieved acceptance ratio in early March 2011.

In India, one of the world's biggest media markets, we acquired a 52.1 % interest in the leading classified ad portal for automobiles, Carwale.com, and a 19.1 % interest in the lifestyle marketplace BagItToday.com in November 2010.

In December 2010, Ringier Axel Springer Media attained an outstanding position in the Slovakian online market by purchasing a 70 % interest in the leading Slovakian online portal azet.sk.

In January 2010, Doğan TV Holding (DTVH) carried out a capital increase of approximately € 196.4 million on the basis of an agreement reached in November 2009. Based on the same agreement, an additional capital increase for approximately € 188.0 million was implemented on April 30, 2010. These two measures reduced DTVH's debt substantially; furthermore, our interest in DTVH was lowered from 25.0 % to 19.9 %, as planned.

Based on a tax audit conducted in September 2009, the Turkish tax authorities imposed various subsequent tax claims and incidental costs in the total amount of TRY 3.9 billion (approximately € 1.9 billion), plus interest, against our associate DTVH and three subsidiaries of DTVH. The affected companies filed lawsuits against the respective assessments. Based on the information available to us, first-instance judicial decisions were issued in nearly all these proceedings in 2010. As for the outcomes, proceedings involving an amount of approximately TRY 1.4 billion (approximately € 0.7 billion) were decided in favor of DTVH and its subsidiaries, and proceedings involving an amount of TRY 2.5 billion (approximately € 1.2 billion) were decided against DTVH and its subsidiaries (excluding interest on the assessed amounts). Based on the information available to us, appeals against judicial decisions involving a total amount of approximately TRY 3.1 billion (approximately € 1.5 billion) have been filed with the Supreme Court by the affected companies and by the tax authorities. Furthermore, DTVH and its subsidiaries successfully petitioned the Supreme Court for a temporary stay of execution. According to the information provided by Doğan Yayin Holding, the Supreme Court issued rulings totaling TRY 2.4 billion (approximately € 1.2 billion) in favor of DTVH and its subsidiaries in January and February of 2011; based on our information, however, these rulings can still be appealed.

Awards

The innovation strength and excellent journalistic quality of our media were again confirmed by numerous awards in 2010.

BILD received a total of six awards in connection with the European Newspaper Award in 2010, including an award in recognition of its reader council concept and another award for the 3-D issue of August 28, 2010.

Under the same awards program, HAMBURGER ABENDBLATT received a total of twelve awards in the categories of front page, section front page, local page, visualization, illustration, supplements, and typography. Furthermore, the Art Directors Club gave an award in recognition of the successful BILD "Confessor" advertising campaign in 2010.

WELT am SONNTAG was honored with the title of "International Newspaper of the Year." And in April, the Sunday paper received the "British Newspaper Award" 2010 in London.

The journalistic quality of our apps was reaffirmed by our WELT app, which Apple selected as Germany's "iPad-App of the Year." In addition, the WELT HD app was named "Best App" in the "news" category. And the BILD iPhone app received the first-ever Kress Award in the category of "Paid Content" in 2010. In June 2010, the Axel Springer Academy was the first journalism school to receive the Grimme Online Award in the category of "Knowledge and Education" for its Internet special "little-berlin.de." This award is widely regarded as the most important distinction for the journalistic quality of German-language websites.

As for Axel Springer's international media, the Czech people magazine REFLEX has twice been awarded first prize in the contest "Czech Press Photo 2010." And in February, the Confederation of Distributors of Print Products (ARPP) both awarded prizes to the Russian edition of COMPUTER BILD and the business magazine FORBES as "Press Leaders 2009" in their respective segments.

Performance of the company's share price

The Axel Springer share closed the year at € 122.00, for a substantial gain of 62.6 %. A detailed description of the performance of the Axel Springer share in 2010 can be found on page 22.

Comparison of actual business performance with the forecast business performance

In view of the positive business performance in the first two quarters, we considerably raised our profit forecast in 2010, first in May and then in August. The actual EBITDA of € 510.6 million even surpassed the upgraded forecast.

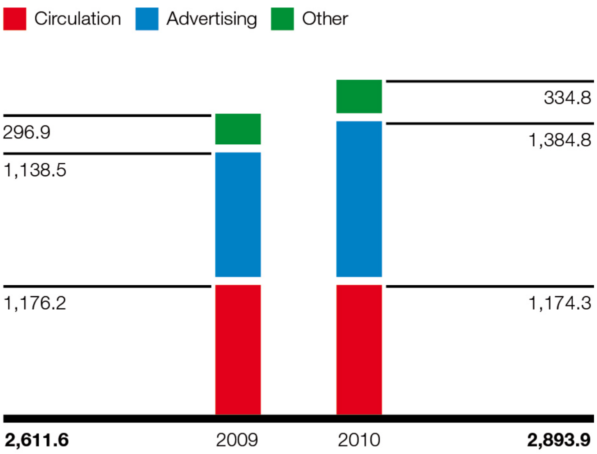
Financial performance, liquidity, and financial position

Financial performance of the Group

At € 2,893.9 million, the **revenues** generated in 2010 were 10.8 % higher than the corresponding prior-year figure (PY: € 2,611.6 million). The increased revenues were contributed by the Digital Media and Print International segments, mainly as a result of consolidation effects related to StepStone and Digital Window (including buy.at), as well as, starting in the third quarter of 2010, the companies contributed to the joint venture Ringier Axel Springer Media by Ringier. Adjusted for consolidation effects, Axel Springer increased its revenues by 3.5 % in 2010. Another key factor contributing to this increase, besides the organic growth of the Digital Media segment, was the recovery of the Group's international print media, which was driven by positive foreign exchange effects. Adjusted for consolidation and currency effects, the Group's total revenues in 2010 were 2.7 % higher than in 2009.

Revenues

in € millions

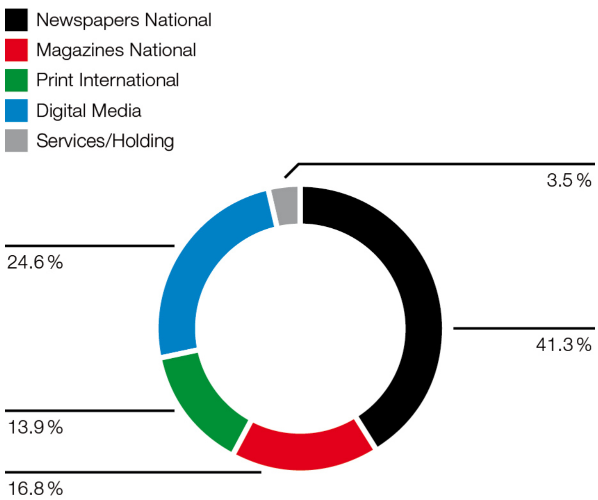


At € 1,174.3 million, the **circulation revenues** were nearly on the level of the prior year (PY: € 1,176.2 million) and accounted for 40.6 % (PY: 45.0 %) of the Group's total revenues. Lower revenues at most of the German print media and deconsolidation effects (especially related to German magazines) were partially offset by the addition of newly consolidated companies in the Print International segment.

At € 1,384.8 million, the Group's **advertising revenues** were 21.6 % higher than the corresponding prior-year figure (PY: € 1,138.5 million). This increase resulted mainly from the substantial growth of the Digital Media segment and from the consolidation of the joint venture with Ringier in the second half of the year. The advertising revenues of the national print media were slightly lower than the corresponding prior-year figure. All together, advertising revenues accounted for 47.9 % (PY: 43.6 %) of the Group's total revenues.

At € 334.8 million, the Group's **other revenues** were 12.8 % higher than the prior-year figure (PY: € 296.9 million) and accounted for 11.6 % (PY: 11.4 %) of total revenues. Also in this case, most of the increase resulted from the growth of digital media and from consolidation effects related to the joint venture in eastern Europe.

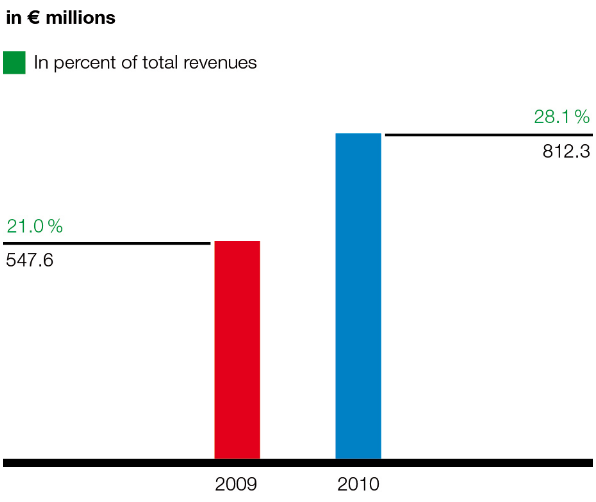
Segment Revenues 2010



A comparison of **segment revenues** shows the uneven development of print and digital media. Whereas the revenues of the national print media were slightly lower, the revenues of the Group's international print media and its digital media were significantly higher in 2010, compared to 2009. The total revenues of newspapers were 1.6 % lower, those of magazines 6.1 % lower, than the respective prior-year figures, mainly as a result of deconsolidation effects. The total revenues of the Print International segment in 2010 were 28.6 % higher than the prior-year figure, especially as a result of the first-time consolidation of the companies contributed by Ringier in the second half of 2010. The total revenues of the Digital Media segment were 51.3 % higher than the prior-year figure, due in part to consolidation effects, but also as a result of strong organic growth.

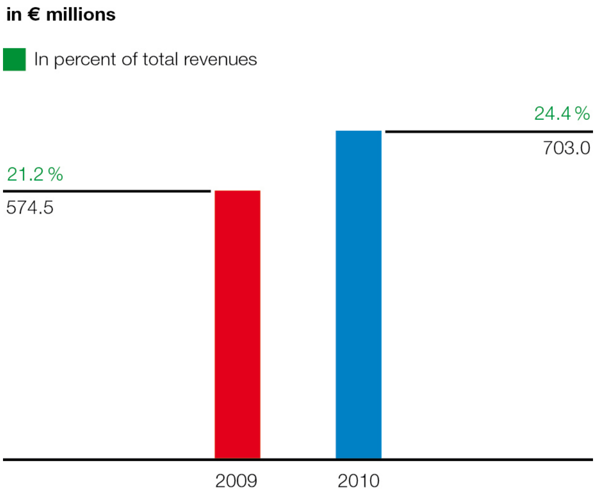
In a reflection of their heightened importance for the Axel Springer Group, **international revenues** accounted for 28.1% (PY: 21.0 %) of total revenues in 2010. This increase resulted from the expansion of the eastern European print business and from the international acquisitions of our digital media.

International Revenues



The **pro-forma revenues of the Digital Media segment** rose to € 703.0 million (PY: € 574.5 million), indicating organic growth of 22.4 %. Accordingly, their share of total pro-forma revenues rose from 21.2 % to 24.4 %. The pro-forma revenues include the companies acquired during the course of 2009 and 2010, chief among them StepStone, Digital Window, and buy.at, on the basis of unaudited financial information. The revenues of business operations and companies that were sold during that period were deducted from this figure.

Digital Media Revenues (Pro forma)



At € 2,630.9 million, **total expenses** were 6.3 % higher than the corresponding prior-year figure (PY: € 2,475.8 million), mainly as a result of consolidation effects. Restructuring expenses amounted to € 24.2 million in 2010 (PY: € 74.9 million).

At € 950.6 million, **purchased goods and services** were 7.2 % higher than the prior-year figure (PY: € 886.4 million), mainly as a result of consolidation effects in the Digital Media and Print International segments. Countervailing effects included reduced paper costs and lower prices for raw materials. The ratio of purchased goods and services to revenues narrowed to 32.8 % (PY: 33.9 %).

At € 792.9 million, the Group's **personnel expenses** were little changed from the prior-year figure (PY: € 791.9 million), despite the 7.7 % increase in the average workforce that resulted mainly from the consolidation of new subsidiaries. This was due in particular to the substantially lower restructuring expenses.

At € 113.5 million, the **depreciation, amortization, and impairments** were 22.9 % higher than the corresponding prior-year figure of € 92.4 million. This increase resulted particularly from higher purchase price allocation effects.

The increase in the **other operating income** to € 150.1 million (PY: € 70.7 million) was mainly caused by the profit on the sale of the Solutions division of StepStone. The **other operating expenses** of € 773.9 million were also higher, by 9.8 %, than the corresponding prior-year figure (PY: € 705.1 million), mainly due to the first-time consolidation of purchased companies and the losses incurred on the sale of significant activities of Axel Springer Financial Media.

The **net investment expenses** of € 8.2 million were heavily influenced by the impairment losses of € 21.4 million recognized in investments. Furthermore, the accumulated foreign exchange losses of Doğan TV Holding A.S., which had previously been recognized in equity, must now be recognized as net investment income or expenses, due to the reduction in the Group's shareholding percentage. These effects were largely offset by income from sales of shareholdings and ongoing investment income. The prior-year net investment income of € 212.1 million was heavily influenced by the profits on the sale of the Group's investments in regional newspapers. The operating net investment income presented in EBITDA amounted to € 17.0 million (PY: € 23.0 million).

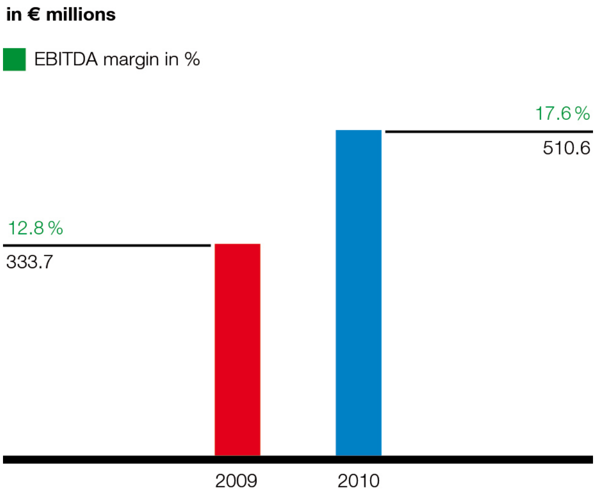
The Group's **net financial expenses** amounted to € 31.2 million (PY: € 25.0 million). Adjusted for the measurement and settlement effects of the call options on shares of Axel Springer AG granted by H&F Rose Partners L.P. and H&F International Rose Partners, L.P., the net financial expenses amounted to € 33.8 million (PY: € 34.4 million).

The **income taxes** for 2010 amounted to € –103.6 million (PY: € –83.8 million). Thus, the tax rate was 27.4 % (PY: 21.1 %). In both 2010 and 2009, the tax rates were affected by the mostly tax-exempt gains on shareholding sales.

At € 510.6 million, the earnings before interest, taxes, depreciation, and amortization (**EBITDA**) were 53.0 % higher than the prior-year figure, and represented a new record high. The EBITDA margin was 17.6 % (PY: 12.8 %).

This outstanding result underscores the operational strength of our company. Non-recurring effects such as, for example, gains or losses on sales of companies and investments and purchase price allocation effects are not included in the EBITDA.

EBITDA



The **consolidated net income** amounted to € 274.1 million (PY: € 313.8 million). Adjusted for non-operating effects, the consolidated net income amounted to € 283.2 million (PY: € 152.6 million).

Consolidated Net Income

in € millions	2010	2009
Consolidated net income	**274.1**	**313.8**
Gains or losses on the sale of business operations and equity investments	–58.0	–208.0
Effects of purchase price allocations	33.6	26.7
Impairment losses in non-current investmens	21.4	20.5
Other non-operating effects	19.5	–9.9
Taxes attributable to non-operating effects	–7.3	9.5
Consolidated net income, adjusted	**283.2**	**152.6**

The diluted **earnings per share** amounted to € 8.19 (PY: € 10.19). The adjusted diluted earnings per share, calculated on the basis of the weighted average shares outstanding in 2010 and attributable to the shareholders of Axel Springer AG, amounted to € 8.27 (PY: € 4.53).

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

Business developments and financial performance of the segments

Newspapers National

As Europe's biggest daily newspaper, BILD reached approximately 12.5 million readers on average in 2010 and therefore retained its position as Germany's highest-circulation and widest-reach daily newspaper by a wide margin. (The reach numbers for the German print media are taken from ma 2011 Pressemedien I and the paid circulation numbers are taken from IVW, unless otherwise noted). BILD also solidified its leading position among print media in the German advertising market, thanks in particular to the stronger focus on the segment of fast-moving consumer goods (FMCG).

In August of last year, BILD made a name for itself when it published a 3-D issue, complete with free 3-D glasses. In that issue, the first of its kind by a German daily newspaper, all photographs, illustrations, and ads featured three-dimensional effects. Besides marking an editorial milestone, the 3-D BILD issue was also exceptional with respect to ad marketing.

BILD am SONNTAG successfully defended its position as the leading German Sunday newspaper in 2010, based on reach. BILD am SONNTAG used its wide reach of 10.4 million readers to develop new advertising concepts in 2010, including the BILD am SONNTAG "family product."

Circulation and Reach Newspapers National

in thousands	Circulation 2010[1]	Change yoy	Reach 2010[2]	Change yoy[2]
Bild	3,031.9	–4.6 %	12,532.9	0.0 %
Bild am Sonntag	1,585.2	–4.2 %	10,388.3	0.6 %
Die Welt/Welt Kompakt	255.0	–4.2 %	710.5	–0.1 %
Welt am Sonntag	401.8	–0.2 %	1,189.1	13.5 %
Hamburger Abendblatt	226.1	–5.2 %	700.0	0.0 %
Berliner Morgenpost	130.0	–9.9 %	359.7	–0.1 %
B.Z./B.Z. am Sonntag	180.9	–4.2 %	752.0	–2.7 %

[1] Source: IVW, average paid circulation.
[2] Source: ma 2011 Pressemedien I, ma 2010 Pressemedien II.

Together with the tabloid format WELT KOMPAKT, DIE WELT successfully defended its position as Germany's third-biggest premium newspaper in 2010 (based on circulation and number of readers). As the most-read premium Sunday newspaper, WELT am SONNTAG increased its reach substantially by 13.5 %. According to "Verbraucheranalyse 2010-II," the WELT Group, including its online media, reached more than 3.6 million people. Consequently, it achieved a higher cross-media reach than any other national premium newspaper in 2010.

In 2010, the WELT Group continued the innovation campaign launched in the prior year to enhance its appeal for younger target groups. And that campaign has been successful, as evidenced by the lower average age of readers of DIE WELT and WELT am SONNTAG in 2010. As part of this campaign, we not only redesigned the logo and layout of our WELT titles, but also revised their content and adapted their structure to suit modern media usage habits. Since the beginning of 2010, the compact WELT AKTUELL has been distributed free of charge on domestic Lufthansa flights and in the first-class compartments and lounges of the Germany railway system Deutsche Bahn. According to market studies, WELT AKTUELL reaches an unusually large number of executives and generates a very high average reading duration.

Axel Springer also made investments in the quality of its major regional newspapers HAMBURGER ABENDBLATT and BERLINER MORGENPOST and revised their editorial and graphic concepts in 2010. Among other changes, HAMBURGER ABENDBLATT expanded its opinion and analysis section, added a new culture section, and introduced a new layout. By that means, it sharpened its profile as the major newspaper for politics, culture, and business in Hamburg and northern Germany. BERLINER MORGENPOST also introduced a new layout, expanded its regional section, and intensified its local reporting, in particular.

With a paid circulation of more than 180 thousand units per issue, B.Z. continued to be Berlin's biggest newspaper in 2010. It was also the widest-reach daily newspaper in the entire circulation area. B.Z. reached more readers, and especially young readers, in 2010.

Key Figures Newspapers National

in € millions	2010	2009	Change
External revenues	**1,194.2**	**1,213.7**	**–1.6 %**
Share in cons. revenues	41.3 %	46.5 %	
Circulation revenues	616.7	631.8	–2.4 %
Advertising revenues	544.7	548.0	–0.6 %
Other revenues	32.8	33.9	–3.2 %
EBITDA	**296.0**	**243.8**	**21.4 %**
EBITDA margin	24.8 %	20.1 %	

At € 1,194.2 million, the total revenues of the Newspapers National segment were slightly less than the corresponding prior-year figure (PY: € 1,213.7 million). Circulation revenues fell by 2.4 % to € 616.7 million (PY: € 631,8 million), while advertising revenues exhibited a more stable development, declining by only 0.6 % from the 2009 comparison figure (PY: € 548.0 million) to € 544.7 million. In that regard, higher advertising revenues at BILD am SONNTAG, WELT am SONNTAG, and the newly launched WELT AKTUELL nearly made up for the declines at the Group's regional newspapers.

Segment EBITDA improved by 21.4 % to € 296.0 million (PY: € 243.8 million). That corresponds to an EBITDA margin of 24.8 % (PY: 20.1 %). The total expenses of the Newspapers National segment were substantially less than the corresponding prior-year figure, due in particular to the significantly lower restructuring expenses of € 16.4 million in 2010 (PY: € 50.4 million). In addition, paper costs were substantially lower than the prior-year figure. BILD, BILD am SONNTAG, and HAMBURGER ABENDBLATT were the biggest contributors to the higher EBITDA.

Magazines National

Amid a fiercely contested market, Axel Springer's **TV program guides and women's magazines** performed very well in 2010. Reaching 4.6 million readers, HÖRZU solidified its market position as Germany's biggest weekly TV program guide. Thanks, in part, to the supplement HÖRZU DIGITAL, HÖRZU's circulation remained stable in 2010. Having been launched in October 2009, HÖRZU WISSEN was already the second-best-selling knowledge magazine in 2010, based on store sales. Another new addition to the HÖRZU family of brands in 2010 was HÖRZU HEIMAT. TV DIGITAL, the highest-circulation TV program guide for digital TV in the high-price segment, achieved a reach of 3.6 million readers in 2010.

BILD der FRAU reaffirmed its pole position among women's magazines in 2010. With 6.4 million readers and a circulation of nearly 1 million copies, it was again the clear market leader among weekly women's magazines and also the biggest women's medium in Germany. FRAU von HEUTE continued to benefit from the merger of its editorial team with that of BILD der FRAU in 2009; since the last survey, it increased its reach by 2.2 %.

Circulation and Reach Magazines National

in thousands	Circulation 2010[1]	Change yoy	Reach 2010[2]	Change yoy[2]
Hörzu	1,401.4	−2.1 %	4,646.8	1.3 %
TV Digital	1,716.4	−2.5 %	3,637.1	6.9 %
Funk Uhr	588.8	−7.0 %	1,731.7	−1.8 %
Bildwoche	163.4	−8.8 %	778.3	−5.8 %
TV Neu	112.2	−13.0 %	526.3	−10.4 %
Bild der Frau	990.0	−2.7 %	6,401.1	−0.5 %
Frau von Heute	187.6	−3.6 %	778.1	2.2 %
Auto Bild	585.2	−5.2 %	2,943.3	0.6 %
Auto Test	208.6	−4.2 %	520.1	5.0 %
Auto Bild Klassik	122.4	-	-	-
Auto Bild Sportscars	66.4	1.2 %	303.9	9.5 %
Auto Bild Allrad	71.1	10.8 %	292.4	2.9 %
Computer Bild	613.6	−10.2 %	4,136.4	3.1 %
Computer Bild Spiele	235.6	−9.6 %	1,987.4	−2.6 %
Audio Video Foto Bild	168.7	−0.2 %	654.5	10.4 %
Sport Bild	450.8	−4.9 %	4,409.9	2.1 %
Rolling Stone	61.3	8.7 %	-	-
Musikexpress	52.5	−2.0 %	-	-
Metal Hammer	42.1	−10.3 %	-	-

[1] Source: IVW, average paid circulation.
[2] Source: ma 2011 Pressemedien I, ma 2010 Pressemedien II.

Axel Springer's **automotive, computer, and sports titles** successfully defended their market-leading positions in 2010.

AUTO BILD achieved a circulation of 585.2 thousand units, a reach of 2.9 million readers and a market share of 57.3 % in 2010. Thus, the magazine asserted its market leadership position in the segment of weekly automotive magazines. Besides adding new classified ad categories and series to its editorial content, AUTO BILD also published its first-ever special issue for used cars in 2010.

The circulation numbers of Axel Springer's specialty automotive titles exhibited an especially successful development in 2010. Benefiting from the switch to a bimonthly publication frequency, AUTO BILD KLASSIK has been included in IVW's circulation reports since 2010. AUTO BILD ALLRAD (56.3 % market share) and AUTO BILD SPORTSCARS (54.8 % market share) extended their market leadership positions in their respective segments in 2010. AUTO BILD KLASSIK was so successful in 2010 that it has switched its publication frequency to once a month, starting in January 2011.

With a reach of 4.1 million readers, COMPUTER BILD not only successfully defended its market leadership position in the segment of computer magazines, but actually extended it somewhat, with an average market share of 32.3 % in 2010. As a special highlight, the December 2010 issue of COMPUTER BILD came with a free piece of computer hardware, a card scanner for the newly introduced personal ID card.

Thanks to a new visual design and revised concept, COMPUTER BILD SPIELE strengthened our market leadership position in this specialty segment and increased its market share by 2.3 percentage points, to 49.5 %, in 2010. Benefiting from a relaunch conducted at the end of 2009, AUDIO VIDEO FOTO BILD kept its circulation steady in 2010, bucking the general market trend, and occupied the top position in its segment.

According to the latest survey, SPORT BILD reaches 12.1 % of the total male German-speaking population, more than any other sports magazine in the country. With a market share of 48.9 %, this title successfully defended its market leadership position among sports magazines.

As for Axel Springer's music magazines, ROLLING STONE achieved a major milestone with the exclusive publication of Prince's new CD in July 2010, making it the first music magazine to enter into a sales cooperation arrangement with that artist.

Key Figures Magazines National

in € millions	2010	2009	Change
External revenues	**486.1**	**517.8**	**–6.1 %**
Share in cons. revenues	16.8 %	19.8 %	
Circulation revenues	325.7	358.8	–9.2 %
Advertising revenues	134.1	140.2	–4.4 %
Other revenues	26.3	18.8	40.1 %
EBITDA	**101.0**	**55.0**	**83.7 %**
EBITDA margin	20.8 %	10.6 %	

At € 486.1 million, total revenues were 6.1 % less than the prior-year figure, mainly due to the sale of the Group's investment in Cora Verlag, as well as the women's and youth magazines of Axel Springer Mediahouse München and the Group's business and financial media. Adjusted for consolidation effects, total revenues held steady on the level of the prior year (–0.2 %). At € 325.7 million, circulation revenues were 9.2 % less than the prior-year figure; adjusted for consolidation effects, the decrease was only 3.4 %. The advertising revenues of € 134.1 million were 4.4 % less than the prior-year figure; adjusted for consolidation effects, they were higher than the prior-year figure (+ 1.2 %), particularly as a result of the substantially higher advertising revenues of the Group's automotive and sports magazines.

EBITDA of the Magazines National segment reached an all-time high of € 101.0 million, indicative of an 83.7 % increase over the prior-year figure (PY: € 55.0 million). Accordingly, the EBITDA margin nearly doubled from 10.6 % to 20.8 %. At € 3.2 million, restructuring expenses were substantially less than the corresponding prior-year figure (PY: € 16.9 million). Another factor contributing to the reduction in total expenses was the lower paper costs. Aside from the strong EBITDA gains of nearly all the magazine groups, the concentration of the portfolio also made a significant contribution to the substantially improved EBITDA margin.

Print International

By means of the joint venture Ringier Axel Springer Media and the associated contribution of the eastern European activities of Ringier AG, Axel Springer expanded its international presence considerably in 2010. While the approval of the cartel authority for the joint venture in Hungary is still pending, Axel Springer has already tapped new markets such as Serbia and Slovakia and expanded its portfolio in the Czech Republic as a result of the joint venture. Thus, Axel Springer broadened its line-up of international media considerably since the middle of 2010.

Eastern European markets

Our publications in **Hungary** achieved a combined reach increase of 2.0 % in 2010; in that respect, they fared better than other market participants, whose combined reach stagnated last year. Having increased both its circulation and its reach in 2010, our women's magazine KISKEGYED extended its reach leadership position further in the segment of weekly women's magazines. The Sunday newspaper VASÁRNAP REGGEL, which is published in cooperation with three other regional publishing houses, also extended its reach to 517.5 thousand readers in 2010, 7.1 % more than the corresponding prior-year figure, and retained its position as the country's widest-reach premium Sunday newspaper. And despite having raised its copy price, the style magazine GLAMOUR increased its circulation in 2010. In the segment of automotive magazines, AUTO BILD increased its circulation, especially due to higher subscription numbers, and secured its market leadership position in this segment. In another highlight of 2010, Axel Springer successfully transposed an established online format to a print medium, with the food title MINDMEGETTE. The integration of Ringier's and Axel Springer's Hungarian titles into the joint venture is still pending, subject to approval by the cartel authority. Those titles include Blikk, which is that country's biggest mass-circulation daily, based on paid circulation. Axel Springer Hungary purchased a new licensing right to publish the commentary magazine GEO in 2010. As soon as the cartel authority approves the merger with Ringier, GEO will be transferred to Ringier Axel Springer Media.

Circulation and Reach Hungary (Selection)

in thousands	Circulation 2010[1]	Change yoy	Reach 2010[2]	Change yoy
Kiskegyed	200.4	0.7 %	1,013.6	14.3 %
TVR-Hét	164.3	−10.0 %	471.6	−2.5 %
Vasárnap Reggel	144.1	−8.8 %	517.5	7.1 %

[1] Source: Matesz audit 2009/2010, average paid circulation.
[2] Source: Ipsos/GfK Hungária: MédiaNavigátor Q3/2009 to Q3/2010.

In **Poland**, the newspapers and magazines we publish through the joint venture Ringier Axel Springer Media asserted their strong, and in some cases leading, positions, within a shrinking market. With an average circulation of 440.4 thousand units, FAKT kept its market share stable and is still Poland's best-selling daily newspaper, despite a decrease of 5.8 % from the prior year. The Polish magazines published by Axel Springer were likewise successful: NEWSWEEK POLSKA increased its circulation by 12.1 % over the prior-year figure; with more than 120 thousand copies sold, it is the No. 2 title among Poland's opinion-shaping magazines. And with 1.4 million readers, it was also still the widest-reach magazine in its segment in 2010. With more than 1.0 million readers each, AUTO SWIAT, and KOMPUTER SWIAT were likewise the widest-reach magazines in their respective segments.

The joint venture in Poland stepped up its activities particularly in the area of custom publishing. For example, it entered into a cooperation agreement with Poland's biggest TV operator Cyfrowy Polsat. Under this agreement, Axel Springer is mainly responsible for editorial content of the biweekly TV program guide tv2TYGODNIK.

Circulation and Reach Poland (Selection)

in thousands	Circulation 2010[1]	Change yoy	Reach 2010[2]	Change yoy
Fakt	440.4	−5.8 %	4,255.0	−3.3 %
Newsweek	120.5	12.1 %	1,366.0	−4.3 %
Auto Swiat	101.3	−5.5 %	1,176.0	−16.2 %

[1] Source: ZKDP, January to October 2010 vs. January to October 2009, average paid circulation.
[2] Source: PBC General, January to November 2010 vs. January to November 2009.

Ringier Axel Springer Media is the leading publisher in the **Czech Republic**. With an average paid circulation of 388.0 thousand units and a reach of 1.4 million readers, the mass-circulation daily BLESK reaffirmed its leadership position among Czech daily newspapers in 2010. Following the lead of BILD, BLESK came out with a 3-D issue in 2010. The country's leading women's magazine BLESK PRO ZENY is not only the best-selling women's magazine in the Czech Republic, it also has the widest reach. Its circulation of 193.4 thousand units and its reach of 649 thousand readers were only slightly less than the respective prior-year figures. And the Czech Axel Springer titles SVET MOTORU and AUTO TIP asserted their respective positions as the leading automotive magazines in the Czech Republic. We also expanded our portfolio of magazines in the Czech Republic by purchasing a license to publish GEO magazine and by introducing the monthly cooking magazine BLESK VASE RECEPTY in 2010.

Circulation and Reach Czech Republic (Selection)

in thousands	Circulation 2010[1]	Change yoy	Reach 2010[2]	Change yoy
Blesk	388.0	−6.2 %	1,426.0	−1.1 %
Nedelni Blesk	229.0	−6.6 %	732.0	4.3 %
Blesk pro Zeny	193.4	−0.9 %	649.0	−3.7 %

[1] Source: ABC CR, January to November 2010 vs. January to November 2009, average paid circulation.
[2] Source: Media Projekt, GfK Praha, Q2 to Q3 2010 vs. Q2 to Q3 2009.

Through the joint venture with Ringier, Axel Springer has been also active in **Slovakia** since 2010. The newspapers and magazines of Ringier Axel Springer Slovakia occupy leading positions in all relevant segments. The most important title is the mass-circulation daily NOVY CAS (market share: 44.1 %). With approximately 1.0 million readers, it reaches nearly 23 % of the Slovakian population. Furthermore, it was the first newspaper in eastern Europe to come out with a 3-D issue in 2010. The existing print portfolio was expanded in 2010 through the addition of the women's magazine MADAM EVA and the purchase of licensing rights for the monthly magazine GEO.

Circulation and Reach Slovakia (Selection)

in thousands	Circu-lation 2010[1]	Change yoy	Reach 2010[2]	Change yoy
Novy Cas Vikend	209.2	–4.9 %	602.0	–12.5 %
Novy Cas pre zeny	163.3	–16.7 %	381.4	–5.9 %
Novy Cas	143.5	–4.8 %	1,021.6	–7.0 %

[1] Source: ABC SR January to November 2010 vs. January to November 2009, average paid circulation.
[2] Source: MML-TGI, Median SK, March to September 2010 vs. March to September 2009.

Also in **Serbia**, Ringier Axel Springer Media is the publishing house with the biggest total circulation and widest reach; and the mass-circulation dailies BLIC and ALO! make it the market leader as well. Although the circulation of the biggest newsstand newspaper BLIC declined somewhat in 2010, it is still the most-read newspaper in that country, with 902.1 thousand readers. Also in its new layout, BLIC ZENA is still the most popular women's magazine in Serbia. The mass-circulation daily ALO! boosted its sales further in 2010. In fact, it was the fastest-growing newsstand newspaper in Serbia, with the second-highest circulation of all Serbian dailies. And the newly introduced Sunday newspaper SUNDAY ALO! successfully established itself in the market in 2010. After a complete relaunch, the circulation numbers of our news magazine NIN began to rise again. Since November 2010, some of our Serbian print and online media, including BLIC, 24 SATA, BLIC ONLINE, 24 SATA ONLINE, and ZENA ONLINE, have established an integrated newsroom linking all the reporters and editors.

Circulation and Reach Serbia (Selection)

in thousands	Circu-lation 2010[1]	Change yoy	Reach 2010[2]	Change yoy
Blic Zena	199.1	–2.5 %	865.0	2.6 %
Blic	146.5	–3.7 %	902.1	15.1 %
Alo!	113.4	43.7 %	456.6	66.0 %

[1] Source: ABC Serbia, average paid circulation. Blic Zena: Dezember 2009 to November 2010 vs. Dezember 2008 to November 2010.
[2] Source: Ipsos Strategic Marketing.

In **Russia** (not part of the joint venture with Ringier), Axel Springer successfully integrated the titles purchased from G+J into its portfolio, but also discontinued publication of the Russian edition of NEWSWEEK for business reasons.

Most of the Group's titles performed well in 2010. FORBES, the most-quoted business magazine in Russia, increased its readership by 37.7 % and the Russian COMPUTER BILD increased its readership by 31.4 % over the respective prior-year figures. The magazine GEO increased its reach by 11.9 % over the prior year, while GALA BIOGRAFIA's reach retreated somewhat (–1.7 %), with an average paid circulation of 164.6 thousand units in 2010. The celebrity magazine OK! increased its reach by 25.3 % and for the first time claimed the market leadership position in its segment.

Circulation and Reach Russia (Selection)

in thousands	Circu-lation 2010[1]	Change yoy	Reach 2010[2]	Change yoy
Gala Biografia	164.6	-	818.2	–1.7 %
Forbes	77.0	–0.3 %	1,129.5	37.7 %
Computer Bild	68.5	–6.6 %	379.9	31.4 %

[1] Source: in-house data; Forbes and Computer Bild January to November 2010; Gala Biografia April to October 2010, average paid circulation.
[2] Source: TNS Gallup, May to October 2010 vs. May to October 2009.

Western European markets

In **Switzerland**, our magazine BEOBACHTER and the TV program guide TELE both increased their respective reach values by 2.9 %, while the circulation of the business magazine BILANZ was stable. HANDELSZEITUNG increased its advertising business in 2010. The most successful new magazine in Switzerland in the last few years has been our title BEOBACHTER NATUR, a nature and environmental magazine. We also introduced the premium-quality lifestyle supplement FIRST for HANDELSZEITUNG, BILANZ, and PME MAGAZINE, which attracted great interest among readers and advertising customers alike in 2010.

Circulation and Reach Switzerland (Selection)

in thousands	Circulation 2010[1]	Change yoy	Reach 2010[2]	Change yoy
Beobachter	306.5	−0.6 %	960.0	2.9 %
Tele	145.0	0.6 %	534.0	2.9 %
Handelszeitung	40.8	−7.1 %	134.0	−8.8 %

[1] Source: WEMF: Auflagebulletin July 2009 to June 2010 vs. July 2008 to June 2009, average paid circulation.
[2] Source: WEMF: MACH Basic April 2009 to March 2010 vs. April 2008 to March 2009.

Axel Springer's publications outperformed the market in **France** as well last year. Although readership numbers declined there in 2010, some of our titles actually managed to increase their reach values. For example, the TV magazine TELE MAGAZINE increased its reach by 8.6 % and the biweekly cooking magazine VIE PRATIQUE GOURMAND is not only the best-selling title in its segment, it also achieved the second-highest reach increase (29.8 %) of all French magazines. Our automotive magazine AUTO PLUS, part of the joint venture Mondadori Axel Springer (EMAS) of which Axel Springer France holds 50 % of the shares, increased its subscription numbers and thus stabilised its position in the circulation market. And AUTO JOURNAL was the only general-interest magazine in the French automotive segment to increase its sales numbers in 2010, by a moderate amount, despite an adverse market environment.

Circulation and Reach France (Selection)

in thousands	Circulation 2010[1]	Change yoy	Reach 2010[2]	Change yoy
Tele Magazine	337.0	−5.0 %	1,137.0	8.6 %
Auto Plus[3]	289.5	−2.6 %	2,410.0	−2.3 %
Vie Pratique Gourmand	197.5	3.7 %	1,308.0	29.8 %

[1] Source: OJD, July 2009 to June 2010 vs. July 2008 to June 2009, average paid circulation.
[2] Source: AEPM, July 2009 to June 2010 vs. July 2008 to June 2009.
[3] EMAS: joint venture with Mondadori.

The circulation and advertising markets in **Spain** remained persistently difficult in 2010. The performance of Axel Springer's titles was mostly in line with market trends; however, the Group's weekly automotive, computer, and video game magazines successfully defended their leadership positions in the respective segments.

Circulation and Reach Spain (Selection)

in thousands	Circulation 2010[1]	Change yoy	Reach 2010[2]	Change yoy
Computer Hoy	61.4	−19.1 %	325.0	−13.3 %
Hobby Consolas	57.6	−14.1 %	332.0	−7.0 %
Personal Computer	55.7	−11.2 %	279.0	36.1 %

[1] Source: OJD, April 2009 to March 2010 vs. April 2008 to March 2009, average paid circulation.
[2] Source: AIMC EGM February to November 2010 vs. February to November 2009.

Key Figures Print International

in € millions	2010	2009	Change
External revenues	**400.9**	**311.7**	**28.6 %**
Share in cons. revenues	13.9 %	11.9 %	
Circulation revenues	231.9	185.7	24.9 %
Advertising revenues	147.0	113.5	29.5 %
Other revenues	22.1	12.5	76.7 %
EBITDA	**61.5**	**12.3**	**> 100 %**
EBITDA margin	15.3 %	3.9 %	

The financial performance of the Print International segment was heavily influenced in particular by the first-time consolidation of the companies contributed by Ringier to the joint venture Ringier Axel Springer Media, with effect as of July 1, 2010.

At € 400.9 million, external revenues were higher than the corresponding prior-year figure by € 89.3 million or 28.6 %. This increase resulted mainly from the revenue contributions of the newly consolidated companies of the joint venture with Ringier. Adjusted for consolidation effects, external revenues were 3.5 % higher than the adjusted prior-year figure. Additionally adjusted for currency effects, the revenues of the Print International segment were 2.6 % less than the corresponding prior-year figure.

At € 231.9 million, circulation revenues were 24.9 % higher than the prior-year figure (PY: € 185.7 million). This increase resulted primarily from the newly consolidated newspapers and magazines in the Czech Republic, Slovakia, and Serbia, and from the expanded portfolio in Russia. Adjusted for currency and consolidation effects, circulation revenues were 2.0 % less than the adjusted prior-year figure. The above-mentioned international activities also made a significant contribution to the 29.5 % increase in advertising revenues, which amounted to € 147.0 million in 2010 (PY: € 113.5 million). Adjusted for currency and consolidation effects, advertising revenues were 4.8 % less than the adjusted prior-year figure.

Segment EBITDA rose from € 12.3 million in the prior year to € 61.5 million in 2010. Besides the first-time consolidation of the companies comprised within the joint venture with Ringier, other factors contributing to this substantial increase in EBITDA were the systematic cost reduction and portfolio optimization measures of our international subsidiaries. At 15.3 % (PY: 3,9 %), the EBITDA margin reached its highest level since the Print International segment was formed.

Digital Media

Content portals

The user numbers of Germany's biggest news and entertainment portal Bild.de rose sharply again in 2010. Thus, Bild.de extended its market leadership position further. Thanks in particular to its wide reach, Bild.de is a coveted platform for advertisers; the start page was nearly always completely booked out in the last twelve months. We also opened up additional revenue sources, including the newly introduced advertising-financed movie portal BILD Kino, among other measures. By expanding its cooperation with the pay-TV broadcast company Sky, Bild.de expanded its offering of soccer videos in 2010. Coinciding with the start of the new season, users can now also watch highlights of the most important European soccer competitions (Champions League, Europe League, and the British Premier League) online, in addition to German national soccer league matches.

BILD's mobile portal BILDmobil also broadened its product range in 2010. In addition to flat-rate data plans for PCs, tablets, and mobile telephones, BILDmobil now also offers a paid premium service under which subscribers also gain access to content of the regional BILD edition. This new product was enthusiastically received by users: BILDmobil received an average of 14.9 million visits (PY: 5.3 million) per month in 2010, making it bigger than many stationary Internet news portals.

The online offerings of WELT ONLINE were likewise successful in 2010. The portal welt.de increased its reach substantially, especially after the extensive overhaul in late May. Thus, WELT ONLINE reinforced its position as the most successful website of any premium newspaper in 2010.

The regional portals of HAMBURGER ABENDBLATT and BERLINER MORGENPOST were also very successful in 2010, boosting their visitor numbers despite the fact that some of the content has only been available on a paid subscription basis, since 2010. And B.Z.'s online portal posted substantial gains, both in reach and in visits.

Traffic Figures of Editorial Online Offerings (Selection)

in millions (monthly average)	Unique Visitors 2010[1]	Change yoy	Visits 2010[2]	Change yoy
Bild.de	9.0	54.9 %	145.8	46.3 %
computerbild.de	4.7	38.6 %	21.9	43.0 %
welt.de	4.5	36.2 %	29.2	32.3 %
gofeminin.de	4.5	50.4 %	11.3	26.1 %
onmeda.de	1.6	76.1 %	3.4	32.2 %
transfermarkt.de	1.5	2.4 %	18.8	13.6 %
abendblatt.de	1.4	43.8 %	6.9	32.5 %
autobild.de	1.2	49.2 %	5.6	11.3 %

[1] Source: comScore (in some cases, heightened growth rates resulted from the expansion of the basic population, from the end of 2009 onward).
[2] Source: IVW.

The online portals of our German magazines also increased their reach values. Thanks, in part, to the expanded range of information and an optimized search function, autobild.de reached 49.2 % more users than in the prior year and therefore it successfully defended its market leadership position in the segment of automotive websites with editorial content. The portal computerbild.de continued to expand its consumer advisory services in 2010, which contributed to the 43.0 % increase in the number of visits. Consequently, the online portal retained its No. 2 position among German technology sites for computers, telecommunications, and consumer electronics in 2010. Since the beginning of 2010, the website bildderfrau.de has been operated and marketed by gofeminin.de, making it possible to exploit synergies in marketing, editorial content, and technology.

We advanced our digitization strategy in 2010 internationally as well. Above all, our joint venture Ringier Axel Springer Media opened up new markets. The websites in the joint venture countries increased their reach values significantly and reinforced their positions, some of which are market-leading.

Our online media in Switzerland showed a consistently positive development and generated substantial growth. The leading online business media bilanz.ch and handelszeitung.ch increased their traffic by 44.4 % and 27.2 %, respectively; and the news portal beobachter.ch was visited by 39.0 % more users in 2010.

Europe's biggest women's portal, aufeminin.com, increased its reach considerably. A particular highlight of 2010 was the introduction of aufeminin.TV, Europe's first-ever web-TV channel for women. And in France, the transposition of the market-leading cooking website marmiton.org to the print publication MARMITON in 2010 allowed for an exemplary use of synergies between print and online media.

Our sports portal transfermarkt.de was also successful in 2010, increasing its visits by 13.6 % over the prior year to reach 18.8 million. The online portal also published its second soccer season edition for the German national soccer league and a special publication on the Soccer World Cup in 2010. Furthermore, Axel Springer not only extended the concept of Germany's largest soccer community to the Italian and Turkish markets, but also adapted it for women's soccer (soccerdonna.de).

The games portal gamigo.de was again one of the leading providers of online games in 2010. In fact, it is one of the top 5 providers in the European market for "massively multiplayer online games." Nine new games were added to the portfolio in 2010; alltogether, gamigo.de attracted approximately 3.5 million new players.

Smarthouse Media, one of the world's leading providers of complex web-based finance applications for banks, online brokers, and financial services providers, increased the number of long-term client mandates in 2010 and registered stronger demand in the B2B segment. By means of the technical implementation of the finanzen.net app, the company supported the first stock market application in the German Windows Marketplace for Mobile. The finance portal finanzen.net, which had formerly been operated by Smarthouse Media, was repositioned in the market as an independent online company in 2010, with the goal of extending Germany's widest-reach online finance portal and making optimal use of future development and growth opportunities.

Apps for the iPhone and iPad

Axel Springer launched a paid-content initiative for mobile terminal devices already in late 2009. The introduction of paid-content offerings began to yield positive results in 2010, when Axel Springer's various apps and paid-content offerings for the iPhone and iPad were sold more than 500 thousand times and downloaded more than 800 thousand times.

In these endeavors, Axel Springer demonstrated exemplary innovation capacity and speed. For example, B.Z.'s iPhone app was the first paid-content app of any German daily newspaper. Furthermore, Axel Springer launched the iKiosk app to coincide with market introduction of the iPad in the United States. Consequently, Axel Springer was the first German publisher to offer a selection of its media products (WELT, WELT KOMPAKT, and WELT am SONNTAG) for the iPad right from the time it was introduced. During the further course of the year, we added a national issue and various regional issues of BILD and BILD am SONNTAG, as well as our regional newspapers, to the iKiosk app. Since September, moreover, users have been able to access the digital issues of many Axel Springer's magazines via the iKiosk app. We also transposed this concept to the stationary Internet by creating a new portal for our newspapers and magazines, iKiosk.de. At this portal, users can subscribe to a considerable number of print titles as “e-papers,” which they can access immediately after the printing deadline and thus well in advance of the print products being shipped.

We also introduced stand-alone iPad apps like WELT HD and BILD HD to the market in 2010. In addition to the WELT Group and the BILD Group, BERLINER MORGENPOST also launched both iPhone apps and iPad apps in 2010. HAMBURGER ABENDBLATT introduced an iPhone app in 2010, and have an iPad app followed in early 2011.

Also in 2010, Axel Springer launched THE ICONIST, a magazine developed specifically for the iPad that covers style, culture and society. It has already become one of the leading apps in the luxury brand segment. This exclusive lifestyle magazine, which is available in both German and English versions, combines the intuitive experience of reading printed paper with the added benefits of a digital medium.

Already since October of 2010, readers of AUTO BILD have been able to experience a multimedia edition of Europe’s biggest automotive magazine on the iPad. Besides the complete content of the print edition, the iPad version also features videos, picture galleries, enlargeable photos, and numerous interactive elements.

Internationally, NEWSWEEK POLSKA was the first opinion-shaping magazine in Poland to come out with an iPad version, in October 2010. Towards the end of 2010, the Swiss magazine BILANZ launched an iPad app, and various mobile apps were successfully launched in France as well, including the first automotive-themed app by SPORT AUTO. And the mobile brand iGourmand was expanded further and introduced as an app not only in France, but also in Great Britain, the United States, and Germany.

The implementation of Axel Springer’s premium initiative for paid digital content was generally successful in 2010. Pleased with our flexible subscription models, many users opted to subscribe to our e-papers on a permanent basis after the no-cost introductory phase. In addition to our iPhone and iPad apps, we expanded our other paid-content offerings as well, including the premium content sections of our online media, such as regional and sports reporting on abendblatt.de, for example.

Marketplaces

Axel Springer’s digital marketplaces and classified ad markets performed very well again in 2010.

Based on its high level of customer satisfaction and service quality, StepStone emerged as the winner of two sector comparison studies and was selected as Germany’s most popular career website for the third year in a row in 2010. Based on its reach, StepStone is the No. 2 job exchange in Europe. Benefitting from the economic recovery of the euro zone, StepStone registered a growing volume of job ads overall on its European portals in 2010. That increase was helped by the acquisition of key customers and the launch of specialized job portals for different cooperation partners.

Having registered a 30 % increase in the number of referred search inquiries, idealo, which is one of the leading German search portals for product and price comparisons, outperformed the market growth rate in 2010. The positive development can be attributed in part to the open-ended search function introduced in the prior year and the more than 100 newly added product categories.

As one of the leading real estate portals in Germany, immonet.de was also the first real estate portal to introduce an iPhone app featuring an innovative augmented-reality search function. While users walk around in their preferred residential neighborhood, the app displays all the available residential units on their iPhone in real time. To date, more than 175 thousand users have downloaded this free app. Furthermore, immonet.de broadened its offering of services for home-seekers further by acquiring umzugsauktion.de, the market-leading moving services exchange platform, in 2010. Also, immonet.de started a series of events and seminars known as immonet.works in 2010.

Axel Springer's regional newspapers HAMBURGER ABENDBLATT and BERLINER MORGENPOST expanded their online automotive marketplaces further in 2010 by introducing extensive new classified ad markets for automobiles, which are made available by autobild.de. More than 100 thousand automobiles have been advertised nationwide on abendblatt.de and morgenpost.de.

Marketing

The zanox Group is the European market leader in the business of performance based online marketing in Europe. We successfully bundled our marketing activities in 2010 by integrating the British affiliates network Digital Window into the zanox Group, in which Axel Springer holds a majority interest. As a result, we will be able to address the European markets more intensively, while also taking advantage of synergy effects. Digital Window had acquired the affiliate network buy.at, which operates in Great Britain and the United States, in February 2010.

TV/radio activities

Our production company for TV entertainment formats, Schwartzkopff TV, entered into an exclusive cooperation agreement with Talpa Media Holding in 2010, under which it acquired co-production rights to various successful international TV formats for German TV broadcast companies. After a subdued start, the radio advertising market recovered over the further course of the year. The radio stations in which Axel Springer holds investments were successful amid this market environment.

Key Figures Digital Media

in € millions	2010	2009	Change
External revenues	**711.8**	**470.4**	**51.3 %**
Share in cons. revenues	24.6 %	18.0 %	
Advertising revenues	559.0	336.7	66.0 %
Other revenues	152.9	133.7	14.4 %
EBITDA	**85.8**	**43.2**	**98.7 %**
EBITDA margin	12.1 %	9.2 %	

The total segment revenues of € 711.8 million were 51.3 % higher than the prior-year figure (PY: € 470.4 million). Most of that increase resulted from the consolidation of StepStone and Digital Window (including buy.at). At € 559.0 million, advertising revenues were 66.0 % higher than the prior-year figure (PY: € 336.7 million). Aside from consolidation effects, most of the Group's digital activities achieved double-digit growth. The other revenues of € 152.9 million were 14.4 % higher than the prior-year figure (PY: € 133.7 million).

The pro-forma revenues of the Digital Media segment rose to € 703.0 million (PY: € 574.5 million), indicative of 22.4 % organic growth. Accordingly, the proportion of total pro-forma revenues represented by the pro-forma revenues of the Digital Media segment rose from 21.2 % in 2009 to 24.4 % in 2010.

At € 85.8 million, EBITDA of the Digital Media segment was almost twice as high as the prior-year figure (PY: € 43.2 million). Even adjusted for consolidation effects, segment EBITDA was 72.9 % higher than the adjusted prior-year figure. This substantial increase was due primarily to the higher EBITDA contributions of content portals and online marketplaces.

Services/Holding

The Services/Holding segment comprises the three Group-owned newspaper printing plants, as well as the net investment income/expenses of the rotogravure joint venture PRINOVIS, the internal departments of Sales and Logistics, and various other service and holding company functions.

Key Figures Services/Holding

in € millions	2010	2009	Change
External revenues	**100.8**	**98.1**	**2.8 %**
Share in cons. revenues	3.5 %	3.8 %	
EBITDA	**– 33.7**	**– 20.5**	**-**

At € 100.8 million, the external revenues of the Services/Holding segment were slightly higher than the corresponding prior-year figure (PY: € 98.1 million). The increase resulted from higher revenues both in the service area and in the printing plants.

EBITDA of € – 33.7 million was less than the prior-year figure (PY: € – 20.5 million), mainly as a result of higher non-operating expenses compared to the prior year, including the expenses of forming increased provisions for the stock option program, higher expenses in connection with the company's healthcare plan, and higher provisions for taxes recognized directly in income. Furthermore, the various positive effects that influenced the prior-year figure, such as income from the Kirch insolvency (2010: € 0.7 million, PY: € 7.6 million) and income from the reversal of litigation provisions, did not recur in 2010.

Liquidity

Financial management

As a general rule, Axel Springer AG 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 by means of structurally appropriate financing. Also, we seek to earn an appropriate return by investing surplus cash. The Axel Springer Group does not engage in off-balance sheet financing measures.

Net Liquidity/Debt

in € millions	2010	2009
Cash and cash equivalents	435.9	197.3
Financial liabilities	356.2	390.3
Net liquidity/-debt	**79.6**	**– 193.0**

At December 31, 2010, Axel Springer showed net liquidity in the amount of € 79.6 million (PY: net debt of € 193.0 million). The cash and cash equivalents increased by € 238.6 million, mainly as a result of the operating cash flow earned and the placement of treasury shares in September 2010. Financial liabilities were reduced by € 39.2 million. Axel Springer has access to various credit facilities, including a credit line in the total amount of € 1.5 billion, which can be used both for general business purposes and for financing acquisitions. Of this credit line, an amount of € 0.5 billion will fall due in 2012 and an amount of € 1.0 billion in 2013. An amount of € 275.0 million was drawn down under this credit line at December 31, 2010. The total amount of available, undrawn short- and long-term credit facilities at December 31, 2010 was € 1,245.0 million (December 31, 2009: € 1,220 million).

Cash flows and capital expenditures

Consolidated Cash Flow Statement (Condensed)

in € millions	**2010**	**2009**[1]
Cash flow from continuing operations	358.1	270.0
Cash flow from investing activities	–200.6	116.7
Cash flow from financing activities	76.1	–345.5
Change in cash and cash equivalents	**233.6**	**41.2**
Cash and cash equivalents at December 31	435.9	197.3

[1] Prior-year values were adjusted to account for the reclassification of effects resulting from the acquisition or sale of non-controlling interests (see Note (29) in the notes to the consolidated financial statements).

The cash flow from operating activities rose to € 358.1 million (PY: € 270.0 million), mainly as a result of the improved operating performance. The disproportionately low increase compared to the increase in the Group's EBITDA can be attributed in part to the higher amount of cash outflows for restructuring measures and the higher level of receivables. Furthermore, the increase in EBITDA resulted in particular from the lower appropriations to provisions, compared to the prior year. In addition, the dividends of companies accounted for by the equity method were lower in 2010.

The cash flow from investing activities amounted to € –200.6 million (PY: € 116.7 million). The decrease from the prior-year figure resulted mainly from the payments made in connection with the formation of the joint venture Ringier Axel Springer Media and for the acquisition of an approximate 12.4 % equity interest in SeLoger.com. Countervailing effects included receipts from the sale of StepStone's Solutions division and from the sale of other investments. The positive prior-year figure resulted mainly from the sale of the Group's investments in regional newspapers.

The cash flow from financing activities amounted to € 76.1 million (PY: € –345.5 million). Aside from the dividend for financial year 2009, this figure also contained cash inflows from the sale of treasury shares in the amount of € 261.9 million, especially from the placement of treasury shares effected in September 2010. In addition, financial liabilities were repaid in the amount of € 39.2 million. The prior-year figure had been influenced by the comparatively higher repayments of financial liabilities and by the payments made to increase the Group's investment in StepStone from 52.77 % to 100 %.

The net balance of cash flows from operating, investing, and financing activities was € 233.6 million in 2010 (PY: € 41.2 million). At December 31, 2010, cash and cash equivalents amounted to € 435.9 million (PY: € 197.3 million).

Financial position

Consolidated Balance Sheet (Condensed)

in € millions	**12/31/2010**	**12/31/2009**
Non-current assets	2,569.7	1,874.6
Current assets	1,033.5	1,059.7
Assets	**3,603.2**	**2,934.3**
Equity	1,772.6	1,196.8
Non-current liabilities	1,003.5	966.1
Current liabilities	827.2	771.4
Equity and liabilities	**3,603.2**	**2,934.3**

At December 31, 2010, the total assets presented in the consolidated statement of financial position amounted to € 3,603.2 million, indicative of an increase of € 668.9 million or 22.8 % over the corresponding figure at year-end 2009 (PY: € 2,934.3 million). This increase was influenced mainly by the placement of treasury shares in September 2010 and by the first-time consolidation of newly acquired companies, including in particular the companies contributed by Ringier to the joint venture Ringier Axel Springer Media. Furthermore, the Solutions division of StepStone and other investments were sold in 2010.

Following the reduction of the Group's shareholding percentage in Doğan TV Holding A.S., that investment was reclassified from assets held for sale to investments. The acquisition of an approximate 12.4 % equity interest in SeLoger.com also contributed to the increase in the line item of investments.

The percentage of office space leased to third parties increased in 2010. Consequently, an amount of € 26.4 million was reclassified as investment property.

The € 84.0 million increase in trade receivables resulted mainly from the granting of longer payment terms and from the first-time consolidation of newly acquired companies. The purchase price receivable from the sale of regional newspaper investments, which had previously been presented as a non-current asset, was reclassified as other current assets in the amount of € 25.0 million, that being equal to the installment payments that will fall due in 2011. The increase in cash and cash equivalents resulted mainly from the placement of treasury shares in September 2010 and from the sale of StepStone's Solutions division.

At € 1,772.6 million, the Group's equity was € 575.8 million (48.1%) higher than the corresponding figure at the end of 2009 (PY: € 1,196.8 million). The equity ratio rose to 49.2 % (PY: 40.8 %). The increase in equity attributable to shareholders of Axel Springer AG resulted from the net income earned in 2010 and from the placement of treasury shares. The increase in non-controlling interests resulted mainly from the first-time consolidation of Ringier Axel Springer Media AG, in which the Axel Springer Group holds a 50 % interest.

At € 1,003.5 million, the non-current provisions and liabilities were € 37.4 million or 3.9 % higher than the corresponding prior-year figure. This development resulted mainly from an increase in pension obligations, which was itself caused by an adjustment made to reflect current interest rate developments. Another reason for this development was the first-time recognition or restatement of conditional purchase price liabilities related to company acquisitions. These developments were partially offset by the repayment of loan liabilities.

At € 827.2 million, the current provisions and liabilities were € 55.8 million or 7.2 % higher than the corresponding prior-year figure. This development was likewise influenced by new acquisitions, as well as a € 38.9 million increase in trade payables. In addition, loan liabilities in the amount of € 15.6 million were reclassified from non-current liabilities to current liabilities for the first time because they will fall due in that amount in 2011.

Employees

Excluding vocational trainees, journalism students, and interns, Axel Springer had an average of 11,563 (PY: 10,740) employees in 2010. The 7.7 % increase over the prior year resulted mainly from the joint venture Ringier Axel Springer Media, which was formed on July 1, 2010, and from the fact that the companies StepStone and Digital Window were consolidated for only part of the prior year. Internationally, Axel Springer had an average of 3,990 employees (PY: 3,163), representing 34.5 % (PY: 29.5 %) of the Group's total workforce. The Axel Springer Group had an average of 4,856 female employees and 6,707 male employees. The number of reporters and editors increased by 76 to reach 3,454 in 2010. The total number of salaried employees, on the other hand, rose by a total of 808 to 7,244, mainly due to the expansion of business activities and the acquisition of new investments in the Digital Media and Print International segments.

Employees by Segments

Average number per year	2010	2009	Change
Newspapers National	2,613	2,640	– 1.0 %
Magazines National	1,041	1,225	– 15.0 %
Print International	3,054	2,729	11.9 %
Digital Media	2,426	1,607	51.0 %
Services/Holding	2,429	2,539	– 4.3 %
Group	**11,563**	**10,740**	**7.7 %**

Whereas the number of employees working in the Print International and Digital Media segments increased the number of those working in the national print business decreased in 2010. The smaller workforce in the Magazines National segment was mainly the result of deconsolidation effects.

Length of service and age structure

As of December 31, 2010, the average employee of Axel Springer's German subsidiaries has been with the company for 12.2 (PY: 12.5) years; and 54.0 % (PY: 52.0 %) of the workforce have been with the company for longer than ten years. More than half of all employees are between the ages of 30 and 49. In the German companies, 3.8 % of the average workforce in 2010 were gravely handicapped persons (PY: 4.3 %).

Overall assessment of the Group's economic situation by the Management

Having generated a new record level of EBITDA and increased its revenues by 10.8 %, Axel Springer looks back on a very successful year 2010. Besides expanding our digital portfolio substantially, we also extended our international presence considerably, especially as a result of the joint venture Ringier Axel Springer Media.

The recovery of the economy in general and of the advertising industry in particular are likewise reflected in our operating results. The EBITDA margin of 17.6 % can be seen as an impressive demonstration of our company's profitability.

Based on the company's continued strong cash flow, solid balance sheet structure, and the available credit facility, Axel Springer is well equipped to finance the future growth of its business, both organically and through acquisitions.

All in all, we consider our strategy to be the right way to address changing framework conditions and to assure the future viability of Axel Springer. In the coming years, therefore, we will continue to pursue our main objectives of internationalization, digitization, and defending or further extending our leading market position in the German-speaking world.

Economic position of Axel Springer AG

Key Figures of Axel Springer AG

in € millions	2010	2009	2008	2007	2006
Revenues	1,576.6	1,588.3	1,673.3	1,669.1	1,710.1
Net income	161.3	323.1	196.4	147.8	245.9
Transfer to other retained earnings[1)]	4.0	165.4	103.6	25.3	138.5
Total dividends[1)]	157.3	131.2	130.6	122.4	107.3
Dividend per share (in €)[1)]	4.80	4.40	4.40	4.00	3.50

[1)] The amount of the dividend for 2010 and the appropriation to the other retained earnings (after deduction of an advance appropriation of € 3.0 million) are subject to the condition of approval by the annual shareholders' meeting.

Introductory remarks

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

Business activity

Axel Springer AG, which has its registered head office in Berlin, is the parent company of the Axel Springer Group. The Management Board of Axel Springer AG is also the managing body of the Group.

The Group's major print publications, such as the titles of the BILD Group, the WELT Group, HAMBURGER ABENDBLATT, TV DIGITAL, and HÖRZU, as well as other newspaper and magazine titles, are editorially produced and distributed by Axel Springer AG. The newspapers are printed by the company's own printing plants in Ahrensburg, Berlin, and Essen, and by outside printing companies.

In addition, Axel Springer AG maintains extensive supplier and service relationships with subsidiaries and other related parties. Purchased services mainly include printing services, administrative services, property management, direct marketing, editorial services, circulation, and insurance services. Services rendered include the supply of published products and paper and the provision of general administrative and IT services.

As a general rule, Axel Springer AG provides financing to the Group companies, as part of its Group-wide liquidity management program. Profit/loss transfer agreements are in effect with a number of German Group companies.

Financial performance

Income Statement (Condensed)

in € millions	**2010**	**2009**
Revenues	1,576.6	1,588.3
Other operating income	140.1	417.0
Purchased goods and services	–408.6	–458.1
Personnel expenses[1]	–433.3	–494.1
Amortization, depreciation and impairments of intangible assets and property, plant and equipment	–35.1	–40.0
Other operating expenses	–550.8	–530.9
Net income from non-current financial assets	6.3	–59.2
Net interest income[1]	–23.4	–22.4
Profit from ordinary activities	**271.6**	**400.8**
Taxes	–110.3	–77.7
Net income	**161.3**	**323.1**
Transfer to retained earnings	–3.0	–178.0
Distributable profit	**158.3**	**145.1**

[1] Prior-year values have been adjusted to fulfill the new commercial law requirements resulting from the German Accounting Law Modernization Act, for the sake of improved comparability.

The revenues of € 1,576.6 million were slightly less than the corresponding prior-year figure. The 2.4 % decrease in advertising revenues, which amounted to € 870.2 million, was only partially offset by the moderate increase in advertising revenues, which amounted to € 573.6 million, and by the higher amount of other revenues.

The other operating income of € 140.1 million was less than the corresponding prior-year figure of € 277.0 million, which had been particularly influenced, however, by the profit on the sale of regional newspaper investments, in the amount of € 251.9 million, and by income from the restatement of treasury shares, in the amount of € 32.6 million.

At € 408.6 million, purchased goods and services were substantially lower, by € 49.5 million (10.8 %), than the prior-year figure, due in particular to lower paper prices.

The personnel expenses of € 433.3 million were also lower than the prior-year figure, by € 60.7 million, due to lower restructuring expenses and the lower number of employees, which declined by 3.6 % from an average workforce of 4,827 in 2009 to 4,652 in 2010.

The depreciation, amortization, and impairments of € 35.1 million were lower than the prior-year figure (PY: € 40.0 million), mainly as a result of the lower amount of scheduled depreciation of property, plant, and equipment.

At € 550.8 million, the other operating expenses were € 20.0 million (3.8 %) higher than the prior-year figure. This increase resulted from the higher level of intercompany deliveries, in part, but also from the hedging of currency risks, which gave rise to both other operating income and other operating expenses.

The net investment income of € 18.3 million was € 65.4 million higher than the prior-year figure (PY: net investment expenses of € 56.1 million), due in particular to higher profit transfers from subsidiaries.

The profit from ordinary activities amounted to € 271.6 million in 2010 (PY: € 400.8 million). After taxes, the net income for financial year 2010 came to € 161.3 million (PY: € 323.1 million).

Liquidity

The net debt (liabilities to banks minus cash and cash equivalents) was reduced by € 173.8 million to € 61.0 million in 2010. At December 31, 2010, Axel Springer had access to unutilized short-term and long-term credit facilities in the amount of € 1,245.0 million (PY: € 1,220.0 million). The credit facilities can be used for both general business purposes and for financing acquisitions.

Financial position

Balance Sheet (Condensed)

in € millions	12/31/2010	12/31/2009
Intangible assets	34.9	34.4
Property, plant and equipment	210.8	218.7
Non-current financial assets	2,000.3	1,470.0
Fixed assets	**2,245.9**	**1,723.0**
Inventories	17.6	26.0
Receivables and other assets and prepaid expenses	557.3	592.5
Cash and cash equivalents	225.8	83.2
Current assets[1)]	**800.6**	**701.7**
Total assets	**3,046.5**	**2,424.7**
Equity[1)]	1,206.4	909.9
Provisions	512.6	483.5
Liabilities and deferred income	1,327.5	1,031.3
Total equity and liabilities	**3,046.5**	**2,424.7**

[1)] Prior-year values have been adjusted to fulfill the new commercial law requirements resulting from the German Accounting Law Modernization Act, for improved comparability.

At € 3,046.5 million, the balance sheet total in 2010 was 25.6 % (€ 621.8 million) higher than the prior-year figure. The percentage of total assets represented by fixed assets rose to 73.7 % (PY: 71.1 %). Fixed assets were backed by equity at the rate of 53.7 %; that ratio was almost unchanged from the prior year.

At € 2,000.3 million, non-current financial assets were € 530.3 million higher than the corresponding prior-year figure, mainly as a result of the further contributions made to the additional paid-in capital reserves of subsidiaries, which were made to finance acquisitions and in connection with Group-wide reorganization measures.

At € 800.6 million, current assets were € 98.9 million higher than the prior-year figure. Most of this increase occurred in the cash and cash equivalents, which were € 142.6 million higher than the corresponding prior-year figure due to the proceeds from the share placement (€ 251.4 million).

Also as a result of the share placement, the company's equity rose by € 296.5 million to € 1,206.4 million in 2010. The equity ratio was 39.6 % at the reporting date (PY: 37.5 %).

The provisions were € 29.2 million higher than the corresponding figure at the prior-year reporting date. The increase resulted in particular from higher income tax provisions; a countervailing effect related to the provisions for structural measures.

At € 1,327.5 million, the liabilities and deferred income were € 296.2 million higher than the corresponding prior-year figure. Whereas liabilities to banks were further reduced by € 31.4 million in 2010, the liabilities to affiliated companies rose by € 369.7 million, mainly in connection with the Group's centralized liquidity management program.

Profit utilization proposal

The separate financial statements of Axel Springer AG for 2010, which were prepared in accordance with the principles of German commercial law and the German Stock Corporations Act, show a distributable profit of € 158.3 million (PY: € 145.1 million).

The Management Board and the Supervisory Board, will propose to the annual shareholders' meeting to be held on April 14, 2011 that the company distribute a dividend of € 4.80 (PY: € 4.40) per qualifying share. That amount corresponds to a profit distribution of € 157.3 million from the distributable profit. According to the proposal of the Management Board, the remaining amount of € 1.0 million will be appropriated to the other retained earnings. The treasury shares held by the company do not qualify for dividends. The number of shares qualifying for dividends can change in the time remaining until the annual shareholders' meeting. In that case, an appropriately adjusted profit utilization proposal will be made to the annual shareholders' meeting, while retaining the proposal to distribute € 4.80 per qualifying share.

Events after the reporting date

In September 2010, Axel Springer purchased a 12.4% equity interest in SeLoger.com, the leading real estate portal in France, for a price of € 34.00 per share (corresponding to a total amount of approximately € 70 million) and then made a voluntary public tender offer to the remaining shareholders for all the outstanding shares for the same price. The offer price valued the entire share capital of SeLoger.com at € 566.4 million. However, this offer was not supported by the company's supervisory board and SeLoger.com took various defensive measures. In order to increase the offer's chances for success, Axel Springer raised the offer price to € 38.05 per share in January 2011. In that connection, the offer was made subject to the condition of a minimum acceptance threshold. Thus, the transaction will be effected only if Axel Springer holds at least 50.01 % of the company's share capital upon completion of the process. The adjusted offer, which values the company at € 633.4 million, now enjoys the unconditional support of SeLoger.com. The French securities market regulatory authority is expected to announce the achieved acceptance ratio in early March 2011. If the transaction is effected, the purchase price of up to € 563.4 million will be financed with the company's own funds and by making use of available credit lines.

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 performance or from our objectives, while opportunities represent the possibility of positive deviations. The risk policy principles and risk strategy of Axel Springer are closely tied to the adopted business strategy. We do not seek primarily to avoid risks at all costs, but to carefully weigh the opportunities and risks associated with our business activities. Accordingly, opportunities should be systematically exploited and risks should be assumed only when that would enable us to take advantage of additional income opportunities and increase the value of our company. Appropriate measures are taken to minimize risks to an acceptable level or, if economically feasible, transfer them to third parties. All employees are obliged to handle risks responsibly within their own work areas.

Refined risk management system

In consideration of the heightened national and international requirements, we began the process of systematically refining our internal monitoring system (risk management, compliance management, internal control system, and internal auditing) in 2010. To ensure the close coordination of the various sub-systems, we have established the new department of Governance, Risk, & Compliance to coordinate risk management, compliance management, and the internal control system in the future.

Axel Springer's risk management system is designed to identify all significant risks at the earliest possible stage, so that we can immediately take appropriate countermeasures and monitor the further progression of all risks and the corresponding risk management measures. This approach gives us the necessary maneuvering room and allows for the controlled handling of risks. The risk management system is designed to meet the demands of currently applicable laws and regulations, as well as nationally and internationally recognized standards, and is documented in a corresponding corporate directive.

Whereas the overall responsibility for risk management lies with the Management Board, the management of individual risks, which entails the early detection, assessment, management, and documentation of risks, as well as the adoption and implementation of appropriate countermeasures and the associated reporting requirements, lies primarily with the corresponding corporate divisions or Group companies.

The division heads bear content-related responsibility for the risk management conducted within their respective divisions. Besides conducting a structured risk inventory every year, they are also obliged to monitor their divisions on a continuous basis in order to identify any changes in the risk situation. Significant changes in the division-specific risk situation must be reported promptly to the Governance, Risk, & Compliance Department or the Management Board.

In addition to the decentralized risk identification process described above, a centralized risk identification process is conducted under the coordination of the Group-wide Risk Manager, who is a member of the senior management. The purpose of that process is to apply specialized methodology with the goal of identifying and assessing cross-divisional and process-transcending risks, so as to complete the risk inventory.

Risks are assessed on the basis of the probability of occurrence and the possible loss in case of occurrence. Risks are classified as "existentially threatening," "material", or "to be monitored." In order to present Axel Springer's risk situation as transparently as possible, risks are assessed by means of a procedure that entails both a gross assessment (before risk management measures) and a net assessment (after risk management measures). Uniform, Group-wide materiality limits are applied for that purpose.

A theoretically existential risk is classified as such on the basis of the possible gross loss and the effect of such a loss on the Group's financial position and liquidity.

The Corporate Risk Manager is assigned to the new department of Governance, Risk, & Compliance. He monitors all risk management activities, aggregates the risks at the Group level, and assesses the plausibility and completeness of reported risks.

He is also responsible for continuously refining the risk management system and the Group-wide, web-based reporting tool.

The risk reports prepared for the Management Board and Supervisory Board focus primarily on the existentially threatening risks and material risks, including the corresponding risk management measures and suitable early warning indicators, if any. For that purpose, we distinguish mainly between strategic and operational risks, financial reporting risks and risks related to compliance with internal and external regulations.

Internal audit system

Axel Springer AG has a Corporate Internal Audit Department that conducts its work independently of instructions and processes, on the basis of internal rules of procedure adopted by the Management Board. The Corporate Internal Audit Department is designed to fulfill the relevant national and international professional standards.

Based on an underlying, risk-oriented audit plan, the Corporate Internal Audit Department continuously reviews the adequacy and functional effectiveness of the risk management system and internal control system, among other matters.

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

The financial reporting-related risk management system, which comprises all organizational regulations and measures aimed at the detection and management of risks related to financial reporting, is a part of our comprehensive risk management system. With a view to the (consolidated) financial reporting process, the internal control system is meant to ensure that the Group's financial reports convey a true and fair view of the financial position, liquidity, and financial performance of Axel Springer AG and the Axel Springer Group, in compliance with all relevant laws, regulations, and standards.

As in the case of the overall risk management system, the Management Board also bears overall responsibility for the financial reporting-related risk management system. All consolidated companies are covered by means of a uniform management and reporting organization.

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.

- Assurance of uniform accounting practices by means of Group-wide guidelines, procedures, and training courses.

- 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 deviations.

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, Management Board, and Supervisory Board.

We are continuously refining our risk management system; the financial reporting-related control system is being integrated with the broader system on a step-by-step basis to create a comprehensive system of internal corporate monitoring. By that means, we are synchronizing and optimizing our control elements on a cross-divisional basis and thereby enhancing the effectiveness and economic efficiency of the entire internal monitoring system.

Risk areas

The risks described below could have material effects on the business activity of Axel Springer and therefore also on whether and when we achieve our business objectives. Within the risk categories described below, risks are presented in the order of their priority for Axel Springer.

Market and competition risks

The currently positive economic development of German markets is threatened by numerous European government crises resulting from the substantial over-indebtedness of individual countries. Another element of uncertainty relates to the further development of China as an economic power, which will have a crucial and lasting impact on the world economy. A renewed collapse of financial markets and the ensuing economic downturn would hamper economic growth, among other consequences. Therefore, a significant deterioration of the revenue performance of our advertising customers and the resulting decrease in our advertising revenues that would occur under such a scenario cannot be ruled out. An adverse development of the general market environment could lead to lower advertising revenues in Germany and also reduce our advertising revenues in the countries of eastern Europe.

Furthermore, the general market situation is still characterized by intense competition pressure. The possible entry of new competing titles and formats into the market, especially in the form of free newspapers and magazines, exposes the Axel Springer Group to the risk of lost revenues and market shares in the circulation and advertising business. Changing consumption and reading habits (especially as a result of demographic changes) exacerbate this risk further.

Another source of uncertainty relates to the growing competition with traditional print media posed by other kinds of media. Above all, the growing importance and use of the Internet could have the effect of reducing the revenues of print publications.

In that context, the high proportion of total Group-wide revenues contributed by BILD and the entire family of BILD brands poses a particular risk. Overall, the paid circulation of BILD and BILD am SONNTAG has been declining in the last few years. Furthermore, a significant proportion of the Group's high-revenue magazine titles are supported by the strong recognition and brand familiarity of the BILD family of brands. The possibility that the success of our BILD titles could be adversely affected by external factors on a lasting basis, which would consequently have a negative impact on the Group's financial position, liquidity, and financial performance, cannot be ruled out.

In the segment of digital media, the dominant position of major Internet search engines could pose a market risk. If, for example, the search engines were to alter their search algorithms or use their own websites to broaden their offerings and so compete with our own business activities or those of our affiliated companies, that could have a serious impact on the future revenue performance of certain business activities of Axel Springer.

The above-mentioned general market risks are monitored and minimized primarily by the operational managers. To counter these risks successfully, Axel Springer continued in 2010, and will continue in the future, to pursue the threefold strategy of market leadership in the German-language core business, internationalization, and digitization. Therefore, the targeted expansion of existing activities in Germany is still vitally important to our company. Furthermore, changing customer needs can be accommodated by means of product innovations, accompanied by incentives and other product-related measures, such as sales-promoting give-aways and special inserts offered at an extra cost, including DVDs, CDs, and audio books, for example.

The constant further development and expansion of our iPhone and iPad apps underscores our determination to continually increase the degree of digitization of Axel Springer's media. By means of acquisitions, new company start-ups, and the expansion of existing digital media, we will strive to adapt to changes in the media world and further promote the cross-media networking and integration of our brands. (For more information on that subject, please refer to the report on the business developments and financial performance of our segments from page 55.)

Political and legal risks

Various new statutory initiatives that will have an impact on some of our business models in the digital media segment are expected at the present time. The Cookie Regulation Directive that has already been enacted on the European level will be transposed into German law in 2011. Although online offerings based on user accounts are largely unaffected by this new regulation, it could have a major influence on conventional online offerings. The user data stored by means of cookies, including the number of visits to a given website or the number of clicks on online ads, for example, are an important basis for generating revenues in the Internet. Advertisers use the data supplied by cookies to measure the success of advertisements and the popularity of websites, and the website operators use the data for setting advertising rates. At the present time, concrete implementation of this regulation and the ensuing impact on the revenue performance of Axel Springer and the company's strategic orientation remain to be seen.

The three-stage test introduced as a regulatory requirement in 2009 needs to be defined more precisely because the broadcast councils have not yet given adequate consideration to the effects of their expansion course on the Internet market. The fact that state-owned TV stations provide electronic news free of charge makes it harder for private-sector enterprises like Axel Springer to monetize their portfolios in the mobile Internet. Furthermore, the possibility that state-owned TV stations will extend their no-cost offerings to the strategically important Apple App Store cannot be ruled out. Such a development would hinder the acceptance of paid-content offerings, despite our efforts to the contrary, and could therefore have an adverse effect on our revenue performance in the corresponding segment.

Furthermore, our business is still exposed to the competition-distorting effects of state-owned media and the regulatory pressure of legislators on all relevant levels of government.

Breaches of confidentiality agreements and violations of insider trading regulations, as well as the incorrect publication of data or the non-observance of data protection laws and regulations, could lead to economic or legal consequences for Axel Springer. In such cases, the possibility of damage to the reputation of the Group or its brands cannot be ruled out.

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

The implementation of the European Payment Directive SEPA (Single Euro Payments Area) poses a risk that is difficult to appraise at the present time. It is still unclear when it will be implemented and how our subscribers will react.

Internationally, a legal risk exists in Hungary, which enacted a new press law in 2010, the effects of which on freedom of the press in that country remain to be seen.

Reputation risks

In view of its growing international presence, Axel Springer has adopted a catalog of social standards known as the International Social Policy, as a binding guideline for social integrity, applicable to all our companies throughout the world. Non-observance of the International Social Policy, especially in connection with the procurement of advertisements and product give-aways, as well as merchandising or the sale of title licenses, could potentially cause serious damage to the company's reputation.

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

IT risks

As a company with a high level of digitization, Axel Springer is exposed to considerable risks related to the possible failure of IT systems, data centers, editing systems, or databases. Particular attention is given to IT risks that could lead to data losses or, in the worst case, business interruptions.

Besides those IT risks that affect Axel Springer directly, there are others that have a considerable impact on the company's business activities. In consideration of the growing importance of paid-content offerings and the related handling of personal data, and the steadily growing threat of computer criminality, the careful handling and protection of the above-mentioned customer data are becoming increasingly important.

By reason of its many online-based business models, Axel Springer is also dependent on the constant availability of the websites. The possibility of hacker attacks and the consequent downtimes entails risks that could potentially have an adverse effect on the Group's revenue performance and reputation.

Consequently, Axel Springer undertakes targeted measures to guard against criminal acts and protect its strategic business model. To avoid or mitigate such risks, the company employs extensive IT security measures (such as back-up systems, firewalls, and back-up data centers), which are continuously upgraded and improved.

Strategic and other risks

Strategic risks arise from the possibility, among others, that the Group would invest in concepts and companies that prove not to be sustainably successful, leading to financial losses. Such investment risks arise primarily from the possibility of bankruptcy. If the revenue and profit performance of the companies in which we hold an investment would be worse than planned, due to a renewed worsening of the financial markets and economic crisis, it could become necessary to recognize impairment losses. Generally speaking, however, the business models of our subsidiaries and associates are very heterogeneous. Furthermore, we employ internal assurance measures, including the rigorous investment criteria applied in connection with our M&A activities.

In the digital media business, Axel Springer is additionally exposed to a heightened risk that a given business model would prove not to be successful on a sustainable basis, and that newer Internet business models could force older ones out of the market. Another significant factor is the growing popularity of paid-content offers in the online business, leading not only to higher revenues, but also increased competition. Therefore, it is entirely possible that the revenues generated from this business in the future could be offset by higher costs to win and retain customers.

To minimize such risks, Axel Springer employs an active investment management program, takes the necessary steps to recruit and retain qualified managers, and constantly monitors the relevant business and market developments. By means of such measures, Axel Springer minimizes the risk of possible impairment losses in goodwill and losses on loans to companies in which it holds an investment.

Furthermore, Axel Springer continues to pursue its strategy of internationalization and digitization in a focused manner. The joint venture with Ringier represents a decisive step in the direction of internationalization. From a risk standpoint, the main risks to which Ringier Axel Springer Media AG is exposed are market and financial risks. The market risks refer in particular to the declining print business, which tends to reduce circulation revenues, though not advertising sales. By virtue of the high degree of internationalization of Ringier Axel Springer Media AG, the relevant market risks are distributed over various countries, although that fact does entail a heightened foreign exchange risk (EUR, CHF, eastern European currencies), which the company counters by means of hedging activities.

Based on a tax audit conducted in September 2009, the Turkish tax authorities imposed various subsequent tax claims and incidental costs in the total amount of TRY 3.9 billion (approximately € 1.9 billion), plus interest, against our associate Doğan TV Holding (DTVH) and three subsidiaries of DTVH. The affected companies filed lawsuits against the respective assessments. Based on the information available to us, first-instance judicial decisions were issued in nearly all these proceedings in 2010 (see page 44). Depending on the further developments and any adjustments to the business plan that could possibly be made by the management of DTVH, the risk of an impairment loss cannot be ruled out. In appraising the value of our investment in this company, due consideration is given to the existing contractual agreements that protect the value of our investment.

Furthermore, the loss of major customers could have an adverse effect on the business success and activities of the Group. To avoid this risk, we employ a variety of customer retention measures, among other measures.

Distribution-related risks, including the risk of liquidity problems on the part of distribution partners, for example, are countered by means of clearly stipulated payment terms and firm payment modalities.

The threat of terrorism poses an elementary risk to Axel Springer. We counter terrorism risks in two ways. First, we take structural and organizational measures to further raise the Group’s security standards; second, we took out a new insurance policy in 2009 to mitigate the financial consequences of terrorism.

Financial risks and risks associated with the use of financial instruments

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

To limit its exposure to interest rate risk, the Group has adopted principles and guidelines that serve to ensure compliance with loss limits on its capital investments. In addition, such risks are hedged by means of various kinds of 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 line totaling € 1.5 billion granted for liquidity assurance purposes has been committed by the participating banks through 2012/2013 and does not provide for a unilateral right of cancellation. Furthermore, we do not anticipate any price risks or default risks, nor any cash flow risks, at the present time.

Overall risk assessment

Currently, no risk concentrations or interdependencies that could have a significant influence on the Group's financial position, liquidity, and financial performance are discernible, with the exception of the possibility that the global economy would experience another drastic deterioration. Therefore, any threat to Axel Springer's survival as a going concern or any decisive effect on the Group's financial position, financial performance, and liquidity situation can be ruled out.

Compared to the prior year, moreover, the risk position of the Axel Springer Group has improved because the Group's financial strength, and consequently its capacity to absorb risk, has increased in the last twelve months. Furthermore, the Group is more broadly diversified than before.

Opportunities

Market opportunities

If the economy continues to stabilize, as currently predicted by the leading economic research institutions, that will have a positive effect on our circulation and advertising revenues. But even a negative development of the overall economy could create opportunities for Axel Springer. For example, competitors could pull out of the market, thereby strengthening our own market position on a long-term basis. In such a scenario, moreover, it may be possible to acquire companies at lower valuations.

Political opportunities

The strengthening of intellectual property rights that would result from the introduction of a publisher's ancillary copyright could have a positive effect on the company's business in Germany. Such a law would considerably improve the legal position of publishers in copyright disputes. However, the publication of a first, more detailed draft law is not expected before the first half of 2011.

Strategic opportunities

By means of the joint venture Ringier Axel Springer Media AG, we have taken a decisive step in the direction of internationalization. Opportunities can arise from the licensing of titles in the countries in which Axel Springer AG maintains a presence and from the strategic establishment of strong competitive positions in eastern Europe.

In implementing our internationalization strategy, we have the decisive advantage over our competitors that we have already attained strong market positions in many countries, including leading market positions in numerous segments.

The digitization strategy offers especially promising opportunities for generating additional revenues via the dynamic development of revenues in the online advertising market. Axel Springer is taking advantage of this market trend through the swift and consistent combination of print and online offerings, and by investing in companies, entering into cooperation agreements, and continually expanding its existing and newly acquired activities. Opportunities are seen especially in the area of paid content. Furthermore, the expansion of digital offerings in the form of apps for the iPhone and HD apps for the iPad creates tremendous strategic opportunities for Axel Springer.

Marketing opportunities

The Group's marketing unit, Axel Springer Media Impact, has established a strong position in the market and is one of the widest-reach cross-media marketers in Europe. Thanks to its cross-media business model and its strong competitive position, Axel Springer is an attractive advertising platform beyond the realm of TV advertising.

Forecast report

Anticipated economic environment

General economic environment

For 2011, the ifo Institute for Economic Research expects the pace of economic growth to weaken, both in the industrialized nations and in the emerging-market countries. The growth rate of global economic output is expected to slow from 4.7 % to 3.6 %. In those countries that have experienced a faster recovery to date, no further economic policy stimulus can be expected. In those countries with structural problems, the adjustment processes that have been initiated will dampen the pace of economic growth. A renewed phase of weakness can be expected particularly in the United States and Japan, due to the high debt levels of both governments and private households. That expectation applies even more to the peripheral euro zone countries (ifo Institute).

According to the forecast of the ifo Institute, the **German economy** will expand at a price-adjusted rate of 2.4 % in 2011. Due to weakening worldwide industrial demand, the Ifo Institute expects that the growth rate of imports and exports will fall to 7.4 %. On the other hand, domestic demand will increasingly play a greater role in supporting the German economy. Improved conditions in the job market make consumers more confident, which has a positive effect on their propensity to spend. Although government budget consolidation efforts will place a burden on private households, consumer spending is still expected to increase at an average real rate of 1.4 % in 2011. The low interest rates can be expected to stimulate residential construction, in particular.

The inflation rate is expected to rise to 1.7 % in 2011, primarily as a result of rising energy costs and higher charges for municipal services. Under the positive influence of favorable economic conditions, the number of employed persons is expected to rise to a new record level of almost 41 million. At the same time, the ifo Institute expects that the number of unemployed job seekers will fall to 2.9 million. In that case, the unemployment rate would be around 7.0 %.

Internationally, the ifo Institute expects the economic stabilization trend to continue in the countries of central and eastern Europe in 2011, according to its Autumn 2010 forecast.

Anticipated Economic Development (Selection)

Change in gross domestic product compared to prior year (real)	2011
Germany	2.4 %
Switzerland[1)]	1.7 %
France	1.4 %
Spain	0.6 %
Hungary	2.4 %
Poland	4.0 %
Czech Republic	2.3 %
Slovakia	3.2 %
Serbia[1)]	3.0 %
Russia	4.3 %

Source: ifo Institute.
1) Source: IWF.

Industry environment

Following the sharpest decline in worldwide advertising expenditures in decades, the **global advertising market** appears to be stabilizing further. According to the latest advertising market forecast of ZenithOptimedia (Advertising Expenditure Forecast of December 2010), a worldwide increase of 4.6 % is expected in 2011, assuming that the economic recovery trend continues.

According to all the forecasts issued in the current year, the overall advertising market of **Germany** is also expected to grow in 2011. That assumption is supported primarily by the high level of employment, favorable export prospects, the positive situation of orders, and the recovery of consumer spending. ZenithOptimedia expects the net total advertising market to expand at a rate of 2.8 %, and ZAW expects it to expand at a rate of 2.5 %, in 2011. ZenithOptimedia anticipates slight decreases of 1.0 % and 0.9 % in the net advertising revenues of **newspapers** and **magazines**, respectively.

The **online market** should continue to experience a very positive development in 2011, with net advertising expenditures (including search term marketing and affiliate advertising) increasing at a rate of 14.0 %.

In the **television market** in Germany, ZenithOptimedia expects net advertising revenues to increase by 3.9 % in 2011; in the radio market, it expects them to decrease by 1.5 %.

The advertising industry continues to see growth opportunities in new marketing formats, networked advertising concepts, the establishment of new business lines, and product innovations. In the online market, mobile communications via smart phones and tablets are on the brink of making the leap to a mass market.

For the **international markets** in which Axel Springer conducts its own business activities, ZenithOptimedia predicts an uneven development of the net advertising revenues of newspapers, magazines, and online media (as of December 2010).

Anticipated Print Advertising Demand 2011 (Selection)

Change in net ad revenues compared to prior year (nominal)	Newspapers	Magazines
Germany	−1.0 %	−0.9 %
France[1]	−2.0 %	−2.8 %
Spain[1]	−2.8 %	−2.0 %
Hungary	−2.0 %	−2.4 %
Poland[1]	−2.7 %	0.4 %
Russia[2]	9.6 %	
Switzerland[3]	2.4 %	4.1 %
Czech Republic[3]	3.0 %	3.9 %
Slovakia[3]	−1.6 %	7.2 %
Serbia[3]	9.1 %	9.2 %

Source: ZenithOptimedia, Advertising Expenditure Forecast (December) 2010.
[1] Excluding classified ads.
[2] Print media in total.
[3] Gross advertising revenues, excluding classified ads. Gross advertising revenues do not adequately reflect the actual development of advertising revenues.

According to ZenithOptimedia's forecast, the net advertising revenues of the online market in western Europe will increase by 10.9 % to US$ 19.9 billion in 2011, assuming constant exchange rates. The growth rates of some eastern European markets will be significantly higher.

Anticipated Advertising Demand for Online Media (Selection)

Change in net ad revenues compared to prior year (nominal)	2011
Germany	14.0 %
Hungary	8.0 %
France	8.0 %
Spain	20.0 %
Poland	18.5 %
Russia	29.6 %
India	29.9 %
Switzerland[1]	16.1 %
Czech Republic[1]	11.0 %
Slovakia[1]	24.0 %
Serbia[1]	37.5 %

Source: ZenithOptimedia, Advertising Expenditure Forecast (December) 2010.
[1] Gross advertising revenues. Gross advertising revenues do not adequately reflect the actual development of advertising revenues.

Group

Strategic and organizational orientation

In 2011 and beyond, Axel Springer will continue to pursue the strategy based on the core elements of expanding the market leadership position in the German-language core business, internationalization, and digitization.

The market leadership position in the German-language core business will be expanded by continually building on our strong brands and by developing and establishing innovative cross-media advertising formats. By this means, the extraordinarily high reach of our print media and content portals can be put to optimal use.

We will continue to systematically pursue our internationalization strategy. In addition to strong, established print brands that appeal to a broad base of readers, we will also focus on the digitization of our activities. Important criteria for making investments in companies include the right strategic fit, the professionalism of the management, and the monetization potential of digital business models. Geographically, we will focus mainly on the countries of central and eastern Europe.

The digitization strategy is geared to expanding the Group's content portals, marketplaces, and marketing activities. With regard to the content portals, one focus will be on the continued development of paid content and offers. In that endeavor, we can make use of the experiences gathered in connection with the popular formats that have already been introduced. In the segment of marketplaces, the Group's portfolio has been expanded significantly through the acquisition of StepStone. In the marketing segment, we intend to pursue further international growth following the integration of Digital Window's affiliate network, into the zanox Group. We are not planning to make significant adjustments to the Group's organization at the present time.

Anticipated business developments and financial performance

For the **full year 2011**, we anticipate a single-digit increase in **Group's** total revenues, to which all revenue categories (circulation revenues, advertising revenues, and other revenues) are expected to contribute. This is without any further acquisitions. We expect that slightly lower revenues in the national print business will be more than offset by higher revenues in the international print business and in the digital media business.

Again, without any further acquisitions, we expect that EBITDA for the full year 2011 will be slightly higher than the corresponding figure for 2010. Specifically, we expect that a slight decrease in EBITDA generated in the national print business resulting primarily from higher paper costs, due to rising prices, will be more than offset by substantially higher EBITDA contributions in the international and digital business segments.

Assuming that the economic recovery trend continues, we anticipate further, moderate increases in revenues and EBITDA for the **financial year 2012**. These increases will be driven in large part by the continuous expansion of the international and digital business.

As for the **segments**, we consider it possible to generate **medium-term EBITDA margins** on the order of 25 % in the Newspapers National segment, 20 % in the Magazines National segment, 15 % in the Print International segment, and 20 % in the Digital Media segment, subject to the condition of a positive economic environment and the absence of adverse developments or events.

Also for the **segments**, we expect that the total revenues of the Newspapers National segment in **financial year 2011** will be on the level of the prior year. We expect also that a slight increase in advertising revenues will make up for a slight decrease in circulation revenues and a decrease in other revenues. EBITDA of the Newspapers National segment is expected to be slightly less than the prior-year figure, mainly due to increased paper costs, as a result of higher prices.

The Group's national magazines continue to operate within a challenging competitive environment. We expect total revenues in 2011 to be less than those in 2010. We expect also circulation revenues to decrease as a result of lower circulation numbers, an effect that will be exaggerated in the first half of the year by consolidation effects related to the sale of financial media in the prior year. Advertising revenues are expected to be slightly less than the prior-year figure; adjusted for consolidation effects, they should be on the level of the prior year. Due, in particular, to lower circulation revenues and increased paper costs, as a result of higher prices, we expect that EBITDA of the Magazines National segment in 2011 will be less than the prior-year EBITDA.

For the Print International segment, we anticipate substantial increases in advertising revenues, circulation revenues, and other revenues, as well as significantly higher EBITDA than in 2010. The increase in revenues will mainly be the result of the full-year consolidation of Ringier Axel Springer Media. The substantial increase in EBITDA will also result to a large extent from the additional earnings contributions of the companies provided by Ringier. Nonetheless, we also expect our other international subsidiaries to increase their earnings contributions.

The anticipated substantial revenue gains in the Digital Media segment will be driven by organic growth, strengthened by consolidation effects. Advertising revenues are expected to make a greater contribution to the substantial increase than the other revenues. In view of our plan to step up investments in bolstering the market positions of our digital media, we expect an disproportionately smaller increase in the segment EBITDA.

For the Services/Holding segment, we expect that revenues will be on the level of the prior year and EBITDA will be slightly higher than the prior-year figure, due to lower expenses.

Anticipated development of liquidity and financial position

According to the current planning status, the Group's liquidity, and financial position will not change significantly in 2011. Axel Springer has extensive short-term and long-term credit facilities, which can also be used for acquisitions. Based on the capital expenditures projects planned to date, investments in property, plant and equipment and intangible assets will likely be higher than the corresponding prior-year figure, due in part to the further development of the Group's web-based systems and IT infrastructure, among other things. The financing will be provided by the cash flow from operations.

Dividend policy

Subject to the condition of solid financial performance in the future, Axel Springer will strive to maintain its dividend policy, which provides for high payouts to shareholders while simultaneously enabling the financing of further growth.

Anticipated workforce development

The average annual Group-wide number of employees will be higher in 2011 than in 2010, mainly as a result of the integration of the companies contributed by Ringier to the joint venture Ringier Axel Springer Media with the Axel Springer Group. Organic growth in the digital media business will also lead to increased personnel.

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; nonetheless, such assumptions are fraught with great uncertainties in the current economic environment. The actual development, therefore, could possibly be much different from the assumptions applied and the resulting business plans and trend forecasts.

The possible consequential effects of the planned acquisition of a majority interest in the French real estate portal SeLoger.com on the financial performance, liquidity, and financial position have not been taken into consideration for the purpose of the overall forecast, because the announcement of the achieved acceptance ratio of the Axel Springer public takeover bid by the French securities market regulatory authority is expected in early March 2011.

Disclosures pursuant to Sections 289 (4), 315 (4) HGB and Explanatory Report pursuant to Section 176 (1) (1) AktG

Composition of subscribed capital

The company's subscribed capital amounts to € 98,940,000. It is divided into 32,980,000 registered shares, each representing an imputed share of the capital stock equivalent to € 3.00. The shares can be transferred only 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, the treasury shares do not confer any rights to the company (cf. Section 71b AktG).

Restrictions on voting rights or transfer of shares

By virtue of Article 5 para. 3 of the company's Articles of Incorporation, shares of Axel Springer AG and subscription rights can be transferred only with the company's consent. Such consent must be granted by the Management 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.

The share transfer restriction agreements described below, which the company has concluded with various shareholders for the purpose of upholding the restrictions on the transfer of shares set forth in the Articles of Incorporation, even in the case of indirect share transfers, give rise, or have given rise, to transfer restrictions based on the German law of obligations (Schuldrecht). In exchange, the company has, in regular intervals, agreed to pledge the shares in question to the financing banks.

- In connection with the acquisition of company shares by Hellman & Friedman in October 2003, the company had entered into a share transfer restriction agreement with Hellman & Friedman (and with the purchasing companies affiliated with Hellman & Friedman and with Deutsche Bank Aktiengesellschaft and Deutsche Bank Luxembourg S.A.) on October 8, 2003. In this agreement, Hellman & Friedman had expressly recognized the restrictions on the transfer of shares according to the company's Articles of Incorporation as binding upon it and its affiliated companies. In exchange, the company had promised to support a widely distributed sale of the shares held by Hellman & Friedman on the stock exchange or by means of a secondary placement (subject to the condition that no more than 4 % of the company's capital stock would be transferred to a single investor) and to take all the necessary steps to obtain a listing for the shares of Axel Springer AG on the Frankfurt Stock Exchange. It was expressly stated in the share transfer restriction agreement that the corresponding support obligations of the company will have no bearing on the share transfer restrictions according to the company's Articles of Incorporation. A secondary placement has been effected in the meantime, through the partial sale of the shares held by Hellman & Friedman in the 2006 financial year (representing 9.8 % of the company's capital stock at that time). By August 2010, Hellman & Friedman sold all of the remaining shares it held until that time in Axel Springer AG. Since Deutsche Bank Luxembourg S.A. also sold all of the shares that it held in Axel Springer AG in the course of placing the shares of the company in September 2010 (see page 23), this share transfer restriction agreement has been completed in the meantime.
- In connection with the purchase of company shares from Dr. h. c. Friede Springer by Good Media Investment Holdings S.A.R.L., the company entered into a share transfer restriction agreement with Michael Lewis, Nova Trust Ltd., in its capacity as the trustee of The Michael Lewis Capital Discretionary Settlements, and other so called ML investors held directly and indirectly by Nova Trust Ltd., alone, or as a majority owner (Hague Holdings Ltd., Colmar Investment Holdings Ltd., and Media Investment Holdings S.A.R.L.), and the Governor and Company of the Bank of Scotland, by the date of February 16, 2006. In this share transfer restriction agreement, the companies participating on the side of Michael Lewis promised to observe the share transfer restrictions set forth in the company's Articles of Incorporation in respect of all indirect and

direct purchases, disposals and encumbrances of the company's shares. Under the supplementary agreement of July 31 / September 11, 2006, the company granted its prior consent to the acquisition of up to 340,000 additional shares (or 1 % of the existing capital stock) by Good Media Investment Holdings S.A.R.L., and the parties agreed to apply the obligations under the share transfer restriction agreement of February 16, 2006 to the shares to be purchased in the future as well. In the confirmation agreement of May 21, 2007, the parties specified that the above-mentioned agreements will also apply to any loan increase and to the existing subordinated pledge right that had again been stipulated for the shares by way of precaution.

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

Furthermore, transfer restrictions based on the German law of obligations exist in connection with the free share and stock participation program for the employees of the Axel Springer Group, which was conducted in 2009. The holding period was one year for the free share program and two years for the stock participation program. Current members of the Management Board are required to personally invest in shares of Axel Springer AG in the context of the virtual stock option plan for these members. These shares are not subject to any restrictions on disposal, but any disposition of the shares in this personal investment leads to the lapse of virtual stock option rights without replacement or compensation (see page 92 on the virtual stock option plan).

In connection with the placement of, first, treasury shares belonging to Axel Springer AG, and second, shares in Axel Springer AG that were held by Deutsche Bank Luxembourg S.A., which occurred in September 2010, Axel Springer used a customary market protection clause to promise the placing banks that it would, in principle, not otherwise sell its own shares that were not an object of this share placement for a period of six months after the placement was effected, or dispose of them in any other way. This excludes shares that were issued or transferred under the Company Participation Program for Management Board members from 2004 or the ongoing free share and stock participation program for employees.

The company is not aware of any restrictions on voting rights.

Shareholdings that represent more than 10 % of the company's voting rights

At the end of the 2010 financial year, Axel Springer Gesellschaft für Publizistik GmbH & Co. held around 51.5 % of the company's capital. This investment is attributable to AS Publizistik GmbH (in its function as general partner of Axel Springer Gesellschaft für Publizistik GmbH & Co.), Friede Springer GmbH & Co. KG, Friede Springer Verwaltungs GmbH (in its function as general partner of Friede Springer GmbH & Co. KG), and Dr. h. c. Friede Springer, herself. In addition, Dr. h. c. Friede Springer directly held an additional holding equal to about 7.0 % of the company's capital stock at the end of the reporting year. Thus, the total shareholding controlled by Dr. h. c. Friede Springer amounted to around 58.5 %.

Shares endowed with special rights that confer powers of control

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

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

In the context of the two free share and stock participation programs for employees of the company that were implemented in 2009, initially Deutsche Bank AG was entered in the stock register with externally owned shares in connection with the shares transferred to the employees. However, each employee is free to be registered personally as a stockholder in the stock register.

Statutory provisions and provisions of the Articles of Incorporation relative to the appointment and dismissal of Management Board members and amendments to the Articles of Incorporation

The company's Articles of Incorporation provide that the Management Board of Axel Springer AG must be composed of at least two members. The Supervisory Board decides on the number of Management Board members, and on the appointment and dismissal of Management Board members. The term of office is, at the most, five years and can be re-established for no more than five years thereafter (cf. Section 84 (1) (1) to (4) AktG). If more than one person has been appointed to the Management Board, the Supervisory Board is authorized to appoint one of those members as the Chairman (Section 84 (2) AktG). If a required Management Board member would be lacking, the court is authorized, in urgent cases, to appoint the necessary member at the request of one involved party (Section 85 (1) (1) AktG). The Supervisory Board is authorized to revoke the appointment of a Management Board member and the Management Board Chairman for important cause (cf. Section 84 (3) (1) and (2) AktG).

Amendments to the company's Articles of Incorporation require a resolution of the annual shareholders' meeting, carried not only by a simple majority of the votes cast, but also by at least three quarters of the capital present and represented at the time of voting on the resolution (cf. Section 179 (2) (1) AktG in conjunction with Article 21 para. 2 of the company's Articles of Incorporation). An amendment of the management principles set forth in Article 3 of the Articles of Incorporation requires a majority equal to at least four-fifths of the capital present and represented at the time of voting on the resolution (cf. Article 21 para. 3 of the company's 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 Management Board to issue or buy back shares

Axel Springer AG has established no authorized or conditional capital that would authorize the Management Board to issue new shares.

By resolution of the annual shareholders' meeting of April 23, 2010 (Agenda Item 6), the Management Board is authorized, with the consent of the Supervisory Board, to purchase the company's own shares up to an amount equivalent to 10 % of the capital stock existing at the time the resolution was passed, in the time until April 22, 2015. Such purchases can be effected on the stock exchange or by means of a public offer to all shareholders, or a public invitation to submit an offer.

In addition, the company was authorized to purchase the company's own shares in connection with the Company Participation Program for the Management Board that was resolved at the annual shareholders' meeting of April 14, 2004, in the time until April 22, 2015 (Agenda Item 7 of the annual shareholders' meeting of April 23, 2010). Accordingly, on the basis of an option agreement made with Hellman & Friedman on April 8, 2004 (and subsequently amended multiple times), the company would have been authorized to acquire shares held by Hellman & Friedman in Axel Springer AG. This authorization was not exercised by the company and has become irrelevant in the meantime because Hellman & Friedman sold its last shares held in Axel Springer AG during the reporting year 2010 (see also page 78).

Along with the shares held by the company or attributable to the company in accordance with Sections 71 a ff. AktG, the shares purchased by virtue of the foregoing authorizations may not at any time exceed 10 % of the company's capital stock. Details concerning these two authorizations are provided in the invitation to the annual shareholders' meeting of April 23, 2010, which is available on the website of Axel Springer AG (see Agenda Items 6 and 7 and the Management Board's report on this subject).

At the end of financial year 2010, the company held 200,000 own shares, which corresponds to about 0.61 % of the share capital (see page 79 on the market protection clause in connection with the share placement that occurred in September 2010).

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

With the exception of a credit facility of € 1,500,000,000, the company has not entered into any significant agreements that would be subject to a change of control resulting from a takeover offer. The € 1,500,000,000 credit facility extended to the company by a bank syndicate by the date of August 14, 2006 is subject to the condition of a change of control insofar as the bank syndicate is entitled, in such a case, to terminate the credit facility with advance notice of 30 days in the event of a change of control. Aside from specific exceptions that relate to the shareholders that currently control Axel Springer AG, a change of control is understood to mean, in the context of the credit facility, the acquisition of shares of Axel Springer AG representing more than 50 % of the capital stock and/or voting rights by one or more parties acting together.

Indemnification agreements of the company with Management Board members or employees in the event of a change of control

A majority of the members of the Management Board has the right to terminate their service contracts in the event of a change in control. A change in control within the meaning of these contracts exists when the majority shareholder Dr. h. c. Friede Springer would no longer hold or control the majority of shares, indirectly or directly. In such a case, the affected Management Board members have the right to receive payment of their base salary for the most recently negotiated remaining contractual term, not to be less than payment of one year's base salary. Furthermore, the company will pay the pro-rated percentage of the success-based compensation for the period of time served in the year of resignation. The service contracts of the members of the Management Board do not provide for any other compensation if the service relationship is terminated as a result of a change in control.

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

Final Declaration as per Section 312 (3) AktG

"According to the circumstances known to the management at the time of each transaction with an affiliated company, Axel Springer AG 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."

Statement on governance pursuant to Section 298a HGB and Corporate Governance Report

The statement on governance pursuant to Section 289a of the German Commercial Code (HGB) comprises the Declaration of Conformity pursuant to Section 161 AktG, relevant information on corporate governance practices, and a description of the procedures of the Management Board and the Supervisory Board along with the composition and procedures of their committees. In accordance with the recommendation found in No. 3.10 of the German Corporate Governance Code, the Management Board also reports for the Supervisory Board, on the company's corporate governance (Corporate Governance Report).

Responsible corporate governance

Good corporate governance as a guiding principle

At Axel Springer, good corporate governance is considered to be a crucial element of responsible management and control, and is therefore an essential basis for the company's lasting success. In this regard, we are guided by the German principles of sound corporate management, particularly the German Corporate Governance Code.

We have taken appropriate measures to implement and ensure compliance with the principles of corporate governance. The Corporate Governance Officer is the Management Board member in charge of "Finance and Services." The implementation of, and adherence to, the recommendations of the German Corporate Governance Code are reviewed continually.

Declaration of Conformity pursuant to Section 161 AktG

"The Management Board and Supervisory Board of Axel Spring AG declare the following pursuant to Section 161 of the German Stock Corporation Act (AktG):

I. Forward-looking section

The company fulfills the German Corporate Governance Code (DCGK) in the version of May 26, 2010, as published by the German Federal Ministry of Justice in the official announcements section of the electronic Federal Gazette of July 2, 2010, with the exception of the following listed and justified deviations:

Individualized disclosure of the Supervisory Board remuneration (No. 5.4.6 (6) and (7) DCGK)

The remuneration granted to the members of the Supervisory Board and the payments made to the members of the Supervisory Board for services provided personally are not individually itemized in the Corporate Governance Report (Section 5.4.6 Paras.6 and 7 DCGK).

The information is not individually itemized because the competitors of Axel Springer AG also do not publish any such information.

II. Historical section

Since the company's last Declaration of Conformity in December 2009, until publication of the new version of the Code on July 2, 2010, the company has fulfilled:

- The DCGK in the version of June 18, 2009, as published by the German Federal Ministry of Justice in the official announcements section of the electronic Federal Gazette of August 5, 2009, and

since publication of the new version of the Code on July 2, 2010:

- The DCGK in the version of May 26, 2010, as published by the German Federal Ministry of Justice in the official announcements section of the electronic Federal Gazette of July 2, 2010,

each with the exception listed and justified under No. I above, and the following listed and justified exceptions:

1. Deductible in D&O insurance for the Supervisory Board (No. 3.8 (5) DCGK):

A deductible has been agreed upon in the D&O insurance for the members of the Supervisory Board–corresponding to the legal situation applicable to the members of the Management Board–corresponding to the requirements of No. 3.8 (5) DCGK, not commencing until July 1, 2010.

Pursuant to Section 23 (1) of the Implementation Act to the Stock Corporation Act (Einführungsgesetz zum Aktiengesetz, EGAktG), the increased minimum deductible applicable to Management Board members (Section 93 (2) (3) AktG) only was required to be agreed upon starting July 1, 2010, for D&O insurance policies purchased prior to August 5, 2009. For reasons of uniformity and efficiency, the corresponding increase in the minimum deductible for the members of the Supervisory Board likewise did not occur until July 1, 2010.

2. List of significant investments (No. 7.1.4 DCGK):
The list published by the company of third-party companies in which the company holds an equity interest that is not insignificant for the company (the investment holdings list) contains the information required by law.

Insofar as the statement of equity and the result recommended in No. 7.1.4 (3) DCGK can accordingly be omitted, the company previously had exercised the right to omit these statements in order to avoid disadvantages to affected natural persons. The investment holdings list published in March 2010, with the legal information contained therein, simultaneously complied with the recommendations of the DCGK.

Berlin, November 8, 2010

Axel Springer AG

The Supervisory Board The Management Board"

This Declaration of Conformity pursuant to Section 161 of the German Stock Corporations Act (AktG) was published on November 8, 2010. On March 1, 2011, the Management Board and Supervisory Board published the following updated version of the Declaration of Conformity of November 8, 2010:

"The Management Board and Supervisory Board of Axel Springer AG hereby make the following declaration pursuant to Section 161 AktG:

I. Section related to the future
Axel Springer will adhere to the recommendations of the German Corporate Governance Code (DCGK) in the version of May 26, 2010, published by the Federal Ministry of Justice in the official announcements section of the electronic Federal Gazette on July 2, 2010, with the following exception, which is justified below:

Itemized disclosure of Supervisory Board compensation (No. 5.4.6 (6) and (7) DCGK)
The compensation of Supervisory Board members and the fees paid by the company to the members of the Supervisory Board for the services provided personally by them are not individually itemized in the Corporate Governance Report (No. 5.4.6 (6) and (7) DCGK).

Such individually itemized information is not disclosed because the competitors of Axel Springer AG also do not publish such information.

II. Section related to the past
Since the issuance of the last Declaration of Conformity of November 8, 2010, the company adhered to the recommendations of the German Corporate Governance Code (DCGK) in the version of May 26, 2010, published by the Federal Ministry of Justice in the official announcements section of the electronic Federal Gazette on July 2, 2010, with the following exception, which is justified below:

Severance cap in the event of premature termination without cause of a Management Board employment contract or in connection with a change of control (No. 4.2.3 (11), (12) and (13) DCGK)
In connection with the renewal of the employment contract of a long-serving Management Board member, no so-called severance cap was stipulated in the event of premature termination without cause of the Management Board employment contract (No. 4.2.3 (11) and (12) DCGK) and for payments promised in connection with the premature termination of the Management Board employment contract subsequent to a change of control (No. 4.2.3 (13) DCGK).

The Supervisory Board opted not to stipulate such a severance cap because the Management Board employment contract that is currently in effect with the affected Management Board member, which was concluded prior to the introduction of the corresponding recommendations of the DCGK in the version of June 6, 2008, also does not stipulate such a severance cap. Therefore, the agreement in effect between the company and the Management Board member was merely upheld. The Supervisory Board deems it appropriate to refrain from stipulating a severance cap in the interest of retaining the Management Board member in question.

Berlin, March 1, 2011

Axel Springer AG

The Supervisory Board The Management Board"

Both the Declaration of Conformity of November 8, 2010 and the updated version of the Declaration of Conformity dated March 1, 2011, as well as the older versions, are available at the link www.axelspringer.com/declaration ofconformity.

Relevant standards and practices of corporate governance

Axel Springer is the only German media company that has provided itself with a corporate constitution. This is anchored in Article 3 (Principles of Corporate Governance) of the company's Articles of Association and is thus a guiding principle for all employees. The corporate constitution can be examined and downloaded at www.axelspringer.com/corporateprinciples. Its key elements are presented in the "Social Responsibility" chapter on page 28.

A guideline for executives specifies the requirements imposed on the management of the Axel Springer Group that are based on the Corporate Preamble. Moreover, Axel Springer has established guidelines for journalistic independence. These guidelines concretize and broaden the scope of the journalistic principles set forth in the Code of Conduct of the German Press Council (Grundsätze des Pressekodex des Deutschen Presserat). They delineate in detail the boundaries between advertising and editorial copy, and between the editors' and reporters' private and business interests. They also preclude actions in pursuit of personal advantages and define the company's position with respect to the treatment of news sources. The guidelines thus represent the framework for independent and critical journalism in the editorial departments of all media belonging to the Group. The editors-in-chief are responsible for observing and implementing the guidelines in the company's day-to-day activities. The environmental guideline, comprising four points, is a practical orientation for the company's many and various environmental protection measures. The complete guidelines can be accessed at www.axelspringer.com/guidelines.

Finally, Axel Springer has developed a catalog of social standards. This International Social Policy explains the company's position on matters of human rights, adherence to the rule of law, the protection of children and young people, the treatment of employees, health, safety, and the compatibility of work and family, among other things. The International Social Policy is available for download at www.axelspringer.com/socialpolicy_en. In financial year 2010, Axel Springer established a separate division of Governance, Risk, and Compliance. This division is run by the Chief Risk & Compliance Officer. Along with the merger of the individual elements of the Internal Monitoring System already described in the Risk Report, particularly in the area of compliance management, the goal is to create structures and processes that guarantee that the behavior of members of company bodies, first and foremost executives and employees, is in compliance with laws and regulations. This includes compliance with all laws, regulations, and guidelines, as well as contractual obligations and voluntarily accepted commitments.

Procedures of the Management Board and Supervisory Board, and procedures of the committees of the Supervisory Board

Cooperation between the Management Board and Supervisory Board

In compliance with legal requirements, management and control at Axel Springer are carried out using a dual management system. The Management Board manages the company in its own responsibility. The Supervisory Board appoints the members of the Management 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.

Management by the Management Board

In its executive function, the Management 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 Management Board manages the company's affairs in compliance with the relevant laws, the Articles of Association, and its rules of procedure.

It provides regular, timely, and comprehensive information to the Supervisory Board on all relevant matters of strategy, planning, business development, risk situation, and risk management. Important decisions of the Management Board require the approval of the Supervisory Board. Such decisions include, above all, the creation or discontinuation of business divisions, the acquisition or sale of significant equity investments, and the adoption of the company's annual budget and financial plan.

The rules of procedure for the Management Board provide more detailed regulations.

The rules of procedure contain, among other things:

- The obligation to adhere to and comply with the corporate constitution and to anchor it across the Group
- The executive organization chart and the decisions to be made by the Management Board as a whole
- The duties of the Chairman of the Management Board
- Transactions that require the approval of the Supervisory Board
- Provisions regarding the Supervisory Board's regular, timely, and comprehensive information
- Regulations on meetings and procedure for adopting resolutions
- The obligation to disclose conflicts of interest.

Management Board currently consists of four members:

- Dr. Mathias Döpfner (Chairman and Chief Executive Officer, Subscription Newspapers and International)
- Rudolf Knepper (Vice Chairman, Printing, Logistics, and Human Resources)
- Lothar Lanz (Chief Financial Officer and Chief Operating Officer)
- Dr. Andreas Wiele (BILD Group and Magazines).

The members of the Management 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.

Monitoring and consulting by the Supervisory Board

The Supervisory Board consists of nine members, who are elected by the annual shareholders' meeting. The term of office of Supervisory Board members is five years; they are eligible for re-election at the end of their terms. The Supervisory Board elects its Chairman from among its own ranks; the term of office of the Supervisory Board Chairman is coincident with that of the Supervisory Board. The Supervisory Board advises the Management Board and monitors the work of the Management Board. It holds at least four meetings a year. In case of necessity, it meets without the Management Board in attendance. Meetings may be held and resolutions adopted also by way of written correspondence, telephone calls, telexes, or other forms of telecommunication. The Supervisory Board discusses 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 AG and approves the consolidated financial statements of the Group. It regularly audits the efficiency of its work. Please see the report of the Supervisory Board (page 94ff.) for specifics on the activities of the Supervisory Board in the 2010 reporting year.

The rules of procedure of the Supervisory Board comply with the requirements of the German Corporate Governance Code and contain regulations covering the following, among other things:

- The election and duties of the Chairman of the Supervisory Board and his deputy
- Calling meetings
- Adoption of resolutions during meetings or using written or telephonic voting
- The obligation to disclose conflicts of interest.

The members of the **Supervisory Board** are:

- Dr. Giuseppe Vita (Chairman)
- Dr. h. c. Friede Springer (Vice Chairwoman)
- Dr. Gerhard Cromme
- Oliver Heine
- Klaus Krone
- Dr. Nicola Leibinger-Kammüller
- Prof. Dr. Wolf Lepenies
- Michael Lewis
- Dr. Michael Otto

The Chairman of the Supervisory Board, Dr. Giuseppe Vita, who is simultaneously the Chairman of the Audit Committee, also satisfies the requirements of expert knowledge and independence within the meaning of Section 100 (5) AktG.

After Brian Powers resigned from office with immediate effect on May 20, 2010, Dr. Nicola Leibinger-Kammüller was appointed as a member of the Supervisory Board by decree of the Charlottenburg Local Court dated July 13, 2010, with a limited term of office until the next regular annual shareholders' meeting, which will occur on April 14, 2011. The terms of office of the other current members of the Supervisory Board will end at the conclusion of the regular annual shareholders' meeting in 2014.

Composition and procedures of committees

The Management Board has not appointed any subcommittees.

The Supervisory Board currently has formed the following four subcommittees: Executive Committee, Personnel Committee, Nominating Committee, and Audit Committee. The committees have the responsibilities and members listed below:

Executive Committee

Responsibilities	Members in financial year 2010
Publishing and journalistic affairs Strategy, financial planning Capital expenditures, financing Preparation of decisions regarding the organization of the Management Board Approval of the sale of registered shares of Axel Springer AG and of subscription rights to such registered shares Approval of management measures requiring the approval of the Supervisory Board, which have been delegated to the Executive Committee	Dr. Giuseppe Vita (Chairman) Dr. h. c. Friede Springer (Vice Chairwoman) Dr. Gerhard Cromme Klaus Krone

Personnel Committee

Responsibilities	Members in financial year 2010
Preparation of decisions regarding the appointment and dismissal of Management Board members Resolutions on the conclusion, amendment, and termination of employment contracts with Management Board members (excluding the setting or modification of their compensation) Resolution on the extension of loans within the meaning of Sections 89, 115 AktG Approval of contracts with Supervisory Board members as per Section 114 AktG Representation of the company in transactions with Management Board members Approval of management measures requiring the approval of the Supervisory Board, which have been delegated to the Personnel Committee	Dr. Giuseppe Vita (Chairman) Dr. h. c. Friede Springer (Vice Chairwoman) Dr. Gerhard Cromme

Nominating Committee

Responsibilities	Members in financial year 2010
Preparation of proposals for the election of Supervisory Board members, also in consideration of the diversity criteria adopted by the Supervisory Board Formulation and review of required qualifications, which the company expects of Supervisory Board members Observation of the national and international environment, in order to identify suitable candidates	Dr. Giuseppe Vita (Chairman) Dr. h. c. Friede Springer (Vice Chairwoman) Dr. Michael Otto

Audit Committee

Responsibilities	Members in financial year 2010
Preparation of resolutions to adopt the separate financial statements and approve the consolidated financial statements Preliminary review of the separate financial statements of the parent company, dependency report, consolidated financial statements of the Group, separate parent company management report, and Group management report Review of the proposal for the utilization of distributable profit Review of interim financial statements and interim reports Review of the risk management systems Discussion with the independent auditor of the audit report and the report on the auditor's review of interim financial statements Preparation of the proposal to the annual shareholders' meeting for the election of the independent auditor Issuance of the audit engagement for the separate financial statements and consolidated financial statements, adoption of audit priorities	Dr. Giuseppe Vita (Chairman) Dr. h. c. Friede Springer (Vice Chairwoman) Klaus Krone Oliver Heine

The Chairman of the Audit Committee satisfies the requirements for expert knowledge and independence within the meaning of Section 107 (4) in conjunction with Section 100 (5) AktG, as well as the requirements set forth in the recommendation in No. 5.3.2 (2) DCGK.

Conflicts of interest

The members of the Management 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.

Management 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 that of others. Sideline activities of the Management Board require the consent of the Supervisory Board. Management Board members are subject to a comprehensive anti-competition clause during the period of their activity for Axel Springer.

Every Management Board member must inform the Supervisory Board of any conflict of interest without delay.

Likewise, each member of the Supervisory Board must disclose such conflicts to the Supervisory Board immediately; the Supervisory Board reports to the annual shareholders' meeting on any conflicts of interest and how they are handled (see the report of the Supervisory Board, page 96, for the conflicts of interest occurring in the reporting year, as well as the following Corporate Governance Report).

Memberships held by members of the boards in other supervisory boards

A summary of the seats held by the Management Board and Supervisory Board members of Axel Springer AG on other legally prescribed supervisory boards or comparable boards in Germany and abroad can be found on page 168.

Corporate Governance Report 2010

Enhancement of corporate governance

The new version of the German Corporate Governance Code (DCGK) entered into force on July 2, 2010. Among other things, it provides specifics on some of the changes already made in June 2009, which relate to, *inter alia*, diversity and particularly to the appropriate recognition of women in the composition of the boards, and the staffing of executive positions:

- The Supervisory Board is to set goals for its composition (No. 5.4.1 (2) DCGK) that factor in the international activity of the company as well as potential conflicts of interest, an age limit to be set for Supervisory Board members, and diversity, while taking the company's specific situation into account. These goals should particularly provide for adequate participation of women. The goals set by the Supervisory Board, and the status of their implementation, are to be published in the Corporate Governance Report.
- Adequate representation of women should also be a goal when staffing the Management Board, No. 5.1.2 (2) DCGK.
- According to the newly added No. 4.1.5 DCGK, the Management Board is now also expected to factor in diversity when staffing executive positions, and particularly to appoint women in adequate numbers.

In addition to the changes relating to diversity both within the boards as well as in executive positions, the Code contains changes relating to the professionalization of the Supervisory Board members. According to No. 5.4.1. (6) and (7) DCGK, the Supervisory Board members are to participate independently in the education and training necessary to perform their duties. They should be appropriately supported by the company in doing so. Accordingly, the company offered and ran a continuing education event for the Supervisory Board members in February 2011 entitled "Legal Bases of Supervisory Board Activity." According to No. 5.4.5 (2) DCGK, persons belonging to the Management Board of a listed company should not hold a total of more than three seats on supervisory boards in non-group listed companies or in supervisory bodies of companies with similar requirements. In addition, adjustments were made based on the Act on the Implementation of the Shareholder Rights Directive (No. 2.3 DCGK–absentee voting).

Axel Springer complies with the new legal requirements and, with a few exceptions, with the Code recommendations. With respect to the specific exceptions to the recommendations of the Code, reference is made to the Declaration of Conformity of November 8, 2010 and the updated version of March 1, 2011.

Goals of the Supervisory Board regarding its composition, state of implementation

At its meeting of October 14, 2010, the Supervisory Board adopted the following goals for its composition or confirmed them in accordance with its prior practice:

- The Supervisory Board of Axel Springer AG shall be composed in such a way that its members as a whole have the knowledge, abilities, and professional experience necessary to properly carry out its duties.
- In addition, while taking into account the statutory object and purpose of the company, the size of the company, and the proportion of its international business activity, the Supervisory Board strives to achieve the goal of a composition for each upcoming regular term of office that particularly factors in the following elements:
  - At least two seats on the Supervisory Board should be held by persons who embody the criteria of internationality to a particular degree (e.g., due to relevant experience with the business activities of companies abroad)
  - Supervisory Board members should not hold any position on a board or perform any consulting task at material competitors of the company
  - The Supervisory Board should have adequate participation of women. Currently, two of the nine members (22.2 %) are women; the Supervisory Board considers this adequate in any event.
- Nominations should take the fact into account that Supervisory Board members generally should not be older than age 72; the Supervisory Board can approve exceptions to this policy. Furthermore, the Supervisory Board should factor in the principle that the fewest number of its members possible should be subject to a potential conflict of interest, for instance due to an advisory function or board membership at significant customers, suppliers, creditors, or other significant business partners of Axel Springer. In addition, the Supervisory Board should take into account in its composition that it should correspond to the criterion of diversity.

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

Conflicts of interest

During the reporting year, no Management Board member had a conflict of interest.

Shareholders and annual shareholders' meeting

The annual shareholders' meeting of Axel Springer AG is the central governing authority in which the shareholders exercise their rights and cast their votes. 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 AG 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 Management Board and Supervisory Board, the election of the Supervisory Board, the selection of the independent auditor, and other matters legally assigned to them, such as corporate actions and other amendments to the Articles of Incorporation. The resolutions of the annual shareholders' meeting require a simple majority of the votes cast, unless another majority is prescribed by law or by the company's Articles of

Incorporation. The Articles of Incorporation can be inspected on the company's website at www.axelspringer.de/articlesofassociation.

Transparency

Axel Springer is committed to always providing comprehensive, timely, and simultaneously, and consistent information 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 quarterly reports. For this purpose, the company also uses Internet communication channels if possible. 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 the German and English languages on the company's Internet page. Financial reporting dates are published in the financial calendar with sufficient advance notice. Any 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), are likewise immediately published upon receipt of corresponding notices in accordance with Section 15 a WpHG.

Shareholding

The Management Board members of the company directly or indirectly held 476,656 shares of Axel Springer AG at the balance sheet date of December 31, 2010. Of this number, 415,564 shares were held directly by the Chairman of the Management Board, Dr. Mathias Döpfner, respectively indirectly via Brilliant 310. GmbH.

The Supervisory Board members directly or indirectly held a total of 20,516,940 shares of Axel Springer AG at the balance sheet date. Dr. h. c. Friede Springer held 17,000,010 shares indirectly via the companies Friede Springer GmbH & Co. KG and Axel Springer Gesellschaft für Publizistik GmbH & Co., and 2,308,980 shares directly. Michael Lewis indirectly held an additional 1,194,950 shares through Good Media Investment Holdings S.à.r.l. and through Oceana Concentrated Opportunities Fund Ltd. (formerly TriAlpha Oceana Concentrated Opportunities Fund Ltd.).

Preparation and auditing of the financial statements

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

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

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

In accordance with the 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 was also agreed that the independent auditor will immediately report any 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 would discover, during the course of the audit, any facts that contradict the Declaration of Conformity by the Management Board and Supervisory Board according to Section 161 AktG.

Actions for nullification and disclosure, both ongoing and ended in the reporting period

In the years 2005 to 2007, the shareholder Dr. Oliver Krauß contested various resolutions adopted by the respective annual shareholders' meetings of the company. All of the suits were unsuccessful with the exception of the action to nullify the resolutions ratifying the actions of the Management Board at the regular annual shareholders' meeting of 2006, which were then repeated by the regular annual shareholders' meeting of 2010. The following proceedings are currently to be reported:

On May 20, 2008, Dr. Oliver Krauß filed an action to nullify the resolutions of the annual shareholders' meeting of April 24, 2008 relating to Agenda Item 2 (Utilization of the retained earnings), Agenda Item 3 (Ratification of the actions of the Management Board), and Agenda Item 4 (Ratification of the actions of the Supervisory Board), as well as Agenda Item 7 (Special authorization to purchase and use the company's own shares according to Section 71 (1) (8) AktG in connection with the Management Participation Program). On May 26, 2008, moreover, the shareholder Klaus Zapf filed an action to nullify, or failing that, to annul the resolution of the annual shareholders' meeting of April 24, 2008 relating to the Agenda Item 3 (Ratification of the actions of the Management Board). The Berlin Regional Court combined the two actions into one (Case No. 98 O 49/08). The shareholders Oliver Wiederhold, Gastro Beteiligungs AG, and SCI AG joined the action on the side of the defendant. On March 17, 2009, the Berlin Regional Court rejected both suits in their entirety. The plaintiff Dr. Oliver Krauß filed an appeal of this ruling with the Berlin Appellate Court (Case No. 23 U 63/09), which for its part was denied in its entirety by a ruling dated May 3, 2010. Thereupon, the plaintiff filed an appeal against the judgment of the Berlin Appellate Court and an appeal against denial of leave to appeal with the Federal Supreme Court, where the proceeding is pending under Case No. II ZR 122/10.

By way of an action for information according to Section 132 AktG of May 6, 2009, Dr. Oliver Krauß filed a motion to place the Management Board under the obligation to provide information about his questions that were allegedly not answered at the 2009 annual shareholders' meeting. The proceeding was pending before the Berlin Regional Court (Case No. 93 O 46/09), which denied the action seeking disclosure by a ruling dated January 5, 2010, without oral arguments, and did not permit immediate appeal. The denial of the action seeking disclosure is thus legally valid and enforceable.

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

On May 21, 2010, Dr. Oliver Krauß filed an additional action to nullify the resolutions of the annual shareholders' meeting of April 23, 2010 relating to ratification of the actions of the Management Board and the Supervisory Board for financial year 2009 (Agenda Items 3 and 4), as well as the general authorization to purchase and use the company's own shares according to Section 71 (1) (8) AktG and to exclude the preemptive right, and the special authorization, to purchase and use the company's own shares according to Section 71 (1) (8) AktG in connection with the Management Participation Program and to exclude the right to tender and preemptive right (Agenda Items 6 and 7). This action is pending before the Berlin Regional Court under Case No. 105 O 53/10; a date for oral arguments was originally set for December 1, 2010, but it was moved to April 6, 2011 for business reasons. The shareholder Frank Scheunert joined this action on the side of the defendant.

Compensation Report

Axel Springer's compensation policy follows the principle of performance-oriented compensation for the work of the Management Board and Supervisory Board, consisting of fixed and variable performance-dependent components.

Management Board

The compensation system for the Management Board, including the material contract components, was reviewed during the reporting year by the full Supervisory Board; the review showed that the Management Board compensation system continues to be adequate and appropriate, which corresponds to a recommendation of the Personnel Committee with the same wording. In accordance with the requirements of the German Stock Corporation Act and the recommendations of the DCGK, the compensation of the Management Board members consists of fixed and variable components. The variable compensation was comprised of a cash component and long-term, stock-based components. All components of compensation are appropriate, both individually and as a whole. The criteria used to determine appropriateness are the tasks of the individual Management Board member, his personal performance, as well as the economic situation, profit, and the future prospects of Axel Springer.

The industry environment of the company is also factored in. No external compensation experts were consulted in this reporting year.

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

The **variable compensation share** in the form of a cash component is limited in its maximum amount and is set according to the performance of the individual in the context of individual goals, as well as corporate goals. The corporate goals are Group EBITDA, the index of Group customer satisfaction, the revenues in the Digital Media segment, and EBITDA in the Digital Media segment. The Supervisory Board adopts the Group goals for each financial year. The Chairman of the Supervisory Board agrees upon individual goals for measuring performance with the respective Management Board member; the Chairman also determines goal achievement for the cash component together with the Management Board member.

Previously, a **long-term variable compensation component** existed in the form of a stock-based management participation program set up in 2004, which was terminated in 2010 by exercise of the last options still outstanding. Currently, there is a long-term variable compensation component consisting of a virtual stock option plan set up in 2009.

Management participation program: In 2004, the Management Board members invested in the company by acquiring a total of 62,300 shares of Axel Springer AG. The shares acquired were subject to a multiple-year holding period, which expired on December 18, 2007, for 50 % of the shares acquired, and on December 18, 2008, for 50 % of the shares acquired. In connection with this personal investment, the members of the Management Board received stock options for the acquisition of what was originally up to 498,400 shares. The number of exercisable options was dependent on achieving or exceeding certain EBITA targets in financial years 2005 and 2006. These targets were exceeded. The value of the options at the time of granting in 2004 was € 16.018 million. After a total of 34,888 options were exercised in 2009 and the entitled Management Board members waived exercise of a total of 214,312 options in exchange for a settlement payment amounting to € 12.00 per option, there were still 249,200 stock options outstanding at December 31, 2009. In 2010, they were exercised in their entirety. On December 31, 2010, there were thus no longer any options existing from the Management Participation Program. The weighted average market price at the exercise times was € 93.05. The weighted average exercise price was about € 60.65 per option, so that the exercising Management Board members expended a total amount of € 15.1 million for exercising the options. For information on the Management Participation Program, see also the information in the notes to the consolidated financial statements under Note (12f) and the detailed description of the Management Participation Program at www.axelspringer.de/managementshareprogram.

Virtual stock option plan: Effective July 1, 2009, 375,000 virtual stock options were issued to the members of the Management Board. The virtual warrants have a term of six years, that is, until June 30, 2015, and cannot be exercised until at least four years have passed, that is, no sooner than on July 1, 2013. If the Management Board Employment Contract or the appointment to the Management Board continues to exist until June 30, 2013, then all of the virtual stock options granted to the Management Board member can become vested. If a Management Board member leaves after June 30, 2010, but before July 1, 2013, then the virtual stock options granted to him merely vest *pro rata temporis* in proportion to the four-year waiting period. Additional requirements for vesting to occur are performance and outperformance hurdles with regard to the price development of the Axel Springer share. Exercise of the warrants is only possible if the average share price of Axel Springer AG in the 90 calendar days prior to exercise is at least 30 % over the base value of € 60.86 and the percentage price increase of the Axel Springer share exceeds the development of the DAX price index in the corresponding period. Each warrant grants a payment claim in the amount of the growth in value of the Axel Springer share, restricted to a maximum of € 121.72; this corresponds to the difference between the volume-weighted average price during the last 90 calendar days prior to exercise and the base value. The Management Board members are obligated to hold one share of Axel Springer AG as their own investment for each ten warrants. Disposal of these shares prior to exercise of the options leads to a lapse of the warrants in the proportion of one share for each ten warrants. The value of the virtual stock options at the time of granting was € 4.743 million. For more information on the virtual stock option plan, please refer to the disclosures in the notes to the consolidated financial statements under Note (12f).

A majority of the Management Board members has received contractual pension commitments. Payment of the pension commences upon reaching age 62 if the Management Board member is no longer in office at this time. In case of premature departure, a Management Board member who has been employed with the company for five years has a vested claim to a pension payment proportional to the length of his employment with the company. Payments are also provided for in case of a complete reduction in earning capacity for an unlimited period.

A majority of the Management Board members has the right to terminate their service contracts due to a change in control. They then have the right to receive payment of their base salary for the most recently negotiated remaining contractual term, not to be less than one year's base salary. Furthermore, the company will pay the pro-rated percentage of the success-based compensation for the period of time served in the year of resignation. The service contracts of the members of the Management Board do not provide for any other compensation if the service relationship is terminated as a result of a change in control.

In the **financial year 2010**, the total compensation for the Management Board was € 17.9 million (PY: € 17.7 million). The fixed payments amounted to € 8.7 million (PY: € 8.9 million); that figure also includes the equivalent amounts of ancillary benefits (company car and security expenses). The variable compensation amounted to a total of € 9.2 million (PY: € 8.8 million).

No long-term variable compensation components were granted in the form of stock-based compensation in reporting year 2010 (PY: € 4.7 million).

Due to pension commitments, the pension provisions were increased by an amount of € 1.183 million in financial year 2010 (PY: € 736 thousand). No loans or advances were granted to members of the Management Board in financial year 2010.

Axel Springer AG does not disclose the total compensation of each Management Board member by name, since Sections 314 (2) and 286 (5) HGB expressly place the disclosure of Management Board compensation by name under the reservation of a differing resolution of the annual shareholders' meeting with a supermajority of the share capital represented at the adoption of the resolution. The annual shareholders' meeting of Axel Springer AG held on April 23, 2010, passed such a corresponding resolution with the requisite majority. The context is that Axel Springer AG's competitors also do not disclose individual compensation.

Supervisory Board

The compensation of the Supervisory Board is set by the annual shareholders' meeting; it is regulated in Article 16 of the Articles of Incorporation of Axel Springer AG. Accordingly, the compensation is comprised of fixed and variable components. The Supervisory Board receives a fixed annual salary of € 2.0 million. In addition, the Supervisory Board receives an additional compensation of € 1 thousand for every cent (€ 0.01) by which the dividend per share distributed to the shareholders exceeds € 0.15, but at least 4.0 % of the share capital in relation to one share. The Supervisory Board also receives compensation in the amount of € 300 thousand if the basic earnings per share for the financial year (based on the share of the company's shareholders in consolidated net income) exceeds the basic earnings per share of the third previous financial year, calculated in the same manner, by 15 % or more. For financial years in which positive consolidated profits cannot be applied as a reference benchmark, an amount of € 3.00 per share shall apply as the reference benchmark for calculating the increase in annual profits. For financial years with a net consolidated loss, only the fixed compensation of € 2.0 million will be paid. The Supervisory Board decides how the aforementioned amounts are distributed among its members, with adequate consideration of their activities as Chairman and in the committees.

For the **financial year 2010**, the Supervisory Board received total compensation of approximately € 2.8 million (PY: € 2.4 million). The variable compensation in the amount of € 765 thousand (PY: € 425 thousand) is composed of an amount of € 465 thousand (PY: € 425 thousand), based on the dividend recommendation of the Management Board and Supervisory Board and is thus subject to the condition that a corresponding decision is adopted by the annual shareholders' meeting, and an amount of € 300 thousand (PY: € 0 thousand), because the basic earnings per share in reporting year 2010 had exceeded the basic earnings per share of the third previous financial year calculated in the same manner by 15 % or more.

In addition, the company reimburses all members of the Supervisory Board for the value added taxes payable on their expenses and on their compensation. The company pays the premium for the D&O insurance taken out for members of the Supervisory Board. One member of the Supervisory Board is paid an annual salary of € 125 thousand for his services as an author.

Contrary to Section 5.4.6 sentences 6 and 7 of the 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 AG's competitors also do not disclose such information.

Report of the Supervisory Board

Dear Shareholders,

In financial year 2010 the Supervisory Board carried out all duties that it is obliged to in accordance with applicable laws, the company's Articles of Association, and rules of procedure. In the spirit of good corporate governance the Supervisory Board worked closely and trustfully with the Management Board in an advisory role and supervised the management of the company. The Management Board informed the Supervisory Board in detail, regularly and promptly, both in writing and orally, about the company's situation and development, important business transactions, as well as about the risk management program, the Internal control system (IKS), and compliance management. The Management Board also kept the Supervisory Board informed of significant events in the time between its meetings. In addition, the Supervisory Board Chairman and the Management Board Chairman held information and consultation meetings on a regular basis. Supervisory Board access to company files and documents over and above those presented during the normal course of reporting by the Management Board was not required in financial year 2010.

The Supervisory Board discussed with the Management Board all matters of crucial importance for the company, especially the company's business plan, the implementation of company strategy, large capital expenditure projects, and personnel matters. Furthermore, the Supervisory Board discussed important specific transactions of significance to the company's future development and adopted resolutions on those legal transactions and measures for which the input of the Supervisory Board is required by law, by the company's Articles of Incorporation, or by the Management Board's internal rules of procedure.

The Supervisory Board held a total of five meetings in 2010. All members of the Supervisory Board attended at least three of these meetings. If necessary, Supervisory Board resolutions were adopted by means of circulation procedures.

Changes in the Supervisory Board

Brian Powers resigned as a member of the Supervisory Board on May 20, 2010 with immediate effect. According to the resolution dated July 13, 2010, the district court of Charlottenburg appointed Dr. Nicola Leibinger-Kammüller as a member of the Supervisory Board as successor to Brian Powers until the company's next annual shareholders' meeting. The Supervisory Board intends proposing to the shareholders' meeting on April 14, 2011 the election of Dr. Nicola Leibinger-Kammüller to the Supervisory Board.

Matters dealt with by the Supervisory Board

In the meeting held on **February 3, 2010**, the Supervisory Board discussed and agreed the financial plan for 2010 tabled by the Management Board. Furthermore, the Supervisory Board deliberated on the various ways of implementing the examination of the efficiency of its work as recommended by the German Corporate Governance Code. As in prior years, the Supervisory Board opted for an internal evaluation, which was carried out in October 2010.

In the meeting on **March 9, 2010**, the Supervisory Board discussed, among other items, the parent company and consolidated financial statements of the Group for the financial year 2009, the proposal of the Management Board for the utilization of the unappropriated net profit for the financial year 2009, the corporate governance report submitted together with the Management Board, as well as the agenda for the annual shareholders' meeting 2010. In addition, the Management Board reported to the Supervisory Board, as in each individual case in the February meeting as well, on the proposed sale of StepStone ASA's Solutions business area, on the proposed bundling of the company's eastern European operations with those of the Swiss publishing group Ringier, as well as on the status of the investment in Doğan TV Holding A.S.

In the meeting held on **April 23, 2010**, immediately before the annual shareholders' meeting 2010, the Supervisory Board adopted the decision to amend the proposal for the utilization of the unappropriated net profit to the annual shareholders' meeting. This necessity had arisen as the number of treasury shares held by the company had been reduced following publication of the original proposal for the utilization of the unappropriated net profit. Furthermore, the Management Board explained to the Supervisory Board the company's plan to place its own treasury shares, which the Supervisory Board acknowledged and approved in principle. In view of this, the Supervisory Board approved by circular resolution a concrete plan to place the company's treasury shares in May 2010 and updated this approval in September 2010 again by circular resolution shortly before the actual implementation of the placement.

In the meeting on **June 18, 2010**, the Supervisory Board approved the submission of an application for Dr. Nicola Leibinger-Kammüller to be appointed as a member of the Supervisory Board by court in agreement with an appropriate recommendation given by its Nominating Committee. In this context, the Supervisory Board has determined that the Chairman of the Supervisory Board, Dr. Giuseppe Vita, who, at the same time, is also Chairman of the Audit Committee, satisfies the requirements for independence and expert knowledge in the fields of accounting and auditing as declared in Sec. 100 para. 5 of the Stock Corporation Act. The Supervisory Board adopted a revised version of its internal rules of procedure for the purpose of enhancing flexibility with respect to the holding of meetings and the adoption of resolutions. In addition, the Supervisory Board gave its approval to an agreement to amend an option contract concluded between Axel Springer AG and H&F Rose Partners L.P. and H&F International Rose Partners L.P. (jointly "H&F"). The subject matter of this option contract was call options to purchase an original number of 560,700 shares of Axel Springer AG, which the latter company was entitled to in connection with the management participation program 2004 vis-à-vis H&F. The option contract was concluded on April 8, 2004 and amended by two agreements in 2009. The further amendment agreement concluded in financial year 2010 referred to the call options with H&F still in place at that time to purchase up to 284,088 Axel Springer AG shares. According to this agreement, the exercising of all 284,088 call options still in existence was postponed. It was agreed that these call options can be exercised by members of the Management Board independently of options exercised within the terms of the Management Participation Program, and the number of these call options is reduced, if and when Axel Springer AG treasury shares are sold by H&F to third parties and the agreed cash settlement is paid to Axel Springer. In the financial year 2010, H&F sold all the relevant Axel Springer AG shares and paid the agreed cash settlement for the transaction to Axel Springer AG so that all the company's call options vis-à-vis H&F resulting from the call option agreement dated April 8, 2004 expired.

In the meeting on **October 14, 2010**, the Supervisory Board addressed primarily the corporate strategy of Axel Springer AG on the basis of an extensive Management Board presentation, with specific attention being devoted to the further expansion of digital operations as well as multimedia growth, especially on the basis of monetization strategies within the terms of the company's core competencies. Furthermore, the Management Board reported to the Supervisory Board on the development of major acquisitions since 2006. The Supervisory Board also adopted a resolution on the Declaration of Conformity 2010. In doing so, the Supervisory Board deliberated on the recommendations defined in greater detail in the German Corporate Governance Code on diversity, which came into force on July 2, 2010, with a particular focus on a higher percentage of women and international representatives on the Supervisory Board. In this regard the Supervisory Board set out concrete objectives for the constitution of the Supervisory Board, which are reproduced on page 85 of the annual report. The Supervisory Board also carried out a questionnaire-based self-evaluation and rated its work on this basis to be efficient and appropriate. Moreover, the Supervisory Board carried out a review of the Management Board remuneration system. The result of this showed that the Management Board remuneration system continues to be appropriate and reasonable. In addition, a report was made to the Supervisory Board on the progress of the takeover of the French online portal SeLoger.com S.A., among other items.

Conflicts of interest

The following potential conflict of interest occurred on the Supervisory Board in the financial year 2010: In May 2010, the Supervisory Board dealt with the placement of treasury shares of Axel Springer AG by means of a circulated document. A placement of this kind occurred in September 2010 in such a way that treasury shares of Axel Springer AG were placed together with the placement of shares in the company held by Deutsche Bank Luxembourg S.A. and bought by institutional investors. Starting in May, there were deliberations (which, however, were not implemented under the terms of the placement eventually completed) on possibly including shares in the company held by Hellman & Friedman in the placement. In the light of this, the member of the Supervisory Board at the time, Brian Powers, did not participate in the voting procedures on the possible placement of shares in May to avoid any potential conflict of interest.

Corporate Governance

The Management Board and Supervisory Board issued their joint Declaration of Conformity pursuant to Sec. 161 AktG at the beginning of November 2010; the Management Board and Supervisory Board published an updated version of that Declaration of Conformity at the beginning of March 2011. Both declarations have been made permanently accessible on the company's website. Axel Springer AG adheres to nearly all the recommendations of the German Corporate Governance Code. The Declaration of Conformity of November 2010 and the updated version of March 2011 containing justifications of the few exceptions to the corresponding recommendations are presented on page 82 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 Management Board and Supervisory Board, which is reproduced on page 87 of the annual report as part of the Declaration on Corporate Governance.

Committees of the Supervisory Board

In the interest of performing its duties in an efficient manner, the Supervisory Board has formed an Executive Committee, a Personnel Committee, an Audit Committee, and a Nominating Committee. The constitution is explained in the section "Statement on corporate governance pursuant to Section 289a of the German Commercial Code (HGB) and Corporate Governance Report" on page 85 f. of the annual report. The Chairman of the Supervisory Board is the Chairman of the committees mentioned. He reports to the Supervisory Board in the next respective meeting on the work of the committees. The Executive Committee, which is responsible for fundamental matters related to publishing and for matters of strategy, business planning, capital expenditures, and financing, among other matters, notwithstanding the general responsibility of the full Supervisory Board, held seven meetings in 2010. The subject of the consultations and resolutions were in particular the bundling of the company's international operations and those of Ringier in Ringier Axel Springer Media AG, Zürich, the submission of a takeover offer directed towards the acquisition of shares of SeLoger.com S.A., Paris, as well as the investment acquisition of the Indian classified ad portals for automobiles Carwale.com (Automotive Exchange Private Ltd.) and the Indian e-commerce portal BagItToday (Merchandising Private Ltd.).

Additionally, further decisions were taken by the Executive Committee on the disposal of the Solutions business area (Talent Management Software Solutions) of StepStone ASA as well as the acquisition of investments in the Internet portal Umzugsauktion GmbH & Co. KG and the Slovenian Internet portal Azet.sk, A.S. Furthermore, the committee deliberated on the placement of treasury shares of Axel Springer AG executed in September 2010 and approved in this context the transfer of shares of Axel Springer AG to various investors. Further resolutions were passed by the Executive Committee in connection with decisions on granting approval to transfer shares of Axel Springer AG pursuant to Sec. 5 para. 3 of the company's Articles of Incorporation.

The Personnel Committee is responsible in particular for the preparation of decisions on the appointment and dismissal of members of the Management Board. The preparation of decisions by the Supervisory Board on the determination of the total remuneration of individual members of the Management Board also fall within its authority; the Personnel Committee approves resolutions in all other employment matters instead of the Supervisory Board. The Personnel Committee held three meetings in financial year 2010. The committee dealt with the preparation of the review of the Management Board compensation system by the Supervisory Board, among other matters.

The Audit Committee held five meetings in 2010. It kept itself informed of the status, scope, execution, and results of the audit of the separate financial statements of the parent company and the consolidated financial statements of the Group for 2009, prepared the decisions of the Supervisory Board on the adoption of the separate financial statements and the approval of the consolidated financial statements, and reviewed the interim financial statements and interim reports for the year 2010. In addition, the Audit Committee dealt with the preparation of the plenum's resolution regarding the proposal to the annual shareholders' meeting for the reappointment of the auditor of the year 2009 for the year 2010. In this regard the Supervisory Board was in possession of a written confirmation from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft on their independence. In addition, the Audit Committee dealt with the auditor's main topics in the reporting year. Furthermore, the Audit Committee dealt in greater detail with risk management and the internal control system (IKS), as well as compliance management, and kept itself informed on the work of the internal audit, including their audit program for 2010.

The Nominating Committee met once in advance of the application for the judicial appointment of Dr. Nicola Leibinger-Kammüller as a member of the Supervisory Board. It submitted a recommendation to the Supervisory Board in favor of the judicial appointment of Dr. Nicola Leibinger-Kammüller and – in view of the proposed reappointment of Dr. Nicola Leibinger-Kammüller by the 2011 annual shareholders' meeting of the company – as well the corresponding nomination for the shareholders' meeting.

Separate financial statements of the parent company and financial statements of the Group and management report for the parent company and management report for 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 management report for the parent company and the consolidated management report for the Group, all of which were prepared by the Management Board for the financial year 2010, and provided them with an unqualified audit opinion in each case. In connection with the audit, the independent auditor also noted in summary that the Management Board has implemented a risk management system that fulfills the statutory requirements, and that this system is basically 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 Management Board for the utilization of the unappropriated net profit, as well as the audit report of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, were provided to all members of the Supervisory Board in a timely manner. The documents were discussed extensively in the presence of the independent auditor in the meetings of the Audit Committee of February 22, 2011 and March 1, 2011. At these meetings, the independent auditor reported on the principal findings of his audit. No deficiencies in the internal control and risk management system, as it relates to the financial accounting process, were noted. No circumstances that would cast doubt on the impartiality of the independent auditor arose. The independent auditor explained further the scope, main emphases and costs of the audit. The independent auditor rendered services (including affiliate companies) amounting to a volume of € 523.6 thousand other than the audit of financial services.

The Audit Committee reported on the results of its examination to the full Supervisory Board. At its meeting of March 1, 2011, the Supervisory Board reviewed the documents in question, having noted and duly considered this report of its 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 had no objections to raise. The Supervisory Board approved the annual financial statements of the parent company and the consolidated financial statements of the Group, as well as the management report for the parent company and the consolidated management report for the Group, which were all prepared by the Management Board. As a result, the 2010 annual financial statements of Axel Springer AG were officially adopted.

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

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

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 Management Board on the dealings with related parties pursuant to Sec. 312 AktG and the independent auditor's report on this subject. At the Supervisory Board meeting of March 1, 2011, the independent auditor also reported orally on the principal findings of his audit. 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 Management Board's declaration on the report pursuant to Sec. 312 (3) AktG.

Thanks to the members of the Management Board and all employees

In closing, the Supervisory Board wishes to thank the members of the Management Board and all employees for their outstanding work in the past financial year.

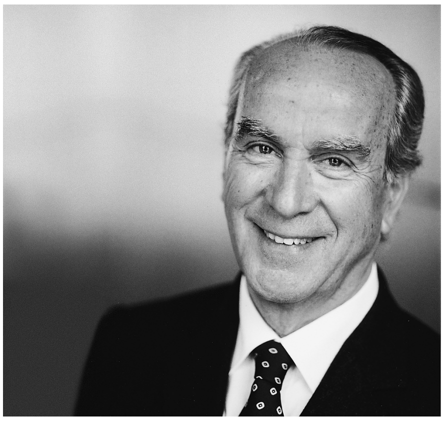
Berlin, March 1, 2011

The Supervisory Board

Dr. Giuseppe Vita

Chairman

Supervisory Board



Dr. Giuseppe Vita
Chairman

Dr. h. c. Friede Springer
Vice Chairwoman

Dr. Gerhard Cromme
Chairman of the Supervisory Board of ThyssenKrupp AG

Oliver Heine
Lawyer and partner in the law firm Oliver Heine & Partner

Klaus Krone
Member of the Supervisory Board of Axel Springer AG

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

Prof. Dr. Wolf Lepenies
University Professor (emer.) FU Berlin;
Permanent Fellow (emer.) of the Wissenschaftskolleg zu Berlin

Michael Lewis
Investment Manager

Dr. Michael Otto
Chairman of the Supervisory Board of Otto GmbH & Co. KG

100 **ullstein bild**

ullstein bild is the picture agency of Axel Springer AG. Its archive contains more than twelve million prints, negatives, slides, and ever-expanding databases of digitized images – from the beginnings of photography to the present day. In addition, it can also access picture material from a worldwide network of partner agencies.

Do we need a women's quota for the top echelons of the business world? This is a hotly debated question, which the Axel Springer media have also picked up with intensity. Not for the first time, by the way, as can be seen on the following pages. But what are things like at Axel Springer itself? Do women have opportunities to reach managerial positions? And how can these opportunities be improved even more in the future?

The Company started to tackle the subject back in 1982. And, from 1999, Axel Springer AG was the first media company to be a member of the "Women in Business" forum, in which advocates of equal opportunities and diversity from 20 well-known large German companies came together. In 2010, Axel Springer was given the "Total E-Quality" award – a great incentive to continue energetically along the pathway it had chosen. Because despite all the achievements, there is still much to do.

The approach is not based on the implementation of rigid quota regulations, but rather on achieving a more balanced ratio between men and women in managerial positions. The aims: to reflect the market more precisely in the workforce, to make better use of the existing potential of well-qualified women, and to ensure that they play a larger part in shaping the corporate culture.

The first name of Madame Decourcelle has been forgotten over the last hundred years. But, thanks to the Neurdein brothers, we still know what she looked like, and also that she was the first woman, in Paris in 1908, to acquire not only a license to drive a horse-and-carriage but also an omnibus driver's license. In Berlin, much more time was needed to make this kind of progress. The Berlin Transport Services (BVG) have only allowed women to drive their busses since 1973.

B.Z. am MITTAG, May 21, 1920
"Two airplanes over the ocean
Do X and Mrs. Earhart started"

Amelia Earhart, born in Kansas in 1897, only ever wanted to fly. She worked in 28 different jobs just to be able to pay for flying lessons. She wanted to fly – and to prove that women could achieve just as much as men "except physically." Countless records and first-time flights, such as the first solo transcontinental flight by a woman in 1932, confirm that she was right. This expressive portrait from the Roger Viollet agency was taken in 1935. Two years later, Earhart disappeared on a flight over the Pacific.

Men can do more too! Here is an example from the garden of a Bavarian family house in the 1960s. When the photographer Oskar Poss took this black and white photo, which has since been digitally colored, the activity shown there – laying the table – was still very unusual for a man. Today, this would, we hope, only apply for the cocktail apron.

DIE WELT, July 13, 2009

"They built Germany"

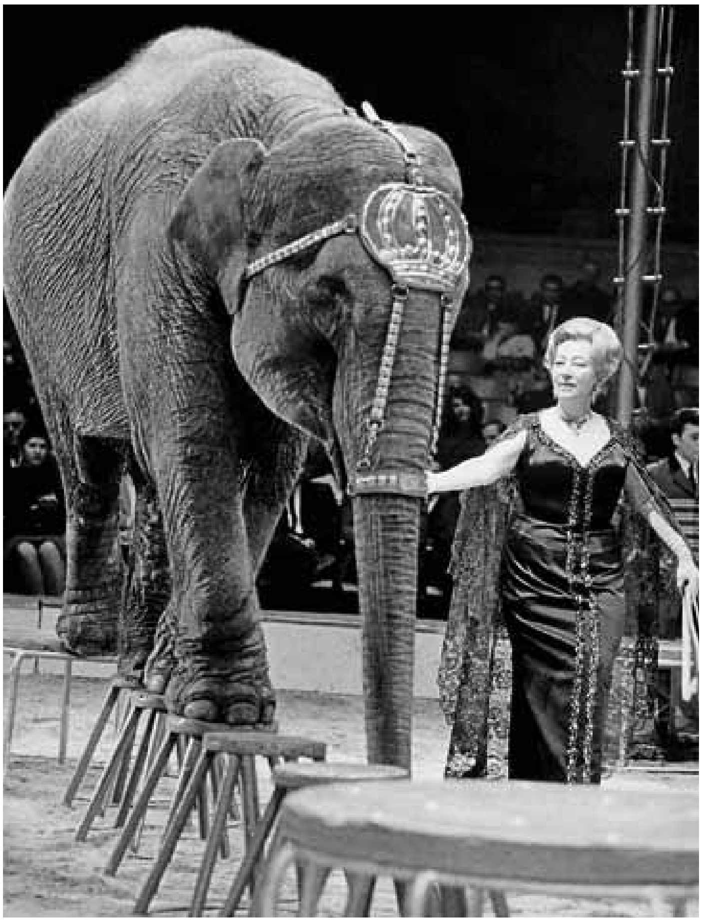
Sie bauten Deutschland

Mit den Trümmerfrauen fing nach 1945 die Geschichte … Heute werden sie als

After the men had finished their war in 1945, it was the women who cleared up the remains. Trümmerfrauen – the "rubble women." Emancipation from necessity, but with convincing results: Women's awareness that they were capable of carrying out what had hitherto been purely "male" tasks represented a giant step forward. And the destroyed cities became habitable once again, or at least no longer impassable. The name of the photographer who took this picture, subsequently colored, in Ganghoferstrasse in Berlin-Neukölln, in 1946, is unknown.

The word “suffrage” means the right vote (in an election). And suffragettes was the name given, in the United Kingdom for example, to the women demonstrating here, who claimed this right for themselves from 1908 onwards. Actually, in times of female chancellors and female ministers, it is barely conceivable now that women were only granted the right to vote in Germany less than a hundred years ago. It was introduced here in 1919, after being granted to the English ladies in the photo one year earlier.

BERLINER MORGENPOST, November 13, 1918
"The program of the new government"

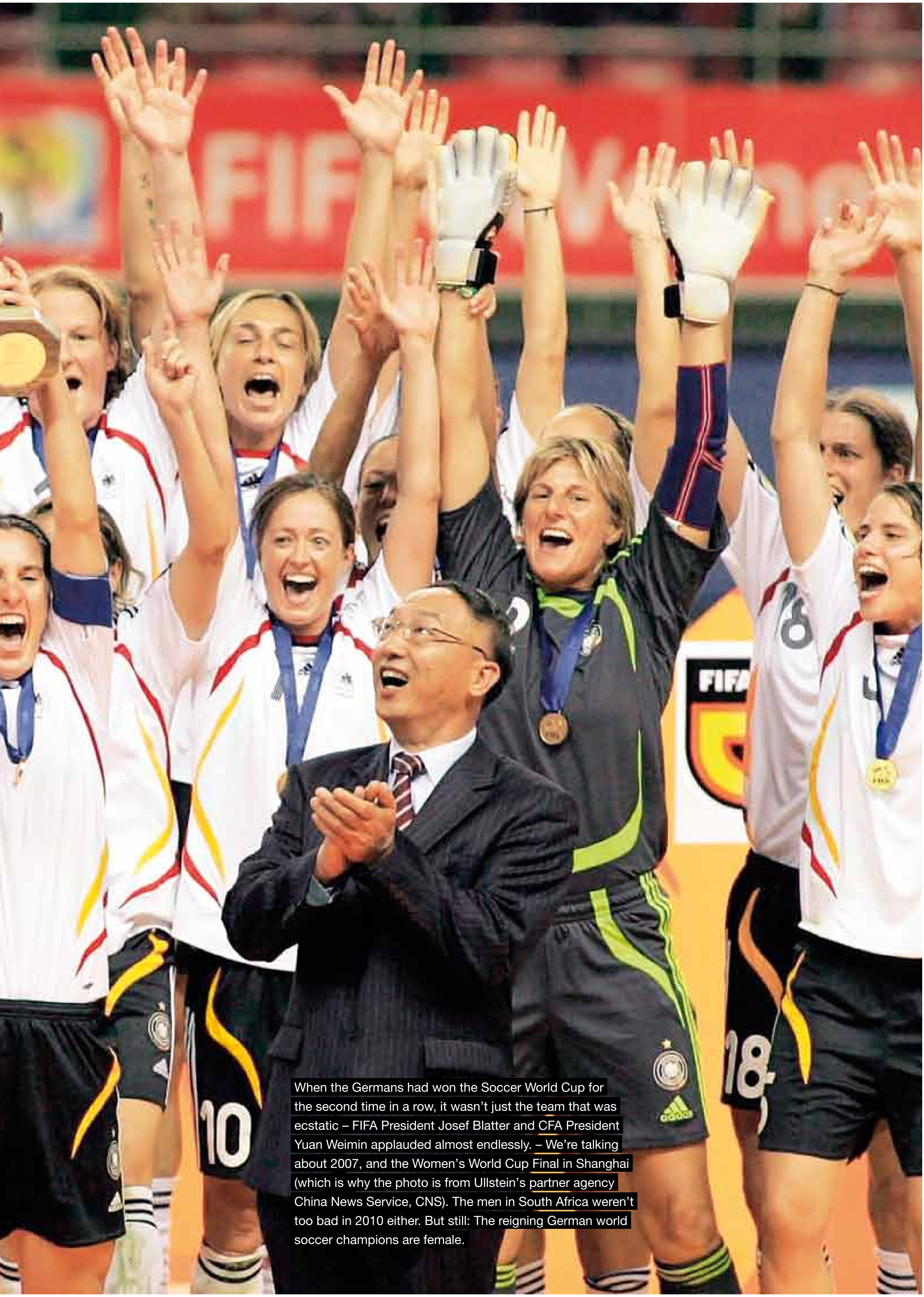


She really had no fear of large animals. Aside from her dressage horses, she performed with a whole herd of elephants for almost forty years. We're talking about Frieda Sembach-Krone (1915–1995), the legendary director of "Circus Krone." For more than fifty decades, she successfully managed this very special medium-sized Munich-based company with a global reputation. Thomas Timpe captured her elegant appearance in this picture in 1969.

B.Z. am MITTAG, November 8, 1911
"Small feature.
Women and the Nobel Prize"

In 1900, a Leipzig neurologist called Paul Julius Möbius published a book entitled "On the Physiological Feeblemindedness of Women." It became a bestseller, running into nine editions. Three years later, the Polish scientist Marie Curie (1867–1934), then living in France, was awarded the Nobel Prize for Physics. Before the Sorbonne professor was then also able to collect the Nobel Prize for Chemistry in Stockholm in 1911, Henri Mann photographed her in her laboratory.

BILD, October 1, 2007
“We have the best women in the world”



When the Germans had won the Soccer World Cup for the second time in a row, it wasn't just the team that was ecstatic – FIFA President Josef Blatter and CFA President Yuan Weimin applauded almost endlessly. – We're talking about 2007, and the Women's World Cup Final in Shanghai (which is why the photo is from Ullstein's partner agency China News Service, CNS). The men in South Africa weren't too bad in 2010 either. But still: The reigning German world soccer champions are female.

HAMBURGER ABENDBLATT,
May 25, 1994
"Limbach gets top job in Karlsruhe"

The fact that Germany has caught up pretty well in recent decades when it comes to equal opportunities can be seen if we look at the number of women holding the highest state offices. The President of the Federal Constitutional Court is number 5 in the "rankings of the representatives of the Federal Government's constitutional bodies." And in the years 1994 to 2002, this president was a woman, Jutta Limbach. Winfried Rothermel captured her on film here in 2001, alongside Berthold Sommer, pronouncing judgment.

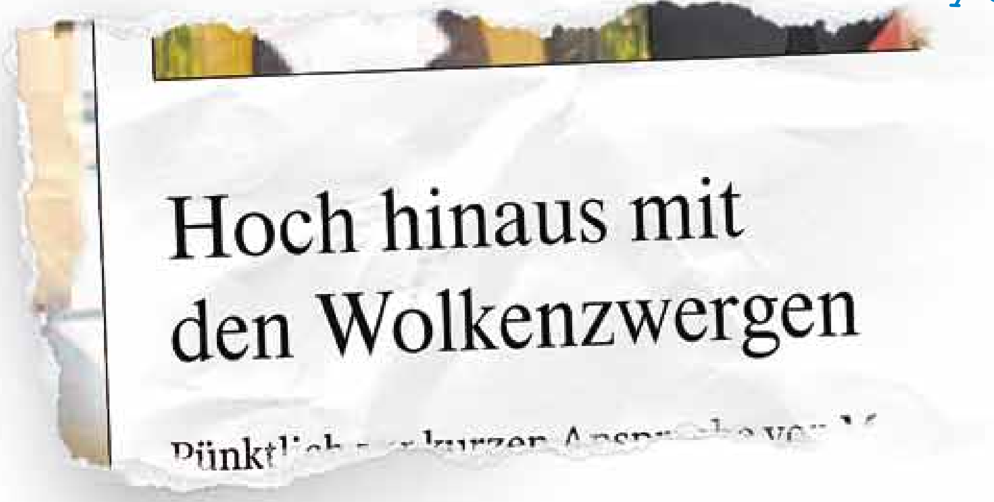
50 Jahre EU – Der Gipfel in Berlin

Merkel ist jetzt Miss Europa

BILD, March 26 2007
"50 years of the EU – the summit in Berlin.
Merkel is Miss Europe now"

More than just a dash of color: German Chancellor Angela Merkel, hosting the Berlin celebrations in 2007 for the 50th anniversary of the signature of the Treaties of Rome. Her guests, the heads of EU states and governments, were all men, without exception. The picture is pretty much the same at management level in countless companies. But for how much longer?

DIE WELT, September 1, 2010
“High hopes for the sky dwarfs”


Hoch hinaus mit
den Wolkenzwergen

Many different things are needed to improve the opportunities for women at work. One is the ability to combine a family and a job. For this reason, Axel Springer established works nurseries in Berlin in 2008, and in Hamburg in 2010, known as the “sky dwarfs.” In November 2010, the German Minister for Families, Kristina Schröder, visited the nursery in Hamburg. Her exchange of views with two-year-old Lenia were obviously particularly relaxed.

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 opportunities and risks associated with the expected development of the Group.

Berlin, February 16, 2011

Axel Springer AG

(Dr. Mathias Döpfner) (Rudolf Knepper)

(Lothar Lanz) (Dr. Andreas Wiele)

Auditor's Report

We have audited the consolidated financial statements prepared by the Axel Springer Aktiengesellschaft, 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 the Axel Springer AG for the fiscal year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the combined management report of the Axel Springer Group and the Axel Springer AG in accordance with IFRSs 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 the Axel Springer AG 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 the Axel Springer AG are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Axel Springer Group and the 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 combined management report of the Axel Springer Group and the Axel Springer AG 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 combined management report of the Axel Springer Group and the Axel Springer AG. We believe that our audit provides a reasonable 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 the Axel Springer AG is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, February 22, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Plett	Glöckner
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Consolidated Statement of Financial Position

€ thousands

ASSETS	Note	12/31/2010	12/31/2009
Non-current assets		**2,569,698**	**1,874,600**
Fixed assets		2,373,476	1,666,249
Intangible assets	(4)	1,115,587	835,438
Property, plant, and equipment	(5)	686,676	704,752
Investment property	(6)	54,340	31,704
Non-current financial assets	(7)	516,873	94,355
Investments accounted for using the equity method		40,742	59,702
Other non-current financial assets		476,131	34,653
Receivables from income taxes		34,244	39,829
Other assets	(10)	131,347	152,249
Deferred tax assets	(26)	30,631	16,273
Current assets		**1,033,546**	**1,059,702**
Inventories	(8)	27,043	31,900
Trade receivables	(9)	385,900	301,947
Receivables due from related parties	(36)	48,825	43,987
Receivables from income taxes		40,028	55,944
Other assets	(10)	95,862	70,364
Cash and cash equivalents	(29)	435,888	197,259
Assets held for sale	(11)	0	358,301
Total assets		**3,603,244**	**2,934,302**

€ thousands

EQUITY AND LIABILITIES	Note	12/31/2010	12/31/2009
Equity	**(12)**	**1,772,625**	**1,196,848**
Shareholders of Axel Springer AG		1,562,438	1,145,206
Non-controlling interests		210,187	51,642
Non-current provisions and liabilities		**1,003,459**	**966,087**
Provisions for pensions	(13)	340,189	310,415
Other provisions	(14)	43,574	39,327
Financial liabilities	(15)	333,683	383,801
Trade payables		1,602	1,536
Liabilities due to related parties	(36)	11,050	4,135
Other liabilities	(16)	109,085	58,987
Deferred tax liabilities	(26)	164,276	167,886
Current provisions and liabilities		**827,160**	**771,367**
Provisions for pensions	(13)	49,162	49,056
Other provisions	(14)	150,485	161,233
Financial liabilities	(15)	22,557	6,480
Trade payables		243,696	204,802
Liabilities due to related parties	(36)	22,382	22,213
Liabilities from income taxes		66,452	54,866
Other liabilities	(16)	272,426	272,717
Total equity and liabilities		**3,603,244**	**2,934,302**

Consolidated Statement of Comprehensive Income

€ thousands

Consolidated Income Statement	**Note**	**2010**	**2009**
Revenues	(18)	2,893,896	2,611,591
Other operating income	(19)	150,116	70,654
Change in inventories and internal costs capitalized		3,992	4,112
Purchased goods and services	(20)	–950,564	–886,445
Personnel expenses	(21)	–792,854	–791,943
Depreciation, amortization and impairments	(22)	–113,541	–92,350
Other operating expenses	(23)	–773,947	–705,107
Income from investments	(24)	–8,244	212,141
Result from investments accounted for using the equity method		–18,434	–18,369
Other investment income		10,190	230,510
Financial result	(25)	–31,171	–24,980
Income taxes	(26)	–103,627	–83,840
Net income		**274,056**	**313,833**
Net income attributable to shareholders of Axel Springer AG		252,678	303,481
Net income attributable to non-controlling interests		21,378	10,352
Basic earnings per share (in €)	**(27)**	**8.20**	**10.20**
Diluted earnings per share (in €)	**(27)**	**8.19**	**10.19**

€ thousands

Consolidated Statement of Recognized Income and Expenses	**Note**	**2010**	**2009**
Net income		**274,056**	**313,833**
Actuarial gains/losses from defined benefit pension obligations		–14,806	–6,100
Currency translation differences		36,877	1,655
Changes in fair value of available-for-sale financial assets		2,528	6
Changes in fair value of derivatives in cash flow hedges		1,251	–4,503
Changes in revaluation surplus		0	–3,086
Other income/loss from investments accounted for using the equity method		11,498	–4,578
Other income/loss	**(28)**	**37,348**	**–16,606**
Comprehensive income		**311,404**	**297,227**
Comprehensive income attributable to shareholders of Axel Springer AG		287,123	286,824
Comprehensive income attributable to non-controlling interests		24,281	10,403

Consolidated Statement of Cash Flows

€ thousands	Note	2010	2009*
Net income		**274,056**	**313,833**
Reconciliation of net income to the cash flow from operating activities			
Depreciation, amortization, impairments, and write-ups of fixed assets		114,409	87,759
Result from investments accounted for using the equity method	(7)	18,434	18,369
Dividends received from investments accounted for using the equity method	(7)	3,930	11,728
Result from disposal of consolidated subsidiaries, business units, and fixed assets		–66,065	–213,857
Changes in non-current provisions		12,802	39,653
Changes in deferred taxes		–37,293	–22,848
Other non-cash income and expenses		15,027	–6,612
Changes in trade receivables		–58,691	–12,094
Changes in trade payables		24,200	12,118
Changes in other assets and liabilities		57,310	41,956
Cash flow from operating activities	**(29)**	**358,119**	**270,005**
Proceeds from disposals of intangible assets, property, plant, and equipment		386	220
Proceeds from disposals of consolidated subsidiaries and business units, less cash given up in the exchange		103,091	8,194
Proceeds from disposals of non-current financial assets		16,168	170,004
Purchases of intangible assets, property, plant, equipment, and investment property		–59,196	–38,941
Purchases of shares in consolidated subsidiaries and business units less cash and cash equivalents acquired		–170,498	–4,064
Purchases of investments in non-current financial assets		–90,554	–18,729
Cash flow from investing activities	**(29)**	**–200,603**	**116,684**
Dividends paid to shareholders of Axel Springer AG		–131,179	–130,604
Dividends paid to other shareholders		–10,467	–10,913
Purchase of non-controlling interests		–5,464	–62,146
Disposal of other related parties		458	501
Reissuance of treasury shares		261,929	7,993
Repayments of liabilities under finance leases		0	–74
Proceeds from other financial liabilities		172,436	98,076
Repayments of other financial liabilities		–211,619	–248,359
Cash flow from financing activities	**(29)**	**76,094**	**–345,526**
Cash flow-related changes in cash and cash equivalents		**233,610**	**41,163**
Changes in cash and cash equivalents due to exchange rates		5,077	–196
Changes in cash and cash equivalents due to changes in companies included in consolidation		–58	1,764
Cash and cash equivalents at beginning of period		197,259	154,529
Cash and cash equivalents at end of period	**(29)**	**435,888**	**197,259**

*) Prior-year figures adjusted due to the reclassification of effects for purchase/disposal of non-controlling interests and changed disclosure of the result from disposal of consolidated subsidiaries and business units (cf. note (29)).

€ thousands

Cash flows contained in the cash flow from operating activities	2010	2009
Income taxes paid	–154,442	–117,393
Income taxes received	50,203	11,941
Interest paid	–18,631	–27,470
Interest received	9,680	10,548
Dividends received	16,980	31,959

Consolidated Statement of Changes in Equity

					Accumulated other comprehensive income						
						Changes in fair value					
€ thousands	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 AG	Non-controlling interests	Equity
Balance as of 01/01/2009	**98,940**	**40,279**	**1,102,471**	**–207,294**	**11,379**	**4**	**–10,986**	**–9,659**	**1,025,134**	**42,568**	**1,067,702**
Net income			303,481						303,481	10,352	313,833
Other income/loss					1,618	4	–4,489	–13,790	–16,657	51	–16,606
Comprehensive income			**303,481**		**1,618**	**4**	**–4,489**	**–13,790**	**286,824**	**10,403**	**297,227**
Dividends paid			–130,604						–130,604	–10,914	–141,518
Reissuance of treasury shares			1,391	6,607					7,998		7,998
Change in consolidated companies			–919						–919	36,332	35,413
Purchase and disposal of non-controlling interests			–38,506						–38,506	–26,493	–64,999
Other changes		2,824	–7,545						–4,721	–254	–4,975
Balance as of 12/31/2009	**98,940**	**43,103**	**1,229,769**	**–200,687**	**12,997**	**8**	**–15,475**	**–23,449**	**1,145,206**	**51,642**	**1,196,848**
Net income			252,678						252,678	21,378	274,056
Other income/loss					33,868	2,524	1,244	–3,191	34,445	2,903	37,348
Comprehensive income			**252,678**		**33,868**	**2,524**	**1,244**	**–3,191**	**287,123**	**24,281**	**311,404**
Dividends paid			–131,179						–131,179	–10,467	–141,646
Reissuance of treasury shares			72,485	189,446					261,931		261,931
Change in consolidated companies									0	146,003	146,003
Purchase and disposal of non-controlling interests			381						381	18	399
Other changes		224	–1,248						–1,024	–1,290	–2,314
Balance as of 12/31/2010	**98,940**	**43,327**	**1,422,886**	**–11,241**	**46,865**	**2,532**	**–14,231**	**–26,640**	**1,562,438**	**210,187**	**1,772,625**

Consolidated Segment Report

Operating segments

	Newspapers National		Magazines National		Print International		Digital Media		Services/Holding		Consolidated totals	
€ thousands	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External revenues	**1,194,187**	**1,213,683**	**486,079**	**517,793**	**400,944**	**311,665**	**711,845**	**470,378**	**100,840**	**98,071**	**2,893,896**	**2,611,591**
Internal revenues	8,596	8,617	7,271	4,323	36,184	14,035	36,000	22,840	299,615	305,398		
Segment revenues	1,202,784	1,222,300	493,350	522,116	437,128	325,700	747,845	493,218	400,455	403,470		
EBITDA*	**295,977**	**243,766**	**100,975**	**54,954**	**61,482**	**12,257**	**85,838**	**43,192**	**−33,705**	**−20,466**	**510,566**	**333,705**
EBITDA margin*	**24.8 %**	**20.1 %**	**20.8 %**	**10.6 %**	**15.3 %**	**3.9 %**	**12.1 %**	**9.2 %**	**-**	**-**	**17.6 %**	**12.8 %**
Thereof income from investments	1,670	4,807	−610	1,949	5,427	2,101	6,803	10,096	3,677	4,071	16,967	23,025
Thereof accounted for using the equity method	0	0	−778	1,335	5,300	1,869	536	1,987	−2,140	−2,785	2,918	2,406
Depreciation, amortization, impairments and write-ups (except from purchase price allocations)	−4,292	−2,775	−1,739	−3,541	−9,699	−6,667	−12,004	−9,262	−54,265	−42,514	−82,000	−64,760
EBIT*	**291,685**	**240,991**	**99,236**	**51,413**	**51,782**	**5,591**	**73,834**	**33,930**	**−87,971**	**−62,979**	**428,566**	**268,945**
Effects of purchase price allocations	0	0	0	−65	−9,909	−3,928	−23,625	−22,628	−72	−72	−33,606	−26,692
Non-recurring effects	6,165	214,357	1,588	−6,318	−3,461	464	30,954	−10,750	−21,352	−17,353	13,894	180,400
Segment earnings before interest and taxes	297,850	455,348	100,824	45,030	38,412	2,127	81,163	552	−109,395	−80,404	408,854	422,653
Financial result											−31,171	−24,980
Income taxes											−103,627	−83,840
Net income											**274,056**	**313,833**

*) Adjusted for non-recurring effects and effects of purchase price allocations.

Geographical information

	Germany		Other countries		Consolidated totals	
€ thousands	2010	2009	2010	2009	2010	2009
External revenues	2,081,638	2,063,975	812,258	547,616	2,893,896	2,611,591
Non-current segment assets	1,124,987	1,271,669	731,616	300,225	1,856,603	1,571,894

Notes to the Consolidated Financial Statements

General information

(1) Basic principles

Axel Springer Aktiengesellschaft ("Axel Springer AG") is an exchange-listed stock corporation with its registered head office in Berlin/Germany. The principal activities of Axel Springer AG and its subsidiaries ("Axel Springer Group", "Axel Springer" or the "Group") are described in note (30a).

On February 16, 2011, the Management Board of Axel Springer AG authorized the consolidated financial statements for fiscal year 2010 and subsequently presented them to the Supervisory Board for approval. The consolidated financial statements were prepared by application of Section 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) at the balance sheet date. The reporting currency is the Euro (€); unless otherwise indicated, all figures are stated in Euro thousands (€ thousands).

The consolidated financial statements and consolidated management report will be filed with the Electronic Federal Gazette in Germany.

(2) Consolidation

(a) Consolidation principles

The consolidated financial statements include Axel Springer AG and its subsidiaries. Subsidiaries are entities in which Axel Springer AG is able to control, directly or indirectly, the financial and operating policies.

The consideration transferred in business combinations is offset against the pro-rated fair value of the acquired assets and liabilities at the acquisition date. Any remaining positive difference allocated to our interests is capitalized as goodwill. Negative differences are immediately recognized as income. The date of acquisition is the date when the ability to control the net assets and the financial and operating activities of the acquired entity or business passes to the Axel Springer Group. We offset differences arising from disposals and purchases of non-controlling interests within equity.

Associated companies are included in the consolidated financial statements by application of the equity method. Associated companies are defined as companies in which the Axel Springer Group can exert significant influence over the financial and operating policies of the company. Goodwill and assets and liabilities are included in the amortized carrying amount of the investment in the associated company and are accounted for using the accounting principles applied to business combinations. The IFRS financial statements of these companies as at the Axel Springer Group's balance sheet date serve as the basis for applying the equity method. Losses from associated companies 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. The carrying amounts of investments are tested for impairment; if impairments exist, they are written down to the lower recoverable amount.

(b) Companies included in the consolidated financial statements

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

	12/31/2010	12/31/2009
Fully consolidated companies		
Germany	52	53
Other countries	64	76
Fully consolidated special purpose entities		
Germany	3	3
Investments accounted for using the equity method		
Germany	3	5
Other countries	3	2

The special purpose entities included are closed property funds whose risks and rewards are economically attributable to the Group. Consolidated companies are listed in note (42).

The following changes occurred in 2010:

Effective January 1, 2010, we included our German investments in Axel Springer Mediasales & Service GmbH, Berlin, in Panther Holding GmbH, Berlin, and in hamburg.de GmbH & Co. KG, Hamburg, in our consolidated financial statements for the first time in the course of full consolidation.

At the end of February 2010, a 100 % interest was acquired in the Perfiliate Group with registered offices in London/Great Britain. The five entities belonging to the Perfiliate Group have been included in the consolidated financial statements as fully consolidated entities since March 1, 2010.

At March 31, 2010, the acquisition of a 100 % interest in Axel Springer Russland Holding GmbH, Hamburg (formerly: G+J Deutschland Medien- und Vertriebsbeteiligung Verwaltungs GmbH), and the company in which it holds 100 % of the shares, Axel Springer RUS, Moscow/Russia (formerly: OOO “Gruner + Jahr Magazines”), was completed. Since that time, both companies were fully consolidated.

The acquisition of a 51 % interest in Umzugsauktion GmbH & Co. KG, Schallstadt, was completed in April 2010. This company had been included in the consolidated financial statements since April 30, 2010.

Due to the sale of the Solutions division of the StepStone Group at the beginning of May 2010 one German subsidiary and 22 subsidiaries headquartered in foreign countries were de-consolidated effective May 1, 2010. In addition, three foreign subsidiaries of the StepStone Group were liquidated in the current year.

wallstreet:online AG, Berlin, as well as wallstreet:online capital AG, Berlin, which were previously included in the consolidated financial statements, were sold in May and August 2010 and de-consolidated effective May 1 and August 1, 2010, respectively.

The sales of our interests in Cora Verlag GmbH & Co. KG, Hamburg, and ZertifikateJournal AG, Veitshöchheim, were completed at the beginning of April and the beginning of May 2010, respectively. These interests were formerly accounted for by using the equity method.

Axel Springer Schweiz AG, Zurich/Switzerland, was merged into Handelszeitung und Finanzrundschau AG, Zurich/Switzerland, in June 2010. Handelszeitung und Finanzrundschau AG was renamed Axel Springer Schweiz AG.

Effective July 1, 2010, Ringier Axel Springer Media AG, Zurich/Switzerland, and twelve foreign subsidiaries brought in by Ringier, were fully consolidated in our consolidated financial statements for the first time. In addition, the investment in PNS a.s., Prague/Czech Republic, brought in by Ringer, was included for the first time using the equity method.

In July, DW-Holding GmbH, Berlin, was merged into ZANOX.de AG, Berlin, and Sport B.Z. GmbH, Berlin, into Ullstein GmbH, Berlin. Moreover, three German companies and three foreign companies were deconsolidated due to business activity having largely been suspended.

At the end of August 2010, finanzen.net, a business unit belonging to Smarthouse Media, was spun off into the newly founded finanzen.net GmbH, Karlsruhe, and included in the consolidated financial statements for the first time in the course of full consolidation.

In November 2010, we acquired 72.6 % of the shares in Sohomint GmbH, Hamburg, which has been fully consolidated since November 1, 2010.

In November and December, StepStone Norge AS was merged into StepStone AS in Oslo/Norway; Blic Marketing d.o.o. into Ringier Axel Springer d.o.o. (formerly: Ringier d.o.o.) in Belgrade/Serbia; and Ringier Print s.r.o., Ostrava, into Ringier Axel Springer CZ a.s., Prague (formerly: Ringier CR a.s.) in the Czech Republic.

In December, we acquired 70 % of the shares in AZET sk a.s., Zilina/Slovakia. This company has been included in the consolidated financial statements since December 31, 2010.

(c) Acquisitions and divestitures

With the goal of developing eastern European media activities, Axel Springer AG and Ringier AG, Zurich/Switzerland, merged their business activities in Poland, the Czech Republic, Slovakia, and Serbia into the jointly managed Ringier Axel Springer Media AG, Zurich/Switzerland, effective July 1, 2010. In addition, we made a cash contribution of € 38,805 thousand and an adjustment payment to Ringier of € 124,845 thousand. Our 50 % interest in the joint venture is held by AS Online Beteiligungs GmbH, Berlin, a wholly owned subsidiary of Axel Springer AG. Due to the agreement to a call option on the acquisition of a further interest, we have treated the transaction as a business combination and included the Ringier Axel Springer Media group in the consolidated financial statements of Axel Springer AG effective July 1, 2010.

Along with the cash contribution and the adjustment payment, the preliminary consideration transferred totaling € 226,047 thousand also included the carrying amounts of the assets less liabilities brought in by us of € 61,197 thousand and contingent consideration of € 1,200 thousand. The acquisition related expenses recorded in other operating expenses amounted to € 3,220 thousand.

The contingent consideration resulted from a compensation obligation that was measured on the basis of the probable income.

Based on the preliminary purchase price allocations, the preliminary acquisition costs of this business combination could be allocated to the purchased assets and liabilities at the acquisition date as follows:

€ thousands	Carrying amount before acquisition	Adjustment amount	Carrying amount after acquisition
Other intangible assets	12,410	201,493	213,903
Property, plant, and equipment	41,708	0	41,708
Non-current financial assets	16,415	12,727	29,142
Trade receivables	42,844	0	42,844
Other assets	22,681	0	22,681
Cash and cash equivalents	64,728	0	64,728
Provisions and other liabilities	−24,612	0	−24,612
Trade payables	−20,819	0	−20,819
Deferred tax liabilities	−6,372	−36,677	−43,049
Net assets	**148,983**	**177,543**	**326,526**
Non-controlling interests			163,263
Acquisition cost (preliminary)			226,047
Goodwill (preliminary)			**62,784**

The carrying amount before acquisition comprised the assets and liabilities brought in by us.

The purchase price allocation considers all knowledge and adjusting events about conditions that existed at the acquisition date, and has not yet been completed. In particular, the merger of the Hungarian activities of Axel Springer and Ringier in the joint venture has not yet been approved by the cartel authorities, meaning that a part of the business combination has not yet been completed.

Of the other intangible assets acquired, intangible assets with carrying amounts of € 143,596 thousand have indefinite useful lives. The preliminary, non-tax-deductible goodwill is above all attributable to inseparable values such as employee expertise and expected synergy effects from the integration, and was allocated to the Print International segment.

Since initial consolidation, the joint venture has contributed to consolidated revenues in the amount of € 137,949 thousand and to consolidated net income in the amount of € 25,246 thousand. Of this amount, revenues of € 86,291 thousand and a net income of € 13,139 thousand were allocated to the subsidiaries brought in by Ringier. If the formation of the joint venture had already occurred on January 1, 2010, the joint venture had contributed to consolidated revenues in the amount of € 277,042 thousand and to consolidated net income in the amount of € 45,429 thousand. Of this amount, revenues of € 174,200 thousand and a net income of € 29,190 thousand were allocated to the subsidiaries brought in by Ringier.

The other business combinations completed in the current year related to the acquisitions of the Perfiliate Group (100 %), Axel Springer RUS (100 %), Umzugsauktion GmbH & Co. KG (51 %), Sohomint GmbH (72.6 %), AZET sk a.s. (70 %), and the domain www.billig-flieger-vergleich.de (see note 2 (b)). Individually, these acquisitions did not have any significant effects on the financial position, liquidity, and financial performance of the Group.

The preliminary consideration transferred for these acquisitions, totaling € 74,948 thousand, include both the purchase prices paid in the current year and contingent consideration of € 21,929 thousand. The acquisition-related expenses of the purchase recorded in other operating expenses amounted to € 932 thousand.

The contingent consideration resulted from option rights for the acquisition of the remaining shares in the companies. They were measured on the basis of the current market value of the option price at the acquisition date. The current market value depends significantly on the profit trends of the acquired companies in the years prior to the possible exercise dates of the options.

Based on the preliminary purchase price allocations, the accumulated preliminary costs of these acquisitions could be allocated to the purchased assets and liabilities at the acquisition date as follows:

€ thousands	Carrying amount before acquisition	Adjustment amount	Carrying amount after acquisition
Other intangible assets	2,078	13,087	15,166
Property, plant, and equipment	901	0	901
Non-current financial assets	122	0	122
Trade receivables	17,828	0	17,828
Other assets	960	0	960
Cash and cash equivalents	2,083	0	2,083
Provisions and other liabilities	−4,896	0	−4,896
Trade payables	−8,099	0	−8,099
Deferred tax liabilities	−36	−2,049	−2,085
Net assets	**10,941**	**11,038**	**21,979**
Non-controlling interests			585
Acquisition cost (preliminary)			74,948
Other adjustments *			−14,443
Goodwill (preliminary)			**39,111**

*) Goodwill adjusted due to indirect acquisition.

The purchase price allocations consider all knowledge and adjusting events about conditions that existed already at the acquisition date, and have not yet been completed, particularly due to the closeness in time between individual acquisitions and the balance sheet date.

Of the other intangible assets acquired in these acquisitions, intangible assets with carrying amounts of € 2,605 thousand have indefinite useful lives. The preliminary, non-tax-deductible goodwill values of each company are above all attributable to inseparable values such as employee expertise and expected synergy effects from the integration, and were allocated to the segments Digital Media (€ 36,676 thousand) and Print International (€ 2,435 thousand).

Since initial consolidation, these companies have contributed to consolidated revenues in the amount of € 59,533 thousand and to consolidated net income in the amount of € 233 thousand. If the acquisitions had already occurred on January 1, 2010, the consolidated revenues would have increased by € 81,102 thousand, and the consolidated net income by € 1,400 thousand.

The disposal of our subsidiaries wallstreet:online AG, Berlin, and wallstreet:online capital AG, Berlin, occurred in May and August 2010, respectively. The loss on disposal totaled € 15,388 thousand. It was disclosed in other operating expenses.

The disposal of the Solutions business unit of the StepStone Group was likewise completed in May 2010. The gain on disposal was € 65,634 thousand. It was disclosed in other operating income (€ 73,711 thousand), other operating expenses (€ 2,907 thousand), and personnel expenses (€ 5,170 thousand).

The disposal prices for these transactions amounted to € 117,248 thousand, which were collected in the current year. The following table shows the carrying amounts of the assets and liabilities sold:

€ thousands	Carrying amount
Goodwill	14,808
Other intangible assets	47,683
Property, plant, and equipment	3,907
Trade receivables	14,913
Other assets	12,403
Cash and cash equivalents	11,142
Provisions and other liabilities	−24,163
Trade payables	−2,009
Deferred tax liabilities	−14,419
Disposal net assets	**64,265**
Non-controlling interests	5,340
Net realizable value	117,248
Gain on disposal	**58,323**

Additional divestitures carried out in the current year collectively had no material effects on the financial position, liquidity, and financial performance of the Axel Springer Group.

Acquisitions and divestitures in the prior year:

At the beginning of September 2009, Axel Springer AG increased its share in StepStone ASA, Oslo/Norway, from 33.3 % to 52.8 % and thus assumed control. Costs of purchase of € 26,557 thousand were incurred for the increase to 52.8 %, as well as incidental costs of € 2,886 thousand. The cost of purchase for the acquisition of 33.3 % of the shares, which occurred in 2008, amounted to € 34,886 thousand. Using the mandatory takeover offer for remaining outstanding shares, as well as additional share purchases and the squeeze-out that was initiated, we increased our share to 100.0 % by December 31, 2009, for a cost of purchase of € 65,410 thousand.

The cost of purchase of the acquisition to 52.8 % was allocated to the acquired assets and liabilities as follows:

€ thousands	Carrying amount before acquisition	Adjustment amount	Carrying amount after acquisition
Other intangible assets	8,514	68,138	76,652
Property, plant, and equipment	4,429		4,429
Other non-current assets	1,641		1,641
Current assets	21,161	742	21,903
Cash and cash equivalents	31,937		31,937
Deferred tax assets	10,587	−4,077	6,510
Provisions and liabilities	−54,998	7,088	−47,910
Deferred tax liabilities	0	−25,048	−25,048
Net assets	**23,271**	**46,843**	**70,114**
Non-controlling interests			33,115
Acquisition cost			64,329
Revaluation surplus			3,086
Goodwill			**24,243**

Of the other intangible assets acquired, intangible assets with carrying amounts of € 41,075 thousand had indefinite useful lives at the acquisition date. The goodwill is above all attributable to inseparable values such as employee expertise and expected synergy effects from the integration, and was allocated to the Digital Media segment.

From initial consolidation to December 31, 2009, the StepStone Group has contributed to consolidated revenues in the amount of € 29,351 thousand and to consolidated net income in the amount of € – 12,651 thousand. If the acquisition had already occurred on January 1, 2009, the consolidated revenues would have changed by € 95,923 thousand, and the consolidated net income by € –17,240 thousand in fiscal 2009; in addition, investment income of € –2,289 thousand would not have been collected.

DW Holding GmbH, Berlin, in which our wholly owned subsidiary Axel Springer Venture GmbH holds 52.5 % of the shares, acquired 50.1 % of the shares in Digital Window Ltd., London/Great Britain, at the beginning of October 2009. Due to the call and put options that can be exercised in subsequent years for the remaining 49.9 % of the shares, only the interests allocable to the non-controlling shareholder of DW-Holding GmbH were recognized as non-controlling interests. The cost of purchase amounted to € 21,735 thousand plus incidental costs of € 487 thousand. This included contingent consideration in the amount of € 11,586 thousand.

The cost of purchase was allocated to the acquired assets and liabilities as follows:

€ thousands	Carrying amount before acquisition	Adjustment amount	Carrying amount after acquisition
Other intangible assets	41	10,921	10,962
Property, plant, and equipment	366		366
Trade receivables	7,213		7,213
Other current assets	396		396
Cash and cash equivalents	6,905		6,905
Deferred tax assets	2		2
Provisions and liabilities	–7,714		–7,714
Deferred tax liabilities	0	–3,058	–3,058
Net assets	**7,211**	**7,863**	**15,074**
Non-controlling interests			7,160
Acquisition cost			22,222
Goodwill			**14,308**

Of the other intangible assets acquired, no assets had indefinite useful lives at the acquisition date. The goodwill is above all attributable to inseparable values such as employee expertise and expected synergy effects from the integration, and was allocated to the Digital Media segment.

From initial consolidation to December 31, 2009, Digital Window Ltd. has contributed to consolidated revenues in the amount of € 16,241 thousand and to consolidated net income in the amount of € 943 thousand. If the acquisition had already occurred on January 1, 2009, the consolidated revenues would have changed by € 47,980 thousand, and the consolidated net income by € 1,021 thousand in fiscal 2009.

The sale of a number of investments in regional newspapers and Elmshorner Nachrichten took place in March, April, and August 2009, following approval under anti-trust law. A total of € 173,975 thousand of the purchase price in the amount of € 323,975 thousand was paid at the beginning of the second quarter and in the third quarter of 2009. The remainder of the purchase price will be payable in installments in the period from 2011 to 2016. The carrying amounts of investments and financial receivables assigned to the Newspapers National segment in the amount of € 109,175 thousand were disposed of from the assets held for sale. A gain on disposal totaling € 214,357 thousand was recognized. In this context, tax expenses were incurred in the amount of € 21,780 thousand.

Additional acquisitions and divestitures carried out in 2009 collectively had no material effects on the financial position, liquidity, and financial performance of the Axel Springer Group.

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

Assets and liabilities of subsidiaries for which the functional currency is not the euro have been translated at the exchange rate in effect on the balance sheet date. The 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 balance sheet 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 Axel Springer Group underwent the following changes:

1 € in foreign currency	Average exchange rate		Exchange rate at balance sheet date	
	2010	2009	12/31/2010	12/31/2009
Polish zloty	4.00	4.34	3.97	4.14
Swiss franc	1.37	1.51	1.24	1.49
Czech koruna	25.27	26.47	25.30	26.39
Hungarian forint	276.60	280.55	279.91	272.48
British pound	0.85	0.89	0.86	0.90

(3) *Explanation of significant accounting and valuation methods*

(a) *Basic principles*

The accounting and valuation principles applied uniformly across the Axel Springer Group in fiscal year 2010 are basically the same as those applied in the prior year with the exception of the following change.

We implemented the new regulations of IFRS 3 (revised 2008) “Business Combinations”, and IAS 27 (revised 2008) “Consolidated and Separate Financial Statements” for all business combinations and transactions with non-controlling shareholders effected since January 1, 2010 (see note (3q) for the effects thereof).

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

(b) *Recognition of income and expenses*

The Axel Springer Group mainly generates circulation and advertising 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.

Circulation revenues encompass the sales of newspapers and magazines 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. Additionally, circulation revenues comprise the sale of digital applications and formats.

The advertising revenues encompass revenues from sales of advertising spaces in the published newspapers and magazines and the revenues generated in the categories of display, affiliate marketing, and search in the Digital Media segment.

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 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. When these criteria are satisfied and the deliveries and services of outstanding components are possible and probable even in the case of return of components already provided, then revenues are recognized for the individual separate components according to the relevant regulations.

Revenues from barter transactions are recognized if the goods and 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. 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 follow:

	Useful life in years
Software	3 – 8
Licenses	3 – 10
Supply rights	3 – 6
Internet platform	3 – 8
Customer relationships	3 – 16

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 as fixed assets 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. 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 purposes of depreciation, the following useful lives are applied:

	Useful life in years
Buildings	30 – 50
Leasehold improvements	5 – 15
Printing machines	12 – 20
Editing systems	3 – 7
Other operational and business equipment	3 – 14

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.

(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 asset exceeds its recoverable amount (fair value less the costs to sell or the value in use). If it is not possible to determine the recoverable amount of an individual asset, the recoverable amount for the next-higher group of assets is applied.

Goodwill and intangibles with indefinite useful lives acquired in the context of business combinations are tested once annually for impairment. In order to carry out the impairment tests, these assets are assigned to those cash-generating units or those cash-generating groups (i.e., each “reporting unit”) that can be expected to profit from the synergies of 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 media of the Axel Springer Group. In the case of integrated business models, individual titles and digital media are collected into a single reporting unit.

The impairment test is conducted by determining the value in use of the reporting units, determined as the sum of the discounted estimated future cash flows, which are derived from the company’s medium-term plan. The planning horizon for the medium-term planning is five years. The cash flows to be received after this five-year period are extrapolated on the assumption of a growth rate of 1.5 % (PY: 1.5 %), which does not exceed the assumed average market or industry growth rate of the respective reporting units. The discount rates are calculated on the basis of the weighted average capital costs of the Group, taking country-specific considerations into account. The discount rates range from 6.4 % to 12.5 % (PY: from 6.2 % to 12.3 %) after taxes and from 8.5 % to 15.6 % (PY: from 7.9 % to 15.40 %) before taxes.

Estimation uncertainties arise in the following assumptions applied in calculating the value-in-use of the reporting units:

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: The discount rates reflect the current market estimates of the country-specific risks attributable to each reporting unit. The discount rate was estimated on the basis of the average weighted capital costs of the sector in question.

Growth rates: The growth rates were determined on the basis of published market research reports for the sectors in question. In estimating the long-term growth rates, 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 the asset. The reversal is limited to the amount which 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, deferred purchase price receivables, trade receivables, receivables due 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, 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.

If reliably measurable, fair values of financial assets and liabilities are determined on the basis of appropriate market prices or valuation methods.

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 immediately 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.

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. However, the fair value is not reliably measurable when material valuation differences appear in estimating fair values based on projections and scenarios, or when the likelihood of projections and scenarios cannot be reliably determined. Any unrealized gains or losses resulting from the changes in fair value, considering resulting tax effects, are recognized in accumulated other comprehensive income. Changes in fair value are not recognized in income until the corresponding non-current financial assets are sold or an impairment loss is recognized.

The carrying amounts of investments and securities are reviewed at every balance sheet date to determine whether there are objective indications of an impairment. If an impairment is found to exist, an impairment loss is recognized and charged to income.

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.

Cash and cash equivalents

The cash and cash equivalents consist of cash (short-term available cash in banks, cash on hand, and checks). These items are measured at amortized cost.

Financial derivatives

Financial derivatives are utilized exclusively to hedge against currency and interest rate risks that have an influence on future cash flows. Financial derivatives are measured at fair values based on stock exchange or market prices, or using generally accepted valuation methods. If the conditions for the application of hedge accounting are met, the effective portion of the fair value changes, including the tax effects, is recognized directly in equity as accumulated other comprehensive income. Any ineffective portions are recognized immediately in 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 derivates are used to avoid impairments of investments and securities. In case the underlying financial asset are recorded at amortized costs because its fair value is not reliably measurable, the financial derivative is recorded at amortized costs as well.

Contingent consideration

Options and earn-out agreements in connection with business combinations in which the Axel Springer Group acquires control over the companies in question are treated as contingent consideration at fair value. For transactions that were completed prior to January 1, 2010, the obligation was measured at its present value provided that the acquisition costs was probable and could be measured reliably. Adjustments in the subsequent periods are recorded with no effect on income. Options and earn-out agreements in connection with business combinations completed since January 1, 2010, are measured at the present value of the expected cash flows, provided that it can be measured reliably. In the subsequent periods, changes in the fair value are recognized immediately in income. The discount rates are determined on the basis of the interest rates charged on the Group's borrowings.

Other financial liabilities

Other non-derivative financial liabilities are measured at amortized cost by application of the effective interest method.

(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 balance sheet 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

Assets are classified as held-for-sale when their disposal has been initiated. 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.

(j) Pension provisions

The provisions for pension obligations under defined benefit plans are calculated using the projected unit credit method under which future changes in compensation and benefits are taken into account. The following parameters were applied in the 2010 and 2009 fiscal years:

Information in %	2010	2009
Discount rate	2.75 – 4.75	3.0 – 5.3
Expected return on plan assets	3.5	3.25 – 3.5
Expected return on reimbursement rights	4.6	5.3
Salary trend	1.5 – 1.75	1.5 – 2.0
Pension trend	0.25 – 1.75	0.25 – 2.0

The expected life spans are determined with reference to the country-specific recognized actuarial tables. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. The discount rate applied for this purpose is determined with reference to high-quality corporate bonds that match the underlying pension obligations with respect to currency and maturity.

Actuarial gains and losses resulting from changes in actuarial parameters are immediately 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 balance sheet 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 balance sheet 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. The treasury shares are presented in a separate line item of the consolidated statement of changes in 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 balance sheet 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).

(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 balance sheet date. Any foreign exchange gains or losses resulting from such translations are recognized in income.

(p) Use of estimates
The preparation of the consolidated financial statements requires estimates and assumptions that have an influence on the presentation of assets and liabilities, the disclosure of contingent liabilities at the balance sheet date, and the presentation of income and expenses. Significant estimates and assumptions relate in particular to allowances for doubtful receivables, the actuarial parameters used to measure pension provisions, product return rates, medium-term planning, discount rates and growth rates for the valuation of goodwill and intangible assets with indefinite useful life, contingent consideration for options and earn-out agreements in connection with business combinations, and the ability to utilize deferred tax assets in the future. Information concerning the carrying amounts determined with the use of estimates can be found in the comments on the specific line items.

(q) New accounting standards

The following IFRSs relevant for Axel Springer were applied for the first time in the fiscal year:

IFRS 3 (revised 2008) “Business Combinations” and IAS 27 (revised 2008) “Consolidated and Separate Financial Statements” were published in January 2008 and adopted in EU law in June 2009. We report business combinations and transactions with non-controlling interests that were completed on or after January 1, 2010, according to the new regulations. Differently to the accounting policies applied as of December 31, 2009, incidental acquisition costs are recognized directly to income. Contingent consideration is recognized at fair value provided that it can be determined reliably; adjustments after the acquisition date are recognized directly to income. As already in prior years, we offset effects from acquisitions and disposal of non-controlling interests within equity. When shares are sold causing a loss of control, the remaining shares must be recognized at fair value; when shares are purchased causing a gain in control, shares already held must be recognized at fair value. Arising differences to the previous carrying amounts must be recognized directly to income. We do not exercise the option of complete disclosure of goodwill and continue to only disclose the goodwill allocated to our own interests. The changes have effects on how company transactions are reflected on the balance sheet, particularly on the results of the reporting period in which an acquisition occurred, and on results in future periods. Due to the changes to IAS 27, cash flows resulting from acquisitions and disposals of non-controlling interests must be shown in cash flow from financing activities instead of in cash flow from investing activities since January 1, 2010. The prior-year figure was adjusted accordingly.

The standard “Improvements to IFRSs”, which was published in April 2009 and adopted in EU law in March 2010, is primarily to be applied to fiscal years commencing on or after January 1, 2010. Due to the changes, we refrain from disclosing segment assets, since we do not use this key figure as a management measure at segment level. Moreover, we only still recognize payments for capitalized assets in cash flow from investing activities. The changes in the second improvement standard had no material effects relating to our financial position, liquidity, and financial performance.

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

IFRS 9 “Financial Instruments” was published by IASB in November. In the future, financial assets must be assigned only to the two valuation categories “at amortized cost” and “at fair value” and measured accordingly. The regulations for recognizing financial liabilities were published as a supplement in October 2010 and led to changes in the application of the fair value option. IFRS 9 is required to be applied to fiscal years that begin on or after January 1, 2013. These amendments have not yet been incorporated into European law. The application of the new standard will lead to changes in the presentation and recognition of financial assets and liabilities.

In the current year, IASB and IFRS IC published additional pronouncements that 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:

€ thousands	Purchased rights and licenses	Internally generated rights	Goodwill	Total
Acquisition or production cost				
Balance as of January 1, 2009	469,692	26,892	471,806	968,390
Initial consolidation	77,250	10,557	36,299	124,106
Deconsolidation	−2,745	0	−1,878	−4,623
Currency effects	−502	337	1,364	1,199
Additions	17,387	2,125	0	19,512
Disposals	−62,054	−68	−286	−62,408
Transfers	143	−86	0	57
Balance as of December 31, 2009	**499,171**	**39,757**	**507,305**	**1,046,233**
Initial consolidation	223,683	936	109,334	333,953
Deconsolidation	−56,169	−4,833	−15,118	−76,120
Currency effects	27,864	1,528	11,687	41,079
Additions	27,513	1,657	339	29,509
Disposals	−10,082	−4,064	−30	−14,176
Transfers	−231	−446	500	−177
Balance as of December 31, 2010	**711,749**	**34,535**	**614,017**	**1,360,301**
Depreciation and impairments				
Balance as of January 1, 2009	166,567	13,476	50,383	230,426
Initial consolidation	116	0	0	116
Deconsolidation	−1,622	0	−1,878	−3,500
Currency effects	−447	215	0	−232
Additions	35,463	4,405	0	39,868
Disposals	−55,605	−68	−286	−55,959
Transfers	337	0	0	337
Write-ups	−261	0	0	−261
Balance as of December 31, 2009	**144,548**	**18,028**	**48,219**	**210,795**
Initial consolidation	512	0	0	512
Deconsolidation	−11,337	−1,019	0	−12,356
Currency effects	3,787	246	0	4,033
Additions	45,043	6,041	0	51,084
Disposals	−7,510	−1,703	−15	−9,228
Transfers	−125	0	0	−125
Balance as of December 31, 2010	**174,917**	**21,593**	**48,204**	**244,714**
Carrying amounts				
As of December 31, 2010	536,832	12,942	565,813	1,115,587
As of December 31, 2009	354,623	21,729	459,086	835,438

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 total of goodwill and intangible assets with indefinite useful lives that have been assigned to the individual reporting units amounts to a maximum of 25 % of the total value of all goodwill and intangible assets with indefinite useful lives measured as of December 31, 2010, in the amount of € 895,829 thousand (PY: € 655,179 thousand).

The value in use of the reporting units is determined primarily by the terminal value. The amount of the terminal value depends on the forecasted cash flow in the fifth year of medium-term planning, and above all on the growth rate of the cash flows subsequent to the medium-term planning, and on the discount rate (see explanations in note (3f) on assumptions in the context of the annual impairment test).

Goodwill amounting to € 344,818 thousand (PY: € 319,781 thousand) and intangible assets with indefinite useful lives amounting to € 116,356 thousand (PY: € 116,259 thousand), representing approximately 50 % (PY: 70 %) of the total value, were assigned to a total of four reporting units in the Digital Media segment. A reduction of cash flows by about 80 % (PY: 60 %) in the fifth planning year would reduce the surplus between the value in use and the carrying amount of these reporting units to zero. A reduction in the growth rate by 0.5 percentage points would reduce the surplus by 11.8 % (PY: 14.3 %), and an increase in the discount rate by 0.5 percentage points would reduce the surplus by 14.3 % (PY: 17.4 %).

Goodwill amounting to € 130,040 thousand (PY: € 58,039 thousand) and intangible assets with indefinite useful lives amounting to € 197,758 thousand (PY: € 47,984 thousand), representing approximately 35 % (PY: 15 %) of the total value, were almost completely assigned to a total of two reporting units in the Print International segment. A reduction of cash flows by about 70 % (PY: 90 %) in the fifth planning year would reduce the surplus between the value in use and the carrying amount of these reporting units to zero. A reduction in the growth rate by 0.5 percentage points would reduce the surplus by 12.8 % (PY: 9.5 %), and an increase in the discount rate by 0.5 percentage points would reduce the surplus by 15.6 % (PY: 11.9 %).

(5) Property, plant, and equipment

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

€ thousands	Land and buildings, including buildings on non-owned land	Technical equipment and machinery	Other equipment, operational and office equipment	Construction in progress	Total
Acquisition or production cost					
Balance as of January 1, 2009	574,705	538,662	172,811	2,082	1,288,260
Initial consolidation	4,112	6,532	5,243	0	15,887
Deconsolidation	0	–80	–59	0	–139
Currency effects	–261	–200	50	12	–399
Additions	2,131	2,433	13,752	2,937	21,253
Disposals	–843	–3,970	–12,195	–136	–17,144
Transfers	3,976	1,088	–272	–1,470	3,322
Balance as of December 31, 2009	**583,820**	**544,465**	**179,330**	**3,425**	**1,311,040**
Initial consolidation	6,537	26,069	5,944	19	38,569
Deconsolidation	0	–1,133	–5,165	–1	–6,299
Currency effects	642	–729	2,263	–13	2,163
Additions	607	7,321	18,733	6,428	33,089
Disposals	–151	–27,455	–15,496	–662	–43,764
Transfers	–38,386	745	1,668	–4,459	–40,432
Balance as of December 31, 2010	**553,069**	**549,283**	**187,277**	**4,737**	**1,294,366**
Depreciation and impairments					
Balance as of January 1, 2009	161,484	283,274	121,252	0	566,010
Initial consolidation	804	2,866	375	0	4,045
Deconsolidation	0	5	–29	0	–24
Currency effects	–144	–82	6	0	–220
Additions	11,843	24,207	15,716	0	51,766
Disposals	–766	–3,752	–11,128	0	–15,646
Transfers	360	369	–372	0	357
Balance as of December 31, 2009	**173,581**	**306,887**	**125,820**	**0**	**606,288**
Initial consolidation	227	393	16	0	636
Deconsolidation	0	–1,576	–1,170	0	–2,746
Currency effects	231	–53	1,144	0	1,322
Additions	11,640	26,589	17,162	133	55,524
Disposals	–92	–27,060	–13,544	–105	–40,801
Transfers	–12,533	–12	12	0	–12,533
Balance as of December 31, 2010	**173,055**	**305,168**	**129,440**	**28**	**607,691**
Carrying amounts					
As of December 31, 2010	380,014	244,116	57,837	4,709	686,676
As of December 31, 2009	410,239	237,578	53,510	3,425	704,752

As of December 31, 2010, property, plant, and equipment with acquisition or production cost of € 143,710 thousand (PY: € 159,692 thousand) were in use that had already been fully depreciated.

Property, plant, and equipment in the amount of € 91,940 thousand (PY: € 98,053 thousand) had been pledged as security for own liabilities as of December 31, 2010.

(6) Investment property

The development of the investment property was as follows:

€ thousands	Investment property
Acquisition or production cost	
Balance as of January 1, 2009	52,318
Additions	516
Transfers	–3,616
Balance as of December 31, 2009	**49,218**
Additions	3,180
Transfers	38,923
Balance as of December 31, 2010	**91,321**
Depreciation and impairments	
Balance as of January 1, 2009	22,655
Additions	716
Transfers	–357
Write-ups	–5,500
Balance as of December 31, 2009	**17,514**
Additions	6,933
Transfers	12,534
Balance as of December 31, 2010	**36,981**
Carrying amounts	
As of December 31, 2010	54,340
As of December 31, 2009	31,704

The fair value of investment property as of December 31, 2010 amounted to € 54,340 thousand (PY: € 31,704 thousand). The fair value calculation, which was performed by us, was based on the application of the discounted cash flow method, with reference to the estimated cash flows. In calculating this value, a discount rate of 7.0 % (PY: 7.0 %) and a perpetuity capitalization rate of 6.0 % (PY: 6.0 %) was applied. As a result of the change in fair value, impairment losses amounting to € 5,592 thousand (PY: write-ups of € 5,500 thousand) have been recognized and allocated to the Services/Holding segment.

Due to increased leasing of office space to third parties, we reclassified an amount of € 26,389 thousand from property, plant, and equipment into investment property in the reporting year.

In 2010, rental income of € 3,289 thousand (PY: € 2,955 thousand) was generated, with corresponding rental expenses of € 751 thousand (PY: € 1,436 thousand). Directly allocable expenses of € 65 thousand (PY: € 108 thousand) were incurred for non-rented space.

The total future payments from operating lease contracts are broken down as follows:

€ thousands	2010	2009
Due in up to one year	3,578	2,049
Due in one to five years	11,132	6,395
Due in more than five years	7,643	2,568
Total	**22,353**	**11,012**

(7) Non-current financial assets

The increase in non-current financial assets particularly resulted from the reclassification of the shares in Doğan TV (€ 352,016 thousand) from the assets held for sale (see note (11) for further details). When determining the recoverable amount in the context of the impairment test of our investment in Doğan TV, we factored in both estimated future cash flows and a number of contractually stipulated value-securing mechanisms. Moreover, in order to assess the recoverable amount of our investment, we carried out an estimation of the prospects of success for suits filed by Doğan TV against assessed tax claims and tax penalties. According to these estimates, there was no need for impairment as of December 31, 2010.

In addition, we acquired about 12.4 % of the shares in SeLoger.com SA at the beginning of September 2010, for a purchase price of € 34.00 per share (total purchase price of € 69,976 thousand). As of December 31, 2010, the recognized fair value amounted to € 72,507 thousands.

Investments accounted for using the equity method showed the following development:

€ thousands	2010	2009
Carrying amount as of January 1	**59,702**	**129,993**
Attributable net income	3,193	1,524
Dividends	−3,930	−11,728
Changes recognized in other comprehensive income	−9,485	−3,233
Impairment losses	−21,602	−20,498
Acquisitions	14,160	14,819
Disposals	−1,272	−51,779
Other changes	−24	604
Carrying amount as of December 31	**40,742**	**59,702**

The disposals in the fiscal year related to the sales of our shares in Cora Verlag and ZertifikateJournal. The acquisitions related to the purchase of 27.02 % of the shares in PNS in connection with the business activities in the Czech Republic brought into the joint venture Ringier Axel Springer Media by Ringier.

Subsequently, the aggregated financial data for the investments accounted for using the equity method are shown. Net income and revenue amounts correspond to the period of inclusion under the equity method in the reporting periods:

€ thousands	2010	2009
Net income	25,427	−92,506
Revenues	886,067	719,561
Assets	692,823	622,760
Liabilities	595,470	524,885

The aggregated financial information for the associated companies classified as held for sale in the previous year was based on the financial data as of September 30, 2009. In the current period, all assets held for sale were sold or reclassified into other financial assets (see note (11)).

€ thousands	2009
Net income	−85,510
Revenues	200,594
Assets	679,983
Liabilities	725,844

As of December 31, 2010, no shares existed in publicly listed associated companies. In the prior year, based on the publicly listed market price, the fair value of our investment in ZertifikateJournal amounted to € 1,798 thousand.

(8) Inventories

The inventories broke down as follows:

€ thousands	12/31/2010	12/31/2009
Raw materials and supplies	19,486	27,171
Semi-finished goods	2,951	2,179
Finished goods and merchandise	4,606	2,550
Inventories	**27,043**	**31,900**

Inventories of € 8,664 thousand (PY: € 9,455 thousand) were measured at their net realizable value. As of December 31, 2010, the valuation allowance for these inventories amounted to € 1,693 thousand (PY: € 2,047 thousand), of which € 1,566 thousand (PY: € 364 thousand) was recognized affecting net income in 2010.

(9) Trade receivables

The trade receivables broke down as follows:

€ thousands	12/31/2010	12/31/2009
Trade receivables, nominal	398,859	317,257
Allowances for doubtful trade receivables	−12,959	−15,310
Trade receivables	**385,900**	**301,947**

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

€ thousands	2010	2009
Balance as of January 1	15,310	9,272
Utilization	−5,279	−6,417
Reversals	−3,021	−641
Disposal due to deconsolidation	−2,231	0
Additions	8,134	13,013
Other changes	46	83
Balance as of December 31	**12,959**	**15,310**

As of December 31, 2010, receivables in the amount of € 276,643 thousand (PY: € 183,638 thousand) were neither past due nor subject to valuation allowances. With regard to these receivables, there were no indications at the balance sheet date that would suggest that the customers would not fulfill their payment obligations.

The past-due trade receivables at the balance sheet date for which no valuation allowances have been charged are presented in the table below:

€ thousands	12/31/2010	12/31/2009
up to 30 days	40,225	51,543
31 to 90 days	13,870	26,139
91 to 180 days	6,980	8,914
181 to 360 days	12,091	10,063
361 days and longer	12,083	8,999

(10) Other assets

The other assets broke down as follows:

€ thousands	12/31/2010	12/31/2009
Deferral of payment for regional newspaper investments	150,000	150,000
Creditors' accounts with debit balances	15,143	4,394
Receivables from Kirch insolvency	6,825	7,586
Derivatives	2,362	334
Receivables due from employees	633	566
H&F call option	0	10,835
Miscellaneous	29,668	26,992
Other financial assets	**204,631**	**200,707**
Advance payments	12,015	16,403
Receivables from other taxes	10,563	5,503
Other non-financial assets	**22,578**	**21,906**
Other assets	**227,209**	**222,613**

The deferred payment resulting from the sale of the investments in regional newspapers in the previous year is described in note (2c). The purchase price will become due and payable successively in the period from 2011 to 2016, so that € 25,000 thousand is recognized as a short-term obligation for the first time in the reporting period.

By agreement of April 8, 2004, H&F Rose Partners, L.P. and H&F International Rose Partners, L.P. (collectively referred to as “H&F” in the following) granted to Axel Springer AG 560,700 call options for the purchase of Axel Springer AG shares. Thus, Axel Springer AG was principally entitled to purchase one share of Axel Springer AG from H&F for each share issued to a member of the Management Board under the Management Participation Program. Axel Springer AG waived this right in connection with 62,300 shares by an agreement with H&F of June 30, 2009. In return, Axel Springer AG received a cash settlement. According to two additional amendment agreements from 2009 and 2010, the remaining call options shall lapse if and to the extent that H&F sells the shares in Axel Springer AG for its part and in exchange pays a cash settlement to Axel Springer. With the sale of 498,400 shares of Axel Springer AG by H&F in 2010, all remaining 498,400 call options that still existed on December 31, 2009, have lapsed. The cash settlement paid by H&F was € 13,437 thousand.

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 € 325,000 thousand. The claims in excess thereof of € 1,411 thousand recorded in the prior year were paid in full in the reporting period.

The miscellaneous financial assets include loans and receivables due from other investee companies and security deposits, among other items.

(11) Assets held for sale and liabilities related to assets held for sale

In connection with two capital increases at Doğan TV carried out by Doğan Yayin Holding in the first half of 2010, existing contractual agreements to reduce our investment in Doğan TV from the original 25 % to 19.9 % were implemented. This interest (€ 352,016 thousand), which formerly had been carried as held for sale, was disposed of in the consolidated statement of financial position. Upon disposal of the investment, foreign exchange losses of € 16,710 thousand were transferred from accumulated other comprehensive income to the consolidated income statement. Our 19.9 % interest in Doğan TV, which is assigned to the Digital Media segment, was recognized as an addition in other financial assets.

In addition, the sale of our investment in Westfalenblatt (€ 6,190 thousand), which was assigned to the segment Newspapers National, was completed in January 2010.

(12) Equity

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

(a) Subscribed capital

The subscribed capital of € 98,940,000 is fully paid in. Based on the percentage of subscribed capital that each share represents, the shares are valued at € 3.00 per share. The subscribed capital is divided into 32,980,000 registered shares, which can be transferred only with the consent of the company.

At balance sheet date, 32,780,000 shares were outstanding (PY: 29,800,216 shares).

(b) Additional paid-in capital

The additional paid-in capital primarily results from a shareholder contribution granted in previous years. Furthermore, the amount of the corresponding personnel expenses for the share-based payment programs is included (cf. note (12f)).

(c) Accumulated retained earnings

The accumulated retained earnings include the income of the companies included in the consolidated financial statements, to the extent that they have not been distributed to shareholders. Moreover, transactions with shareholders are recognized.

In 2010, Axel Springer AG distributed an amount of € 131,179 thousand as dividend payments (€ 4.40 per qualifying share) for the fiscal year 2009. In 2009, Axel Springer AG distributed an amount of € 130,604 thousand as dividend payments (€ 4.40 per qualifying share) for the fiscal year 2008.

The premium resulting from the issue of treasury shares in the reporting period increased accumulated retained earnings by € 72,485 thousand (cf. note (12d)).

(d) Treasury shares

In the reporting year, Axel Springer AG issued 2,979,784 treasury shares in the context of the placement of treasury shares that occurred in September, and share-based payment programs (cf. note (12f)). After this, Axel Springer AG held 200,000 treasury shares (PY: 3,179,784 shares), corresponding to 0.6 % (PY: 9.6 %) of its capital stock.

Due to the sale of our treasury shares, € 261,931 thousand was collected, increasing equity (of which € 72,485 thousand are allocated to the premium recognized in accumulated retained earnings).

(e) Accumulated other comprehensive income

Other equity within the accumulated other comprehensive income mainly contained actuarial losses from pension provisions of € 13,400 thousand (PY: gains of € 1,289 thousands). Moreover, effects in the opposite direction amounting to € 10,135 thousands (PY: € 21,633 thousands) were included referring to companies that are accounted for using the equity method. This change mainly results from foreign exchange losses of € 16,710 thousand that were transferred from accumulated other comprehensive income to consolidated net income (cf. note (11)).

(f) Share-based payment

On April 14, 2004, the shareholders at the annual meeting of Axel Springer AG approved a Management Participation Program, under which the members of the Management Board of Axel Springer AG are entitled to purchase shares of Axel Springer AG. Under the terms of this plan, 62,300 shares were offered for purchase on or after July 1, 2004, for a purchase price of € 54.00 per share (plus 2 % interest from July 1, 2004), and acquired in August 2004. These shares were originally subject to a multiple-year holding period, which expired on December 18, 2007, for 50 % of the shares acquired, and on December 18, 2008 for 50 % of the shares acquired.

For each of the 62,300 shares purchased, the members of the Management Board were granted eight additional options to purchase shares of Axel Springer AG. These options entitle their holders to purchase what was originally up to 498,400 shares at a price of € 54.00 per share, plus 2 % interest from July 1, 2004. The number of exercisable options was dependent on achieving or exceeding certain EBITA targets in fiscal years 2005 and 2006. These targets were exceeded. The vesting period for the first 50 % of the options ended on December 18, 2007, and for the second 50 % of the options on December 18, 2008.

The 249,200 options still outstanding as of December 31, 2009 (with a weighted average exercise price of € 60.21) were exercised in the reporting period by the participants in the Management Participation Program granted in 2004 at a weighted average exercise price of € 60.65 per option; and thus acquired shares in Axel Springer AG against payment of € 15,114 thousand. The weighted average market price at the exercise dates was € 93.05.

In 2009, a total of 34,888 options were exercised at a weighted average exercise price of € 59.67. The weighted average market price at the exercise times was € 70.13. On December 17, 2009, the entitled members of the Management Board stated that they were waiving exercise of 214,312 options, and in exchange received a promise of a settlement payment of € 12.00 per option. On December 17, 2009, the market price of a share in Axel Springer AG was € 75.96 (XETRA closing price), and the calculated exercise price of the options was € 59.90. The settlement payment was made in January 2010.

Effective July 1, 2009, 375,000 stock appreciation rights (SARs) were issued to the members of the Management Board. The SARs are granted until June 30, 2015, and can be exercised at the earliest from July 1, 2013. If the Management Board Employment Contract or the appointment to the Management Board continues to exist at least until June 30, 2013, then all of the SARs granted to the Management Board member can become vested. If a Management Board member leaves after June 30, 2010, but before July 1, 2013, the SARs granted vest pro rata temporis in proportion to the four-year waiting period. An additional requirement for vesting to occur is that, within the period from July 1, 2012, to June 30, 2013, during a period of 90 consecutive calendar days, either the price of the Axel Springer share is at least 30 % higher than the base value of € 60.86, or the percentage by which the price of the Axel Springer share is above the base value on average exceeds the average percentage price development of the DAX. Exercise of the SARs is only possible if the average share price of Axel Springer AG in the 90 calendar days prior to exercise is at least 30 % above the basis value and the percentage price increase of the Axel Springer share exceeds the development of the DAX price index in the corresponding period. Each SAR grants a payment claim in the amount of the growth in value of the Axel Springer share, restricted to a maximum of € 121.72; this corresponds to the difference between the volume-weighted average price during the last 90 calendar days prior to exercise and the base value. The Management Board members are obligated to hold one share of Axel Springer AG as their own investment for each ten SARs. Disposal of these shares prior to exercise of the SARs leads to a lapse of the SARs in the proportion of one share for each ten SARs. The value of the SARs was determined to be € 12.65 (€ 4,743 thousand for all warrants) by application of a Black-Scholes model in a Monte-Carlo simulation at the grant date. The total value will be recognized in liabilities due to related parties over the vesting period and presented within the personnel expenses. In 2010, € 9,540 thousand (PY: € 1,460 thousand) were recognized as personnel expenses. The liability was € 11,000 thousand (PY: € 1,460 thousand) as of December 31, 2010.

In May 2009, as part of a free share and stock participation program, 82,669 treasury shares were issued in the form of free shares or by conversion of Group employee bonus claims at their respective fair value at the time of issue in the amount of € 71.51 or € 69.15. Personnel expenses of € 3.6 million were incurred in 2009 for both programs.

Prior to its acquisition by Axel Springer on September 2, 2009, StepStone AS (formerly StepStone ASA) had granted stock options to acquire shares of StepStone AS to employees and management. Due to the acquisition of all of the shares in StepStone AS by Axel Springer, related with a deregistration of the shares of StepStone AS commenced in December 2009, existing stock options were repurchased in December 2009 and in January 2010 by cash settlement. As of December 31, 2010, no warrants still existed (PY: 6,113,807 options with a weighted average exercise price of € 0.78). The personnel expenses recognized in the consolidated financial statements of Axel Springer AG amounted to € 0 thousand (PY: € 2,417 thousand).

auFeminin.com S.A. granted its senior executives subscription rights for free shares and stock options. These share-based payments must be settled with shares of auFeminin.com S.A.

In November 2010, 300,000 options for acquisition of one share of auFeminin.com S.A. each with an exercise price of € 17.15 were issued to senior employees. 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 2010 or EBITDA 2011) was achieved. Once they have vested, the options can be exercised for a total of five (50 %) or four (50 %) years.

In June 2009, 300,000 options for acquisition of one share of auFeminin.com S.A. each with an exercise price of € 8.94 were issued to senior employees. 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 2009 or EBITDA 2010) was achieved. Once they have vested, the options can be exercised for a total of five (50 %) or four (50 %) years.

The 99,000 stock options, each one entitling the holder to purchase one share of auFeminin.com S.A. (exercise price: € 20.46), that were granted by the April 2008 stock option plan, as well as the 74,000 stock options that had already been granted at the date of acquisition of auFeminin.com S.A. in July 2007 (exercise price: € 18.60 or € 21.21), will become vested in equal annual installments 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 fair values of the stock options granted in the reporting period and in the prior year were determined by application of the Black-Scholes model at the grant date. For this purpose, the following parameters were applied:

	Options Nov. 2010	Options June 2009
Share price at the grant date in €	16.30	9.00
Exercise price in €	17.15	8.94
Interest rate for risk-free investments, in %	0.97 resp. 1.08	0.96 resp. 1.62
Expected term until fully vested (in years)	1 resp. 2	1 resp. 2
Expected total term (in years)	6	6
Expected volatility, in %	45.00	40.00
Expected dividend yield, in %	0.00	0.00
Fair value at grant date, in €	2.63 resp. 3.90	1.49 resp. 2.14

The expected volatility was determined based on historical volatility rates using a period corresponding to the term of the options.

	2010		2009	
	Number of options	Exercise price* in €	Number of options	Exercise price* in €
Balance as of January 1	473,000	12.92	173,000	19.82
Lapse	– 133,000	11.42	0	–
Issuance	300,000	17.15	300,000	8.94
Balance as of December 31	**640,000**	**15.21**	**473,000**	**12.92**
Thereof exercisable	158,000	13.52	0	–

*) weighted average exercise price

The exercise prices for the options outstanding on the balance sheet date remained unchanged from the prior year between € 8.94 and € 21.21. The weighted average remaining term of these options was 4.9 years (PY: 5.6 years).

53,000 rights to purchase free shares that were granted in April 2008, as well as 37,000 rights to purchase free shares that had already been granted at the date of acquisition of auFeminin.com S.A. in July 2007, will be transferred to the plan participants after a period of two years after the grant date, provided that certain operating targets (particularly EBIT and revenue targets), and in some cases also market goals (audience group quotas), have been achieved, provided that the participants are still employed with the company and provided that the free shares have not expired. The holding period after the transfer of shares is an additional two years.

In 2010, 32,000 rights to purchase free shares were exercised (market price at the exercise date: € 10.91). In the prior year, 40,000 of 90,000 rights to purchase free shares lapsed. At the balance sheet date, a total of 18,000 (PY: 50,000) rights to purchase free shares were outstanding. The weighted average remaining term of these rights was 0.9 years (PY: 1.6 years).

The compensation expenses for the share-based payment programs of auFeminin.com S.A. amounted to € 315 thousand in fiscal year 2010 (PY: € 466 thousand). The additional paid-in capital was increased by the same amount.

(g) Non-controlling interests

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

€ thousands	12/31/2010	12/31/2009
Ringier Axel Springer Media	166,278	0
ZANOX Group	22,092	25,143
auFeminin Group	12,631	11,639
Other companies	9,186	14,861
Non-controlling interests	**210,187**	**51,642**

The increase in the non-controlling interests by € 158,545 thousand in the reporting period results essentially from the initial consolidation of Ringier Axel Springer Media.

(13) Pension obligations

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 are presented as social security costs within personnel expenses and amount to € 41,367 thousand (PY: € 39,804 thousand)).

Provisions for pensions were recognized 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 provision for defined benefit plans corresponds to the present value of the obligations at the balance sheet date net of the fair value of the plan assets.

The amount of the provision was calculated as follows:

€ thousands	**12/31/2010**	**12/31/2009**
Present value of defined benefit obligations financed by fund	98,662	80,212
Fair value of plan assets	–87,247	–72,066
Present value of defined benefit obligations financed by provision	377,935	351,324
Provision	**389,351**	**359,471**
Reimbursement right	–29,392	–29,464
Net obligation	**359,959**	**330,007**

The changes in the present value of the pension obligations financed by fund and by provision are presented in the table below:

€ thousands	**2010**	**2009**
Obligation as of January 1	431,537	419,708
Current service cost	7,633	7,089
Interest expense	21,027	21,361
Actuarial losses	21,406	8,746
Payments by employees	3,218	3,109
Transfer of pension obligation	349	–260
Exchange rate change	15,562	–46
Payments to retirees	–24,136	–28,170
Obligation as of December 31	**476,597**	**431,537**

In fiscal year 2011, contributions to fund-financed defined benefit plans are expected to total € 2,371 thousand (PY: € 1,938 thousand).

The fair value of the plan assets showed the following changes:

€ thousands	**2010**	**2009**
Plan assets as of January 1	72,066	76,184
Expected income from plan assets	2,920	2,433
Employee contribution	1,646	1,400
Employer contribution	2,013	1,684
Benefits paid	–5,173	–9,107
Actuarial losses	–753	–473
Transfer of plan assets	507	0
Exchange rate changes	14,021	–56
Plan assets as of December 31	**87,247**	**72,066**

The plan assets consisted almost entirely of claims under insurance contracts. The investment strategy is based on specific legal requirements, which are in line with our investment policy. The expected long-term income from plan assets is derived from the expected income of the asset classes within the portfolios and is based on a value-securing investment strategy mainly investing in obligations of issuers with high credit ratings, and real estate. The investment portfolio broke down as follows:

	Target portfolio structure	Actual portfolio structure	
		12/31/2010	12/31/2009
Bonds	71.5 %	74.9 %	73.3 %
Shares	3.0 %	1.9 %	2.2 %
Real Estate	19.0 %	17.7 %	18.9 %
Others	6.5 %	5.5 %	5.6 %
Total	**100.0 %**	**100.0 %**	**100.0 %**

In connection with the contribution of the rotogravure printing operations to PRINOVIS Ltd. & Co. KG, Hamburg, it was also agreed in 2005 to transfer the pension obligations attributable to this division. The Commercial Register entry, upon which the legal validity of this transfer depends, had not yet been effected at the balance sheet. By virtue of contractual agreements, Axel Springer AG is entitled to reimbursement of the pension obligations or pension expenses arising in this respect. The reimbursement right is presented as a separate asset (cf. note (36)), whereas in the income statement, the income from the reimbursement is netted with the corresponding pension expenses. In 2010, the reimbursement right amounted to € 29,392 thousand (PY: € 29,464 thousand). The changes in the reimbursement right in the reporting period consisted of compounding effects of € 1,494 thousand (PY: € 1,658 thousand), actuarial gains of € 939 thousand (PY: € 586 thousand), and reimbursement of pension payments of € 2,505 thousand (PY: € 2,534 thousand).

The expenses for defined benefit pension plans broke down as follows:

€ thousands	2010	2009
Current service cost	7,633	7,089
Interest expense	21,027	21,361
Employee contribution	−1,646	−1,400
Expected income from plan assets	−2,920	−2,433
Expected income from reimbursement rights	−1,494	−1,658
Pension expenses	**22,600**	**22,958**
Actual income from plan assets	2,167	1,960
Actual income from reimbursement rights	2,433	2,244

Service cost and employee contributions are presented within the personnel expenses. The interest portion contained in the pension expenses and the expected income from the plan assets are presented as components of interest expenses and interest income, respectively.

At balance sheet date, actuarial losses before factoring in tax effects amounting to € 18,841 thousand (PY: gains of € 2,379 thousand) were accounted for in the accumulated other comprehensive income.

The amounts of the current and the prior four reporting periods for the present value of the obligations, the fair value of plan assets, and the experienced-based adjustments to plan assets and liabilities are summarized in the table below:

€ thousands	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Present value of defined benefit obligations financed by fund	98,662	80,212	83,586	71,404	-
Fair value of plan assets	87,247	72,066	76,184	66,106	-
Present value of defined benefit obligations financed by provision	377,935	351,324	336,122	336,245	362,502
Experience-based adjustments to plan liabilities	–3,072	–3,858	2,820	1,848	2,926
Experience-based adjustments to plan assets	–827	–480	16	9	-

(14) Other provisions and accrued liabilities

The other provisions and accrued liabilities broke down as follows:

€ thousands	Balance as of 01/01/2010	Utilization	Reversals	Additions	Other changes	Balance as of 12/31/2010
Other obligations towards employees	42,744	38,496	1,549	51,207	–71	53,835
Partial early retirement program (Altersteilzeit)	35,362	12,559	152	12,144	1,164	35,959
Structural measures	52,952	25,609	3,446	12,105	–70	35,932
Returns	27,620	25,820	482	24,400	1,653	27,371
Litigation expenses	8,574	682	1,722	1,279	790	8,239
Discounts and rebates	5,461	5,245	186	6,520	–8	6,542
Other taxes	4,144	2,539	24	4,205	71	5,857
Dismantling obligations	5,399	51	1,778	608	32	4,210
Other	18,304	10,735	2,160	9,031	1,674	16,114
Other provisions	**200,560**	**121,736**	**11,499**	**121,499**	**5,235**	**194,059**

Other obligations towards employees primarily included variable compensation tied to performance and loyalty bonuses. Provisions for structural measures were mainly allocated to the segments Newspapers National and Services/Holding. Provisions for returns comprise the expected sales returns of publishing products. The miscellaneous other provisions account for anticipated losses on rental agreements, contributions, and custody/archiving obligations, among others.

The other changes resulted from the initial consolidation of acquired companies, currency translation differences and compound interest.

Non-current provisions are primarily contained in the provisions for partial early retirement programs (Altersteilzeit), dismantling obligations, and structural measures. Payments are expected to occur predominantly within the next five years.

(15) Financial liabilities

The financial liabilities comprise almost exclusively liabilities due to banks and were characterized by utilization, interest rates, and maturities set forth in the table below. All liabilities are denominated in euros. Short-term loans are not presented in the table.

2010 € thousands	2009 € thousands	Interest rate in %	Maturity
275,000	305,000	3-month EURIBOR + 0.15	08/14/2013
32,522	34,988	5.64	10/31/2012
15,646	17,043	4.63	07/31/2011
11,797	13,233	5.65	06/30/2012
10,387	11,034	5.09	11/30/2013
5,752	6,231	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 loans, the interest rates are fixed until the maturity date.

Furthermore, at the balance sheet date additional unused short-term and long-term credit facilities amounted to € 1,245 million (PY: € 1,220 million).

(16) Other liabilities

The other liabilities broke down as follows:

€ thousands	12/31/2010	12/31/2009
Contingent consideration liabilities	87,112	43,470
Debitors' accounts with credit balances	26,385	19,827
Liabilities from derivatives	19,951	21,769
Liabilities due to employees	14,906	14,355
Other	18,773	27,183
Other financial liabilities	**167,127**	**126,604**
Prepaid subscriptions	80,609	73,952
Liabilities from other taxes	29,013	22,414
Accrued liabilities	22,274	21,656
Advance payments	19,239	23,320
Capital investment subsidies	16,046	17,221
Liabilities for duties and contributions	8,873	6,107
Liabilities due to social insurance carriers	4,923	3,353
Other	33,407	37,078
Other non-financial liabilities	**214,384**	**205,100**
Other liabilities	**381,511**	**331,704**

The increase in other liabilities primarily derived from the initial consolidation of acquired companies and the initial recognition or revaluation of contingent consideration from business combinations.

Contingent consideration liabilities resulted from put options in respect of business combinations and acquisition of non-controlling interests.

Liabilities due to employees related to outstanding wage and salary payments, management bonuses, and severance award claims.

Accrued liabilities contain liabilities resulting from overtime and unused vacation.

(17) Maturity analysis of financial liabilities

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

		Undiscounted cash outflows		
€ thousands	**Carrying amount 12/31/2010**	**2011**	**2012-2015**	**2016 ff.**
Financial liabilities	356,240	33,075	337,135	3,485
Liabilities from the purchase of non-controlling interests	87,112	4,307	78,531	15,840
Other non-derivative financial liabilities	327,791	319,593	7,286	913
Derivative financial liabilities designated as a hedging instrument	19,951	7,425	12,395	131

		Undiscounted cash outflows		
€ thousands	**Carrying amount 12/31/2009**	**2010**	**2011-2014**	**2015 ff.**
Financial liabilities	390,281	16,611	401,771	3,948
Liabilities from the purchase of non-controlling interests	43,470	3,585	43,580	0
Other non-derivative financial liabilities	290,715	283,364	1,826	5,525
Derivative financial liabilities designated as a hedging instrument	21,769	6,660	14,952	157

Notes to the consolidated statement of comprehensive income

(18) Revenues

The revenues broke down as follows:

€ thousands	**2010**	**2009**
Advertising revenues	1,384,796	1,138,501
Circulation revenues	1,174,254	1,176,239
Printing revenues	50,449	42,892
Other revenues	284,397	253,959
Revenues	**2,893,896**	**2,611,591**

The revenues from barter transactions amounted to € 52,834 thousand in 2010 (PY: € 36,922 thousand). These revenues were generated mainly from the bartering of advertising services.

(19) Other operating income

The other operating income broke down as follows:

€ thousands	**2010**	**2009**
Foreign exchange gains	11,651	5,829
Income from cost allocations to related parties	5,831	8,466
Income from Kirch insolvency	650	7,586
Income from disposal of fixed assets	218	9,086
Miscellaneous operating income	131,766	39,687
Other operating income	**150,116**	**70,654**

For information about the income from the Kirch insolvency, please refer to note (10).

Miscellaneous other operating income mainly includes the income on the disposal (excluding related expenses) of the business unit Solutions of StepStone Group amounting to € 73,711 thousand. In the previous year, a reversal of a previously recorded impairment on investment property (€ 5,500 thousand) was included.

The remaining amount in miscellaneous other operating income included a large number of circumstances with immaterial amounts.

(20) Purchased goods and services

The purchased goods and services broke down as follows:

€ thousands	2010	2009
Raw materials and supplies and purchased merchandise	253,800	282,697
Purchased services	696,764	603,748
Purchased goods and services	**950,564**	**886,445**

Raw materials and supplies and purchased merchandise comprise paper costs amounting to € 169,153 thousand (PY: € 196,125 thousand).

The cost of purchased services was predominantly composed of purchased third-party printing services and professional fees, as well as publisher services. The purchased third-party printing services also included paper costs.

The increase year-on-year resulted from the initial consolidation of acquired companies.

(21) Personnel expenses

The personnel expenses split up as follows:

€ thousands	2010	2009
Wages and salaries	681,885	691,009
Social security	90,702	83,859
Expenses for share-based payments	9,855	4,307
Pension expenses	7,519	7,609
Other benefit expenses	2,893	5,159
Personnel expenses	**792,854**	**791,943**

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

	2010	2009
Salaried employees	7,244	6,436
Editors	3,455	3,378
Wage-earning employees	864	927
Total employees	**11,563**	**10,740**

The increase year-on-year resulted from the initial consolidation of acquired companies.

(22) Depreciation, amortization, and impairments

The depreciation, amortization, and impairments split up as follows:

€ thousands	2010	2009
Amortization of other intangible assets	48,857	38,217
Impairment losses in other intangible assets	2,228	1,651
Depreciation of property, plant, and equipment	55,124	51,387
Impairment losses in property, plant, and equipment	400	379
Depreciation of investment property	1,340	716
Impairment losses in investment property	5,592	0
Depreciation, amortization, and impairments	**113,541**	**92,350**

The increase in the amortization of other intangible assets primarily resulted from additional amortization charges deriving from the initial consolidation of acquired companies in fiscal year 2010.

Impairment losses in non-current financial assets are included in the income from investments.

(23) Other operating expenses

The other operating expenses broke down as follows:

€ thousands	2010	2009
Advertising expenses	160,010	151,183
Mailing and postage expenses	157,646	161,743
Expenses for non-company personnel	100,222	92,446
Commissions and gratuities	77,266	75,897
Services provided by related parties	39,336	31,843
Rental and leasing expenses	38,421	34,105
Maintenance and repairs	29,968	25,446
Travel expenses	19,146	18,540
Foreign exchange losses	16,752	6,868
Other taxes	8,255	10,250
Adjustment of allowances for doubtful receivables	8,114	15,975
Miscellaneous operating expenses	118,811	80,811
Other operating expenses	**773,947**	**705,107**

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

€ thousands	2010	2009
Audits of the annual financial statements	732	786
Other certification or appraisal services	110	188
Tax advisory services	123	132
Other services	291	692
Total professional fees	**1,256**	**1,798**

The professional fees for the audit of financial statements include the audit of the separate financial statements of Axel Springer AG and other German subsidiaries, and the audit of the consolidated financial statements. The other certification and appraisal services include fees for the auditor's review of the quarterly financial statements, the semi-annual financial statement, and the audits to verify compliance with certain contractual agreements. The tax advisory fees include support provided with regard to specific tax questions.

(24) Income from investments

The investment income in the reporting year mainly resulted from an impairment of our investment in PRINOVIS (€ 21,352 thousand). In addition, due to the reduction of our equity interest in Doğan TV (€ 16,710 thousand), foreign exchange losses have been reclassified to net income. These cumulative foreign exchange losses had been previously recognized in accumulated other comprehensive income. The losses were partly offset by profits from the sale of investments in Cora Verlag (€ 6,426 thousand) and the sale of investments in regional newspapers (€ 6,175 thousand).

The investment income in the prior year resulted mainly from the profit from the sale of investments in regional newspapers (€ 210,971 thousand), as well as impairments of the investments in PRINOVIS (€ 16,024 thousand), and ZertifikateJournal (€ 4,474 thousand).

(25) Financial result

The financial result broke down as follows:

€ thousands	2010	2009
Interest income from derivatives	108	526
Interest income from bank accounts	1,520	1,757
Interest income from loans and securities	131	155
Other interest income	12,051	10,817
Interest income	**13,810**	**13,255**
Interest expenses on liabilities due to banks	–7,945	–12,075
Interest expenses on pension provisions, less reimbursements	–19,533	–19,703
Interest expenses from derivatives	–10,329	–8,464
Miscellaneous interest expenses	–9,472	–7,439
Interest and similar expenses	**–47,279**	**–47,681**
Other financial result	**2,298**	**9,446**
Financial result	**–31,171**	**–24,980**

The other financial result contained income of € 2,602 thousand (PY: € 9,432 thousand) for the change in fair value of the H&F options, which resulted particularly from the increased share price.

The total interest income and expenses for those financial assets and liabilities that were not measured at fair value through profit or loss are presented in the table below:

€ thousands	**2010**	**2009**
Total interest income	7,051	5,943
Total interest expenses	–19,876	–21,235

(26) Income taxes

The income taxes paid or owed and the deferred taxes are recognized under income taxes. The income taxes consist of the trade tax, corporate income tax, and solidarity surcharge, and the corresponding foreign income taxes. The income tax expenses are broken down below:

€ thousands	**2010**	**2009**
Current taxes	142,018	99,700
Deferred taxes	–38,391	–15,860
Income taxes	**103,627**	**83,840**

The current tax expense of 2010 includes taxes for prior years of € 15,466 thousand (PY: € 435 thousand). These taxes are primarily due to the addition to provisions for ongoing tax audits.

The income tax expense applying the tax rate of Axel Springer AG reconciles to the income tax expense recognized in the income statement as follows:

€ thousands	**2010**	**2009**
Income before income taxes	377,683	397,739
Tax rate of Axel Springer AG	31.19 %	31.19 %
Expected tax expenses	**117,799**	**124,055**
Differing tax rates	–7,586	7,253
Permanent differences	6,643	–5,576
Adjustments to carrying amounts of deferred taxes	–35,975	8,653
Current income taxes for prior years	15,466	435
Deferred income taxes for prior years	3,356	4,203
Non-deductible operating expenses	20,085	8,490
Tax-exempt income	–13,427	–37,273
Trade tax additions/deductions	–710	–25,494
Other effects	–2,024	–906
Income taxes	**103,627**	**83,840**

Companies having the legal form of a corporation resident 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, these companies are subject to trade tax, for which the amount is municipality-specific. Companies having 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 effects of different tax rates for partnerships and for foreign income taxes from the tax rate applicable to Axel Springer AG are explained in the reconciliation in the item differing tax rates. The permanent differences resulted mainly from impairment losses in goodwill, deconsolidation effects, and foreign losses that are not taken into account for tax purposes. The adjustments made to the carrying amounts of deferred taxes included € 2,838 thousand (PY: € 8,262 thousand) for the non-recognition of deferred taxes on tax loss carry-forwards. The adjustments made to the carrying amounts of the current year were mainly attributable to the use of tax loss carry-forwards that have not been capitalized (€ – 33,638 thousand). The increase in non-deductible operating expenses resulted primarily from non-deductible expenses from the disposal of investments. The tax-free income in 2010 resulted mainly from dividends as well as the sale of investments, and in 2009 from the sale of investments in regional newspapers. The tax exemption effects in 2009 mainly resulted from the sale of investments in partnerships in the context of the sale of investments in regional newspapers.

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

€ thousands	12/31/2010 Deferred tax assets	12/31/2010 Deferred tax liabilities	12/31/2009 Deferred tax assets	12/31/2009 Deferred tax liabilities
Intangible assets	20,659	91,350	13,742	84,409
Property, plant, and equipment	156	123,649	105	124,913
Non-current financial assets	1,820	555	862	3,336
Inventories	1,209	0	1,278	0
Receivables and other assets	2,217	7,776	1,009	6,359
Pension provisions	29,153	64	21,414	0
Other provisions	6,163	852	6,901	623
Liabilities	11,453	1,073	9,248	569
Temporary differences	**72,830**	**225,319**	**54,559**	**220,209**
Tax loss carry-forwards	**18,844**	**0**	**14,037**	**0**
Total	**91,674**	**225,319**	**68,596**	**220,209**
Offsetting	–61,043	–61,043	–52,323	–52,323
Amounts as per balance sheet	**30,631**	**164,276**	**16,273**	**167,886**

The net balance of deferred tax items from January 1 to December 31, 2010, was derived as follows:

€ thousands	2010	2009
Deferred tax assets as of January 1	16,273	13,032
Deferred tax liabilities as of January 1	–167,886	–166,257
Net tax position as of January 1	**–151,613**	**–153,225**
Deferred tax expenses of current year	38,391	15,860
Changes in deferred taxes recognized in other comprehensive income	7,422	6,706
Changes in consolidation group	–27,845	–20,954
Net tax position as of December 31	**–133,645**	**–151,613**
Deferred tax assets as of December 31	30,631	16,273
Deferred tax liabilities as of December 31	–164,276	–167,886

Of the deferred tax assets, an amount of € 13,486 thousand (PY: € 4,602 thousand), of the deferred tax liabilities, an amount of € 7,408 thousand (PY: € 2,767 thousand) can be realized in the short term.

The amount of deferred tax assets to be disclosed in accordance with IAS 12.82 was € 17,706 thousand (PY: € 14,771 thousand). It is expected that this amount can be realized by application against the available operating income and structural measures in subsequent years.

Deferred taxes in the total amount of € 13,855 thousand (PY: € 6,433 thousand) were recognized directly in equity, as they relate to matters that were likewise recognized directly in equity.

In fiscal year 2010, no deferred tax assets were recognized with respect to corporate income tax loss carry-forwards amounting to € 210,027 thousand (PY: € 389,295 thousand), and with respect to trade tax loss carry-forwards amounting to € 21,214 thousand (PY: € 39,875 thousand) because it did not appear probable that sufficient taxable income could be generated for these amounts in the near future. Of these tax loss carry-forwards, an amount of € 23,043 thousand (PY: € 64,266 thousand) can be carried forward for up to five years and an amount of € 10,413 thousand (PY: € 9,718 thousand) can be carried forward for six to ten years. The utilization of tax loss carry-forwards that had not previously been recognized as deferred tax assets caused a reduction in income tax expenses of € 33,503 thousand (PY: € 95 thousand). In the past fiscal year, there was no correction of capitalized tax loss carry-forwards due to tax audits or differing tax assessments (PY: € 280 thousand).

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. Such differences can result from the retention of earnings. Deferred tax liabilities were not recognized on differences of € 16,450 thousand (PY: € 10,206 thousand) because a realization is not planned at the present time. In the case of sale or profit distribution, the gain on disposal or the dividend, respectively, would be subject to taxation at 5 % in Germany; in addition, foreign withholding taxes might be incurred.

(27) Earnings per share

The earnings per share were determined as follows:

		2010	2009
Net income attributable to shareholders of Axel Springer AG	**€ thousands**	**252,678**	**303,481**
Weighted average shares outstanding	000s	30,799	29,748
Dilution effect due to stock options granted	000s	56	33
Weighted average shares diluted	000s	30,854	29,781
Net income attributable to shareholders of Axel Springer AG per share			
basic	€	8.20	10.20
diluted	€	8.19	10.19

(28) Other income/loss

The other income/loss broke down as follows:

	2010			2009		
€ thousands	**Before tax**	**Tax effect**	**Net**	**Before tax**	**Tax effect**	**Net**
Actuarial gains/losses from defined benefit pension obligations	−21,219	6,413	−14,806	−8,624	2,524	−6,100
Currency translation differences	36,877	0	36,877	1,655	0	1,655
Changes in fair value of available-for-sale financial assets	2,528	0	2,528	6	0	6
Changes in fair value of derivatives in cash flow hedges	1,507	−256	1,251	−6,524	2,021	−4,503
Changes in revaluation surplus	0	0	0	−3,086	0	−3,086
Other income/loss from investments accounted for using the equity method	10,234	1,264	11,498	−6,739	2,161	−4,578
Other income/loss	**29,927**	**7,421**	**37,348**	**−23,312**	**6,706**	**−16,606**

Notes to the consolidated statement of cash flows

(29) Other disclosures

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

Capital expenditures of € 6,803 thousand (PY: € 1,737 thousand) had not yet been realized as cash payments. This related to additions in both intangible assets and property, plant, and equipment.

The prior-year figures for disbursements from acquisitions of € 62,146 thousand and inflows from divestitures of € 501 thousand of non-controlling interests were reclassified from cash flow from investing activities to cash flow from financing activities due to the changes in IAS 27.

For clarification purposes, effects from the deconsolidation of consolidated subsidiaries and business units are no longer reported as other income and expenses not yet realized as cash payments. These effects are now reported within results from disposal of non-current assets. Prior year disclosure was adjusted by € 1,208 thousand, accordingly.

In the context of the merger of our eastern European business activities with Ringier AG, we brought in assets and liabilities at carrying amounts of € 61,197 thousand.

Notes to the consolidated segment report

(30) Basic principles of segment reporting

The segment reporting reflects the internal management and reporting structures.

The reporting format is structured according to the operating business areas of the Axel Springer Group and comprises the reporting segments Newspapers National, Magazines National, Print International, Digital Media, and Services/Holding.

Segment assets, liabilities, and investments were not disclosed on the basis of operating segments as these measures are not used for decision making at segment level.

(a) Operating segments

The Newspapers National segment includes daily newspapers and Sunday newspapers, national and regional subscription newspapers, and advertising supplements. This segment also included investments in German newspaper publishing companies.

The Magazines National segment includes TV program guides, women's magazines, computer, car, sports, and music magazines, as well as investments in magazine publishing companies in Germany.

The newspapers and magazines published in foreign countries are comprised within the Print International segment.

The online and broadcasting activities are comprised within the Digital Media segment. In particular, this segment comprises online activities derived from print brands and the activities of Idealo, Immonet, auFeminin, StepStone and the ZANOX Group. Furthermore, this segment also comprises the investment in the TV broadcast company Doğan TV.

The Services/Holding segment comprises the remaining business activities, including services such as customer service, sales, logistics, direct marketing, and office buildings, as well as purely internal departments like IT, accounting, personnel, and corporate staff departments. Our three offset printing plants, investments in two offset printing plants outside Germany, and the rotogravure printing company PRINOVIS are likewise included in the Services/Holding segment.

(b) Geographical Information
The activities of the Axel Springer Group are conducted mainly in Germany and in other European countries.

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.

(31) 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 (earnings before interest, taxes, depreciation and amortization) to measure segment earnings. In calculating this performance figure, non-recurring effects and purchase price allocation effects are eliminated.

Non-recurring effects include effects from the acquisition and disposal of subsidiaries, business divisions, and investments, as well as impairment and write-ups of investments, effects from the sale of real estate, and special depreciation and write-ups of real estate used by the company.

Disposals of investments and business were disclosed as non-recurring effects in the Digital Media segment at € 50,246 thousand (PY: € 0 thousand), the Newspapers National segment at € 6,165 thousand (PY: € 214,357 thousand), and the Magazines National segment at € 1,588 thousand (PY: € – 6,318 thousand). Impairment of non-current financial assets occurred in the Services/Holding segment at € – 21,352 thousand (PY: € – 17,353 thousand) and in the Digital Media segment at € 0 thousand (PY: € – 4,474 thousand). In addition, exchange losses in the amount of € – 18,385 thousand (PY: € 0 thousand) were recorded as a non-recurring effect in the Digital Media segment, specifically in connection with the reduction in our interest in Doğan TV. The other non-recurring effects in the segments related to expenses in connection with company acquisitions occurring or planned in the reporting year at € – 4,368 thousand (PY: € – 5,812 thousand).

The effects of purchase price allocations mainly consisted of amortization and depreciation on intangible assets and on property, plant, and equipment that were acquired in the context of business combinations.

Other disclosures

(32) Capital management

Beyond the provisions of German law applicable to stock corporations, Axel Springer AG 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.

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 % of the subscribed capital. Treasury shares can be used for acquisition financing or they can be retired. As of December 31, 2010, the treasury shares represented 0.6 % (PY: 9.6 %) of the company's share capital.

(33) Financial assets and liabilities

(a) Presentation by categories

The balance sheet items comprising financial assets and liabilities can be attributed to the measurement categories according to IAS 39 as follows:

€ thousands	Carrying amount	Loans and receivables	Financial liabilities measured at amortized cost	Available-for-sale financial assets	Financial assets and liabilities held for trading	No category according to IAS 39
Assets 12/31/2010						
Other non-current investments and securities	474,061			474,061		
Loans and advances	2,070	2,070				
Other non-current financial assets	476,131	2,070		474,061		
Trade receivables	385,900	385,900				
Receivables due from related parties	48,825	19,433				29,392
Derivatives not designated as a hedging instrument	2,362				2,362	
Other	224,847	202,269				22,578
Other assets	227,209	202,269			2,362	22,578
Cash and cash equivalents	435,888	435,888				
Liabilities 12/31/2010						
Financial liabilities	356,240		356,240			
Trade payables	245,298		245,298			
Liabilities due to related parties	33,432		22,432			11,000
Derivatives designated as a hedging instrument	19,951					19,951
Other	361,560		147,082		94	214,384
Other liabilities	381,511		147,082		94	234,335
Assets 12/31/2009						
Other non-current investments and securities	30,287			30,287		
Loans and advances	4,366	4,366				
Other non-current financial assets	34,653	4,366		30,287		
Trade receivables	301,947	301,947				
Receivables due from related parties	43,987	14,523				29,464
Derivatives not designated as a hedging instrument	11,169				11,169	
Other	211,444	189,538				21,906
Other assets	222,613	189,538			11,169	21,906
Cash and cash equivalents	197,259	197,259				
Liabilities 12/31/2009						
Financial liabilities	390,281		390,281			
Trade payables	206,338		206,338			
Liabilities due to related parties	26,348		22,213			4,135
Derivatives designated as a hedging instrument	21,769					21,769
Other	309,935		104,578		257	205,100
Other liabilities	331,704		104,578		257	226,869

(b) Other disclosures for financial assets and liabilities

For financial assets and liabilities measured at fair value, measurement was based on observable market prices or generally accepted valuation methods using observable market data, respectively. As of December 31, 2010, our investment in SeLoger.com was measured at fair value on the basis of the stock market price (see note (7)) and our derivatives were measured on the basis of generally accepted valuation methods using observable market data (see note (35)).

With the exception of the financial liabilities presented in the table below, the carrying amounts of the non-derivative financial assets and liabilities were identical to their fair values.

	12/31/2010		12/31/2009	
€ thousands	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Liabilities due to banks	355,477	358,488	390,281	394,839

The net gains and losses of financial instruments (excluding interests and dividends) recognized in the income statement are presented in the following table.

€ thousands	**2010**	**2009**
Loans and receivables, financial liabilities	–10,149	–16,657
Available-for-sale financial assets	6,045	12,784
Financial assets and liabilities held for trading	2,172	1,432

The net gains and losses in the categories of "loans and receivables" and "financial liabilities" consisted mainly of valuation allowances and the result from the currency translation of these financial assets and liabilities. 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. The net gains and losses in the category of "financial assets and liabilities held for trading" mostly resulted from valuation changes and other expenses for financial derivatives assigned to this category.

Relating to available-for-sale financial assets, positive fair value changes of € 2,524 thousand (PY: € 4 thousand) were recognized directly in equity. Profits of € 0 thousand (PY: € 0 thousand) were transferred from equity to income.

(34) 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.

With regard to selected financial instruments, compliance with prescribed loss limits is monitored on a daily basis. 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, and reporting requirements, and prescribe the strict separation of trading and back-office functions.

To hedge the interest rate risk, we employ interest rate derivatives such as interest rate swaps, collars, forward rate agreements, and interest futures. The degree of hedging specified in the Axel Springer finance regulations ranges between 30 % and 100 % of the underlying transaction volume. In the annual average, 92 % (PY: 91 %) of the liabilities to banks have been hedged. At the balance sheet date, an amount of € 0 (PY: € 0) of the variable-interest liabilities due to banks was not hedged.

The effects of market interest rate changes on variable-interest financial instruments not hedged with financial derivatives are calculated using a sensitivity analysis. Due to nearly complete hedging of variable-interest liabilities due to banks, an assumed change in the yield curve of 50 basis points would have, as in the previous year, nearly no material effect on the financial result.

Further effects of market interest rate changes in financial derivatives designated as hedging instruments in the context of cash flow hedges are likewise determined using a sensitivity analysis. At the reporting date, assuming a parallel shift in the yield curve of 50 basis points, the change in the market value of financial derivatives designated as hedging instruments would amount to € 3.2 million (PY: € 4.5 million). These effects would have to be recorded in accumulated other comprehensive income.

Risks of changes in value due to exchange rate fluctuations in future foreign currency payments are mainly avoided in that operating costs are incurred 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 11 % (PY: 4 %). Currency risks from foreign currency claims and liabilities (without contingent compensation) with net exposures starting at € 5 million per foreign currency are hedged by means of coordinated forward exchange transactions.

The effects recorded in accumulated other comprehensive income arising from the currency translation of statements prepared by subsidiaries in foreign currencies do not necessarily have an effect on future cash flows. 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. The liquidity and financial flexibility of the Axel Springer Group is secured by firmly promised credit lines in the amount of € 1.5 billion. Note (17) contains an analysis of the due dates of our financial obligations. The payment obligations for financial obligations that have been contractually agreed but not yet recorded are presented in note (39).

(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 trade receivables, receivables due from related parties, other assets, and funds.

To reduce the credit risk on trade receivables and receivables due from related parties, we conduct active management of receivables, credit limits, and credit checks of our business partners. Appropriate allowances are formed to account for discernible default risks.

A deferred purchase price of € 150,000 thousand carried in other assets, and related interest claims in connection with the sale of investments in regional newspapers are hedged by a contractual lien on the shares sold.

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 are classified by leading rating agencies as being at least of Investment Grade Status (BBB, Baa).

(35) Financial derivatives

(a) Financial derivatives designated as hedging instruments

In 2010, designated hedging instruments were used in particular to hedge against the interest rate risks of long-term liabilities. The cash flows were hedged through interest rate derivatives (interest rate swaps and collars). The maturities and nominal amounts of the interest rate derivatives were chosen to match the corresponding tranches of the variable-interest loans (hedged items). The interest rate derivatives were measured at fair value. The changes in the fair value are recognized in accumulated other comprehensive income until the hedged item is realized. As of December 31, 2010, loans in the nominal amount of € 280,752 thousand (PY: € 311,231 thousand) were hedged. The fair value measurement of the interest rate derivatives at the balance sheet date yielded positive fair values of € 0 thousand (PY: € 0 thousand) and negative fair values of € 19,951 thousand (PY: € 21,769 thousand). Fair value changes in the net amount of € 14,231 thousand (PY: € 15,475 thousand) after taxes were recognized in accumulated other comprehensive income.

(b) Financial derivatives not designated as hedging instruments

As of December 31, 2010, currency swaps regarding loans of foreign subsidiaries had a nominal amount of € 31,332 thousand (PY: € 19,220 thousand). Fair value amounted to € 2,362 thousand (PY: € 334 thousand).

(36) Relationships with related parties

Related parties are defined as those persons and companies that control or can exert a significant influence over the Axel Springer Group, or that are controlled or subject to significant influence by the Axel Springer Group. In particular, the members of the Springer family, the companies controlled or subject to significant influence by this family, the active members of the Management Board and Supervisory Board of Axel Springer AG, and the subsidiaries and associated companies of the Axel Springer Group have been defined as related parties.

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

€ thousands	Total	Associated companies	Other related parties	Total	Associated companies	Other related parties
Balance sheet	12/31/2010			12/31/2009		
Loans	585	578	7	2,483	446	2,037
Receivables	48,825	43,872	4,953	43,987	35,249	8,738
Thereof trade	18,246	14,045	4,201	13,049	4,738	8,311
Allowances	24,973	2,719	22,254	20,284	2,694	17,590
Provisions	6,618	0	6,618	5,435	0	5,435
Liabilities	33,432	9,624	23,808	26,348	9,051	17,297
Thereof trade	19,322	6,908	12,414	19,191	4,469	14,722
Income statement	2010			2009		
Goods and services supplied	72,966	66,549	6,417	74,804	66,423	8,381
Goods and services received	130,489	83,304	47,185	141,635	75,717	65,918
Financial result	556	113	443	690	353	337

The changes in the allowances of receivables due to related parties are presented in the table below:

€ thousands	2010	2009
Balance as of January 1	20,284	19,259
Utilization	−51	0
Reversals	−66	−6
Additions	4,806	474
Other changes	0	557
Balance as of December 31	**24,973**	**20,284**

As of December 31, 2010, receivables in the amount of € 43,365 thousand (PY: € 42,841 thousand) were neither past due nor subject to valuation allowances. With regard to these receivables, there were no indications that would suggest that related parties would not fulfill their payment obligations.

Moreover, a receivable of € 29,392 thousand (PY: € 29,464 thousand) was owed by an associated company in connection with the right to reimbursement of pension obligations (cf. note (13)).

The provisions refer to pension obligations owed to members of the Management Board.

Goods and services provided to related companies were mostly related to the distribution of newspapers and magazines. The services received from related companies mainly comprised purchased publishing products and printing services. A master agreement for the printing of magazines is in effect with PRINOVIS until December 31, 2019. Under this agreement, services in the amount of € 59 million (PY: € 63 million) were rendered for companies of the Axel Springer Group in 2010.

In 2010, the fixed compensation of the members of the Management Board of Axel Springer AG amounted to € 8,687 thousand (PY: € 8,887 thousand). The variable compensation amounted to € 9,202 thousand (PY: € 8,800 thousand). The share-based compensation granted to the Management Board of Axel Springer AG (cf. note (12f)) gave rise to an imputed compensation component of € 9,540 thousand (PY: € 1,460 thousand), in addition to the compensation mentioned above. The pension provisions were increased by an amount of € 1,183 thousand (PY: € 736 thousand).

The compensation of the members of the Supervisory Board amounted to € 2,765 thousand (PY: € 2,425 thousand). This figure included variable compensation of € 765 thousand (PY: € 425 thousand). A Supervisory Board member received a compensation of € 125 thousand (PY: € 125 thousand) for his services as an author.

The compensation of the members of the Management 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 “Declaration on Corporate Governance pursuant to Section 289a HGB and Corporate Governance Report”.

An amount of € 2,186 thousand (PY: € 3,856 thousand) was paid to former Management Board members and special directors and their survivors. A total amount of € 26,943 thousand (PY: € 26,082 thousand) was allocated to the provisions for pension obligations.

(37) Contingent liabilities

As of December 31, 2010, contingent liabilities from guarantees existed in the amount of € 17,213 thousand (PY: € 33,268 thousand). In addition, obligations from contingent considerations existed in the amount of € 7,555 thousand (PY: € 2,415 thousand), but we consider their occurrence unlikely.

On September 28, 2010, we issued a public offer for all outstanding shares of SeLoger.com at an offer price of € 34.00 per share. In case of an increase in our investment from the current 12.4 % to 100 %, additional disbursements of € 496,005 would be incurred in fiscal 2011. At the beginning of 2011, we increased our public offer for all outstanding shares of SeLoger.com to an offer price of € 38.05 per share - subject to the condition of a minimum acceptance rate of 50.01 % of the shares in SeLoger.com (including the 12.4 % we already hold). If this acceptance rate is not achieved, the offer will lapse.

If an investment of 100 % of the share capital of SeLoger.com were achieved, the disbursements in 2011 would amount to € 563,423 thousand.

(38) Contingent assets

Contingent receivables were due from KirchMedia GmbH & Co KGaA i.L. in the amount of € 273.0 million (PY: € 273.7 million (cf. note (10)). In addition, claims to future tax concessions existed in relation to capital investment grants of € 9.9 million.

(39) Other financial commitments

The other financial commitments broke down as follows:

€ thousands	12/31/2010	12/31/2009
Purchase commitments for		
- intangible assets	14,332	8,359
- property, plant, and equipment	5,010	7,565
- inventories	11,468	9,921
Future payments under operating leases	88,776	71,051
Long-term purchase obligations	383,400	285,226
Other financial obligations	**502,986**	**382,122**

The long-term purchase obligations resulted from paper supply contracts.

The total future obligations under minimum lease payments as of December 31, 2010 are broken down in the following table:

€ thousands	2010	2009
Due in up to one year	30,264	24,131
Due in one to five years	51,525	44,031
Due in more than five years	6,987	2,889
Total	**88,776**	**71,051**

(40) Events after the balance sheet date

In September 2010, Axel Springer purchased a 12.4 % equity interest in SeLoger.com, the leading real estate portal in France, for a price of € 34.00 per share (corresponding to a total amount of approximately € 70 million), and then made a voluntary public offer to the remaining shareholders to purchase all the outstanding shares for the same price. The offer price valued the entire share capital of SeLoger.com at € 566.4 million. However, this offer was not supported by the company's Supervisory Board and SeLoger.com took various defensive measures. In order to increase the offer's chances of success, Axel Springer raised the offer price to € 38.05 per share in January 2011. In that connection, the offer was made subject to the condition of a minimum acceptance ratio. Thus, the transaction will be effected only if Axel Springer holds at least 50.01 % of the company's share capital upon completion of the process. The adjusted offer, which values the company at € 633.4 million, now enjoys the unconditional support of SeLoger.com. The French securities market regulatory authority is expected to announce the achieved acceptance ratio in early March 2011. If the transaction is effected, the purchase price of up to € 563.4 million will be financed with the company's own funds and by making use of available credit lines.

Otherwise, there were no further significant events after the balance sheet date.

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

Axel Springer AG 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 Web site 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.

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

No.	Company	Shareholding in %	via No.	
1	Axel Springer Aktiengesellschaft, Berlin (Parent company)	-	-	
	Fully consolidated companies			
	Germany			
2	AS Online Beteiligungs GmbH, Berlin	100.0	1	
3	AS Osteuropa GmbH, Berlin	100.0	1	
4	AS TV-Produktions- und Vertriebsgesellschaft mbH, Hamburg	100.0	1	
5	ASV Direktmarketing GmbH, Hamburg	100.0	1	4) 5)
6	Axel Springer Asia GmbH, Hamburg	100.0	1	
7	Axel Springer Auto-Verlag GmbH, Hamburg	100.0	1	4) 5)
8	Axel Springer Digital TV Guide GmbH, Berlin	100.0	1	4) 5)
9	Axel Springer Financial Media GmbH, Munich	100.0	1	4) 5)
10	Axel Springer Media Logistik GmbH, Berlin	100.0	1	
11	Axel Springer Mediahouse Berlin GmbH, Berlin	100.0	1	4) 5)
12	Axel Springer Mediasales & Service GmbH, Berlin	100.0	1	4) 5)
13	Axel Springer Medien Accounting Service GmbH, Berlin	100.0	1	4) 5)
14	Axel Springer Russland Holding GmbH, Berlin	100.0	3	
15	Axel Springer Services & Immobilien GmbH, Berlin	100.0	1	4) 5)
16	Axel Springer TV NEWS GmbH, Hamburg	100.0	17	
17	Axel Springer TV Productions GmbH, Hamburg	100.0	1	4) 5)
18	Axel Springer Venture GmbH, Berlin	100.0	1	4) 5)
19	'Axel Springer Verlag' Beteiligungsgesellschaft mbH, Berlin	100.0	1	4) 5)
20	Axel Springer Verlag Vertriebsgesellschaft mbH, Hamburg	100.0	1	4) 5)
21	B.Z. Ullstein GmbH, Berlin	100.0	46	
22	Bergedorfer Buchdruckerei von Ed. Wagner (GmbH & Co.), Hamburg	100.0	1	6)
23	BERLINER WOCHENBLATT Verlag GmbH, Berlin	100.0	50	4)
24	BILD digital GmbH & Co. KG, Berlin	100.0	1	6)
25	Buch- und Presse-Großvertrieb Hamburg GmbH & Co. KG, Hamburg	69.8	1	6)
26	Commerz-Film GmbH, Berlin	100.0	1	4) 5)
27	comparado GmbH, Lüneburg	100.0	34	
28	Computerbild Online Dienstleistungs-GmbH, Hamburg	100.0	1	4) 5)
29	eprofessional GmbH, Hamburg	100.0	51	
30	finanzen.net GmbH, Karlsruhe	55.0	1	
31	gamigo AG, Hamburg	100.0	18	
32	Gofeminin.de GmbH, Cologne	100.0	59	
33	hamburg.de GmbH & Co. KG, Hamburg	51.0	18	6)
34	Idealo Internet GmbH, Berlin	74.9	18	
35	Immonet GmbH, Hamburg	100.0	1	4) 5)
36	ims Internationaler Medien Service GmbH & Co. KG, Hamburg	55.0	1	6)
37	Niendorfer Wochenblatt Verlag GmbH & Co. KG, Hamburg	100.0	50	6)
38	Panther Holding GmbH, Berlin	100.0	34	4)
39	"Sächsischer Bote" Wochenblatt Verlag GmbH, Dresden	100.0	50	4)
40	Schwartzkopff TV-Productions GmbH & Co. KG, Hamburg	100.0	17	6)
41	Smarthouse Media GmbH, Karlsruhe	91.0	1	
42	Sohomint GmbH, Hamburg	72.6	1	
43	StepStone Deutschland GmbH, Düsseldorf	100.0	44	4) 5)
44	StepStone GmbH, Berlin	100.0	18	4) 5)
45	Transfermarkt GmbH & Co. KG, Hamburg	51.0	24	6)
46	Ullstein Gesellschaft mit beschränkter Haftung, Berlin	100.0	19	
47	Umzugsauktion GmbH & Co. KG, Schallstadt	51.0	35	6)
48	VVDG Verlags- und Industrieversicherungsdienste GmbH, Berlin	100.0	19	4) 5)
49	WBV Direktzustell-GmbH, Hamburg	100.0	50	
50	WBV Wochenblatt Verlag GmbH, Hamburg	100.0	1	
51	ZANOX.de AG, Berlin	52.5	18	
52	ZZ-Kurier Gesellschaft für Zeitungs- und Zeitschriftenvertrieb mbH, Hamburg	100.0	1	4) 5)
	Other countries			
53	24 sata d.o.o., Belgrade/Serbia	100.0	87	
54	Amiado Group AG, Zurich/Switzerland	100.0	68	
55	Anima Publishers, s.r.o., Zlin/Czech Republic	100.0	65	
56	APM Print d.o.o., Belgrade/Serbia	74.9 25.1	106 87	
57	AS-NYOMDA Kft, Kecskemét/Hungary	100.0	61	
58	auFeminin.com Productions SARL, Paris/France	100.0	59	
59	auFeminin.com S.A., Paris/France	82.4	2	
60	Axel Springer - Budapest Kiadói Kft, Budapest/Hungary	92.9	1	
61	Axel Springer - Magyarország Kft, Tatabánya/Hungary	93.5	1	
62	Axel Springer Editions SAS, Levallois-Perret/France	100.0	64	
63	Axel Springer España S.A., Madrid/Spain	100.0	1	
64	Axel Springer France S.A.S., Levallois-Perret/France	100.0	1	
65	Axel Springer Praha a.s., Prague/Czech Republic	100.0	88	
66	Axel Springer RUS, Moscow/Russia	100.0	14	
67	"Axel Springer Russia" Geschlossene AG, Moscow/Russia	100.0	3	
68	Axel Springer Schweiz AG, Zurich/Switzerland	100.0	1	
69	Azet.sk a.s., Zilina/Slovakia	70.0	91	
70	Blic Magazin d.o.o., Belgrade/Serbia	100.0	87	
71	Digital Window Limited, London/Great Britain	50.1	51	
72	GPAK Limited, London/Great Britain	100.0	76	
73	IP Alo Novine d.o.o., Belgrade/Serbia	100.0	87	
74	IT-Jobbank A/S, Kopenhagen/Denmark	100.0	97	
75	Les Publications Grand Public S.A.S., Levallois-Perret/France	100.0	64	
76	Lightstate Limited, London/Great Britain	100.0	83	
77	Marmiton SAS, Paris/France	100.0	59	
78	Népújság Kft, Békéscsaba/Hungary	94.0	19	
79	NIN d.o.o., Belgrade/Serbia	99.7	87	
80	OY StepStone AB, Helsinki/Finland	100.0	97	
81	PartyGuide.ch AG, Zurich/Switzerland	100.0	54	
82	Perfiliate HoldCo Limited, London/Great Britain	100.0	71	
83	Perfiliate Limited, London/Great Britain	100.0	82	
84	Perfiliate Technologies Limited, London/Great Britain	100.0	83	
85	Petőfi Lap- és Könyvkiadó Kft, Kecskemét/Hungary	94.0	19	
86	Ringier Axel Springer CZ a.s., Prague/Czech Republic	100.0	88	
87	Ringier Axel Springer d.o.o., Belgrade/Serbia	100.0	88	
88	Ringier Axel Springer Media AG, Zurich/Switzerland	50.0	2	3)
89	Ringier Axel Springer Polska Sp. z o.o., Warsaw/Poland	100.0	88	
90	Ringier Axel Springer Print CZ a.s., Prague/Czech Republic	100.0	86	
91	Ringier Axel Springer Slovakia a.s., Bratislava/Slovakia	100.0	88	
92	SmartAdServer SAS, Paris/France	100.0	59	
93	soFeminine.co.uk Limited, London/Great Britain	100.0	59	
94	StepStone (UK) Ltd., Guildford/Great Britain	100.0	97	
95	StepStone A/S, Kopenhagen/Denmark	100.0	97	
96	StepStone AB, Stockholm/Sweden	100.0	97	
97	StepStone AS, Oslo/Norway	100.0	44	
98	StepStone B.V., Leiden/Netherlands	100.0	97	
99	StepStone France SAS, Paris/France	100.0	97	
100	StepStone Ltd., Cork/Ireland	100.0	97	
101	StepStone NV, Brussels/Belgium	100.0	97	
102	StepStone Österreich GmbH, Vienna/Austria	100.0	43	
103	StepStone Schweiz GmbH, Solothurn/Switzerland	100.0	97	
104	StepStone Services Sp. z o.o., Warsaw/Poland	100.0	97	
105	Students.ch AG, Zurich/Switzerland	100.0	68	
106	Trans Press d.o.o., Belgrade/Serbia	100.0	87	
107	usgang.ch AG, Zurich/Switzerland	100.0	54	
108	Viviana Investments Sp. z o.o., Warsaw/Poland	100.0	89	
109	zanox B.V., Amsterdam/Netherlands	100.0	51	
110	ZANOX Hispania SL, Madrid/Spain	100.0	51	
111	zanox Inc., Chicago/USA	100.0	51	
112	zanox ltd., London/Great Britain	100.0	51	
113	zanox SAS, Paris/France	100.0	51	
114	zanox SRL, Milan/Italy	100.0	51	
115	zanox we create partners AB, Stockholm/Sweden	100.0	51	
116	ZÖLD ÚJSÁG Tömegkommunikációs és Kiadói Zrt, Budapest/Hungary	100.0	61	
	Other subsidiaries [1]			
	Germany			
117	Achtunddreißigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	19	
118	Achtundfünfzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	
119	Alster Wochenblatt Verlag GmbH, Hamburg	100.0	50	
120	AS Buchversand GmbH, Munich	100.0	19	
121	Axel Springer Digital TV GmbH, Berlin	100.0	1	4)
122	Axel Springer Security GmbH, Berlin	100.0	1	
123	B.Z. Media GmbH, Berlin	100.0	21	4)
124	BILD digital Verwaltungs GmbH, Berlin	100.0	1	
125	Dreiundfünfzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	4)
126	Dreizehnte "Media" Vermögensverwaltungsges. mbH, Hamburg	100.0	1	
127	Druck- und Verlagshaus Bergedorf GmbH, Hamburg	100.0	1	
128	Finanzen Corporate Publishing GmbH, Berlin	100.0	1	
129	Fünfundfünfzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1	4)
130	GMZ Druckerei-Verwaltungs-GmbH i.L., Berlin	74.9	1	
131	hamburg.de Beteiligungs GmbH, Hamburg	100.0	33	
132	Hammerich & Lesser Zeitschriften- und Buchverlag GmbH, Hamburg	100.0	1	
133	Hauptstadtsee 809. VV GmbH, Berlin	100.0	1	

No.	Company	Share-holding in %	via No.
134	ims Verwaltungs GmbH, Hamburg	55.0	1
135	Informationsmedien Handels GmbH, Hamburg	100.0	1
136	Jobanova GmbH, Munich	100.0	44
137	PACE Paparazzi Catering & Event GmbH, Berlin	100.0	1 [4]
138	Schwartzkopff TV-Productions Verwaltungsges. mbH, Hamburg	100.0	17
139	Siebenunddreißigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	19
140	SmartAdServer GmbH, Berlin	100.0	59
141	Tarif24 GmbH, Berlin	100.0	34
142	TOPS Online Publications GbR, Lüneburg	90.0 10.0	27 34
143	Transfermarkt Verwaltungs GmbH, Hamburg	51.0	24
144	Umzugsauktion Verwaltungs GmbH, Schallstadt	51.0	35
145	Vierundfünfzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1 [4]
146	VISION MEDIA Holding GmbH, Hamburg	100.0	1
147	Zweiundfünfzigste "Media" Vermögensverwaltungsges. mbH, Berlin	100.0	1 [4]
	Other countries		
148	alFemminile SARL, Milan/Italy	100.0	59
149	Automotive Exchange Private Limited, Navi Mumbai/India	52.1	6
150	Axel Springer Group Inc., New York/USA	100.0	1
151	Axel Springer Hírszolgálat Kft, Tatabánya/Hungary	100.0	116
152	Axel Springer International Finance B.V., Amsterdam/Netherlands	100.0	1
153	Axel Springer International Group Limited, London/Great Britain	100.0	1
154	Axel Springer Media France S.A.R.L., Nanterre/France	100.0	64
155	Axel Springer Media Italia s.r.l., Milan/Italy	95.0	1
156	Axel Springer Publishing International Limited, London/Great Britain	100.0	153
157	Axel Springer TV International Limited, London/Great Britain	100.0	153
158	Azet.sk – katalóg s.r.o., Zilina/Slovakia	100.0	69
159	Ceskoslovensky Sport s.r.o., Prague/Czech Republic	100.0	86
160	CompuTel Telefonservice AG, Chur/Switzerland	100.0	68
161	Cpress Media s.r.o., Zilina/Slovakia	100.0	69
162	Digital Window Inc., Wilmington/USA	100.0	71
163	DSV spol. s.r.o., Bratislava/Slovakia	100.0	91
164	enFemenino SARL, Madrid/Spain	100.0	59
165	Euro Blic Press d.o.o., Banja Luka/Republika Srpska	100.0	87
166	eurobridge Inc., New York/USA	100.0	1
167	EUROPRESS POLSKA Sp. z o. o., Warsaw/Poland	100.0	20
168	gamigo Inc., Wilmington/USA	100.0	31
169	Handelszeitung Medien AG, Zurich/Switzerland	100.0	68
170	Jean Frey AG, Zurich/Switzerland	100.0	68
171	Komunikuj.sk s.r.o., Zilina/Slovakia	60.0	69
172	MS vydavatelstvi a.s., Prague/Czech Republic	100.0	86
173	ofeminin.pl Sp. z o.o., Warsaw/Poland	51.0 49.0	59 89
174	Poradca podnikatela a.s., Zilina/Slovakia	51.0	86
175	Shanghai Springer Advertising Company Ltd., Shanghai/China	100.0	6
176	Shanghai Springer Distribution Company Ltd., Shanghai/China	100.0	6
177	Smart Adserver Limited, London/Great Britain	100.0	59
178	SPORT.SK s.r.o., Zilina/Slovakia	66.7	69
	Fully consolidated spezial purpose entities		
	Germany		
179	Axel-Springer-Immobilien-Fonds-I Dr.Rühl & Co. KG, Düsseldorf	-	-
180	Axel-Springer-Immobilien-Fonds-II- Produktionszentrum Dr.Rühl & Co. KG, Düsseldorf	-	-
181	Axel-Springer-Immobilien-Fonds-III- Ostflügel Dr.Rühl & Co. KG, Düsseldorf	-	-
	Investments accounted for using the equity method		
	Germany		
182	buecher.de GmbH & Co. KG, Augsburg	33.3	1
183	Jahr Top Special Verlag GmbH & Co. KG, Hamburg	50.0	19
184	PRINOVIS Ltd. & Co. KG, Hamburg	25.1	1
	Other countries		
185	Editions Mondadori Axel Springer (EMAS) S.E.N.C., Paris/France	50.0	64
186	INFOR BIZNES Sp. z o.o. , Warsaw/Poland	49.0	89
187	PNS a.s., Prague/Czech Republic	27.0	88
	Other associated companies [2]		
	Germany		
188	autohaus24 GmbH, Pullach	19.9	7
189	Berlin 1 Fernsehen Beteiligungs GmbH & Co. KG, Berlin	27.4	1
190	Beteiligungsgesellschaft Radio Hamburg mbH, Hamburg	35.0	1
191	Blitz-Tip Medien Verwaltungs GmbH, Bad Soden	33.3	50
192	Blitz-Tip Medien-Beteiligungsges. mbH & Co. KG, Bad Soden	33.3	50
193	Blitz-Tip Radio Hessen Beteiligungsges. mbH & Co. KG, Bad Soden	33.3	50
194	buecher.de Verwaltungs GmbH, Augsburg	33.3	1
195	BZV Berliner Zustell- und Vertriebsgesellschaft für Druckerzeugnisse mbH, Berlin	33.3	46
196	"Direkt" Redaktionsservice GmbH, Hamburg	24.8	50
197	elbe WOCHENBLATT Verlagsgesellschaft mbH & Co., Hamburg	24.9	50
198	Filmgarten GmbH, Berlin	42.0	34
199	Hamburg 1 Fernsehen Beteiligungs GmbH, Hamburg	27.0	1
200	Harburger Zeitungsverwaltungsgesellschaft mbH, Hamburg	24.8	1
201	I.S.I. TV Productions GmbH, Berlin	40.0	40

No.	Company	Share-holding in %	via No.
202	Intermedia Standard Presse-Code GmbH, Hamburg	32.0	1
203	ISPC Intermedia Standard Presse-Code GmbH & Co., Hamburg	32.0	1
204	Jahr Top Special Verwaltungs GmbH, Hamburg	50.0	19
205	KG Hamburg 1 Fernsehen Beteiligungs GmbH & Co., Hamburg	27.0	1
206	Kurt Viebranz Verlag (GmbH & Co.), Schwarzenbek	24.9	22
207	Lager- und Versand-Service Melosch GmbH & Co. KG, Hamburg	50.0	1
208	"Lühmanndruck" Harburger Zeitungsges. mbH & Co. KG, Hamburg	24.8	1
209	Melosch GmbH, Hamburg	50.0	1
210	Motor-Talk GmbH, Munich	20.0	1
211	MSV Medien Special Vertrieb GmbH & Co. KG, Hamburg	50.0	25
212	Myby Beteiligungsgesellschaft mbH i.L., Düsseldorf	25.1	1
213	Myby GmbH & Co. KG i.L., Düsseldorf	25.1	1
214	Qivive GmbH i.L., Bad Homburg	33.3	1
215	Radio Hamburg GmbH & Co. KG, Hamburg	35.0	1
216	TVB Transportvermittlungs- und Vertriebsges. in Bergedorf mbH, Hamburg	20.0	22
217	V.V. Vertriebsvereinigung Berliner Zeitungs- und Zeitschriften-grossisten GmbH & Co. KG, Berlin	48.5	1
218	Verlag Hans-Jürgen Böckel GmbH, Glinde	24.8	22
219	Verlagsgesellschaft Hanse mbH & Co., Hamburg	50.0	50
220	Verwaltungsgesellschaft elbe WOCHENBLATT mbH, Hamburg	24.8	50
221	Verwaltungsges. MSV Medien Special Vertrieb m.b.H., Hamburg	50.0	25
222	Viebranz Beteiligungsgesellschaft mbH, Schwarzenbek	24.8	22
223	Volksdorfer Verlagsgesellschaft mbH, Hamburg	50.0	50
224	Wochenblatt Verlag Schrader GmbH & Co. KG, Buchholz	24.8	50
225	Wochenblatt Verlag Verwaltungsges. mbH, Buchholz	24.8	50
226	WVV Werbevertrieb-Verwaltungs- und Beteiligungs-GmbH, Berlin	33.3	46
227	Zanox 1 AG, Berlin	100.0	51
228	Zeitungs- und Zeitschriften Vertrieb Berlin GmbH, Berlin	35.5	1
	Other countries		
229	Asocijacija Privatnih Media, Belgrade/Serbia	20.0	87
230	BULGARPRESS OOD, Veliko Tarnovo/Bulgaria	25.5	1
231	CZ Press s.r.o., Prague/Czech Republic	50.0	20
232	DISPANIA S.L., Madrid/Spain	25.3	63
233	Edipresse A.S. SRL, Bucharest/Romania	40.0	1
234	Guestlist GmbH, Zurich/Switzerland	25.0	105
235	HARLEQUIN MAGYARORSZÁG Kft, Budapest/Hungary	45.0	1
236	HUNGAROPRESS Sajtóterjesztö Kft, Budapest/Hungary	24.0	1
237	ITAS Media Private Limited, Delhi/India	49.0	6
238	PRINOVIS Ltd., London/Great Britain	25.1	1
239	Today Merchandise Private Limited, New Delhi/India	19.1	6
240	VINA WOMAN UK Ltd., London/Great Britain	30.0	59
	Other material investments		
	Other countries		
241	Doğan TV Holding A.S., Istanbul/Turkey	19.9	26
242	Seloger.com SA, Paris/France	12.4	2

[1] No full consolidation due to immaterial impact (Relation of net income and balance sheet total of 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 the company to net income of the Group).
[3] Full consolidation due to existing option rights.
[4] Control and profit transfer agreement with the parent company.
[5] The company has exercised the exemption options of Section 264 Abs. 3 HGB.
[6] The company has exercised the exemption options of Section 264b HGB.

Supervisory Board

The Supervisory Board was composed of the following persons in the 2010 fiscal year:

Name, regular occupation	Seats on other legally mandated Supervisory Boards	Seats on comparable boards in Germany and abroad
Dr. Giuseppe Vita Chairman of the Supervisory Board of Axel Springer AG	Dussmann Verwaltungs AG Medical Park AG	Allianz S.p.A., Italy (Vice Chairman of the Board of Directors) Barilla S.p.A., Italy (Board of Directors) Gruppo Banca Leonardo, Italy (Chairman of the Board of Directors) Humanitas S.p.A., Italy (Board of Directors)
Dr. h. c. Friede Springer Vice Chairwoman of the Supervisory Board of Axel Springer AG	Alba Berlin AG	Deutsche Bank AG (Advisory Board, until December 2010)
Dr. Gerhard Cromme Chairman of the Supervisory Board of ThyssenKrupp AG	Allianz SE Siemens AG (Chairman) ThyssenKrupp AG (Chairman)	Compagnie de Saint Gobain, France (Board of Directors)
Oliver Heine Attorney at law and partner in the law firm Oliver Heine & Partner		YooApplications AG, Switzerland (Board of Directors, since December 2010)
Klaus Krone Member of the Supervisory Board of Axel Springer AG		
Dr. Nicola Leibinger-Kammüller (since July 2010) President and Chairwoman of the Managing Board of TRUMPF GmbH + Co. KG	Lufthansa AG Siemens AG Voith GmbH	
Prof. Dr. Wolf Lepenies University Professor (emer.) FU Berlin; Permanent Fellow (emer.) of the Wissenschaftskolleg zu Berlin		
Michael Lewis Investment Manager		Cheyne Capital Management Limited, UK (Non-Executive) Foschini Limited, South Africa (Non-Executive) OIC 07178 Limited, UK (Executive) Oceana Capital Partners LLP, UK (Executive Partner) Oceana Concentrated Opportunities Fund Limited, UK (Non-Executive) Oceana Fund Managers (Jersey) Limited, UK (Non-Executive) Oceana Investment Corporation Limited, UK (Chairman) Oceana Investment Partners LLP, UK (Executive Partner) United Trust Bank Limited, UK (Non-Executive) UTB Partners Limited, UK (Non-Executive) Peltours Limited, Israel (Non-Executive) ProChon Biotech Limited, Israel (Chairman) Shidonni Limited, Israel (Non-Executive) Strandbags Group Pty Limited, Australia (Non-Executive Chairman) Strandbags Holdings Pty Limited, Australia (Non-Executive Chairman)
Dr. Michael Otto Chairman of the Supervisory Board of Otto GmbH & Co. KG	Otto GmbH & Co. KG (Chairman)	FORUM Grundstücksgesellschaft mbH (Advisory Board) Robert Bosch Industrie und Treuhand KG (Partner)
Brian M. Powers (until May 2010) CEO of investment group Hellman & Friedman LLC		Getty Images, Inc., USA (Board of Directors) Internet Brands, Inc., USA (Board of Directors, since December 2010)

Management Board

The following persons served on the Management Board in the 2010 fiscal year:

Management Board member	Seats on other legally mandated Supervisory Boards	Seats on comparable boards in Germany and abroad
Dr. Mathias Döpfner Chairman and Chief Executive Officer Head of Subscription Newspapers and International Journalist		B.Z. Ullstein GmbH (Advisory Board) Axel Springer Schweiz AG, Switzerland (Board of Directors) RHJ International S.A., Belgium (Supervisory Board) Time Warner Inc., USA (Board of Directors)
Rudolf Knepper Vice Chairman Head of Printing, Logistics, and HR Master's degree in engineering and master's degree in business/engineering		PRINOVIS Limited, UK (Board of Directors)
Lothar Lanz Chief Operating Officer and Chief Financial Officer Master's degree in business administration		esmt European School of Management and Technology GmbH (Supervisory Board) Axel Springer International Finance B.V., Netherlands (Supervisory Board) Independent News & Media PLC, Ireland (Board of Directors) Ringier Axel Springer Media AG, Switzerland (Board of Directors, since June 2010)
Dr. Andreas Wiele Head of BILD Division and Magazines Lawyer	ZANOX.de AG	B.Z. Ullstein GmbH (Advisory Board) dpa Deutsche Presse Agentur GmbH (Supervisory Board) Jahr Top Special Verlag GmbH & Co. KG (Advisory Board) auFeminin.com S.A., France (Supervisory Board) StepStone ASA, Norway (Supervisory Board, until July 2010)

Glossary

Affiliate Sales partner or agent that receives a commission for advertising sales.

Cash and cash equivalents Cash on hand and cash in certain bank accounts of a company, including sight deposits, and term deposits, which can be liquidated on a shortterm basis.

Classified ads Small ads that generally appear in daily newspapers and are arranged by specific categories, such as jobs, property, and cars, for example.

Consolidation group All the companies included in the consolidated financial statements, by way of full consolidation or at equity.

Content portal Website containing editorial content, not just advertising or navigation pages.

Contingent purchase price liabilities Liabilities arising from future purchase price adjustments (earn-out agreements) and from option rights for the purchase of non-controlling interests.

Cross-media concept Content-related, creative, and formal networking of different media channels and advertising vehicles with the goal of achieving optimal advertising success by means of a multichannel approach.

Derivatives in cash flow hedges Financial instruments used to hedge the risk of future variations in cash flows, due to changes in interest rates or exchange rates, for example.

Earn-out agreement Agreement under which the payments by the buyer to the seller are deferred to a later point in time; depending on the business performance of the purchased company.

Equity method The equity method is a method of accounting for associated companies in the consolidated financial statements under which changes the net value of the company are added to or deducted from the acquisition cost of the investment.

External revenues Revenues resulting from transactions with companies and persons that are not part of the consolidation group.

Fair value Amount at which an asset can be exchanged or a liability settled between two knowledgeable, willing parties in an arm’s length transaction. Fair value is determined with reference to market prices (such as stock market prices, for example), if available, or if not, on the basis of reference transactions or valuation models.

Financial derivatives Financial instruments, the value of which is derived from the value of an underlying (e.g., security, interest rate, currency, loan). Financial derivatives are used for hedging currency and interest rate risks, for example.

IFRS (International Financial Reporting Standards) Accounting rules issued by the IASB (International Accounting Standards Board).

Interest rate swap Contractually defined swap transaction. In an interest rate swap, the interest payments under a variable interest rate are exchanged with those under a fixed interest rate, or vice versa. The party paying interest under the fixed interest rate is protected against rising interest rates (loan protection), while the party being paid interest under a fixed interest rate is protected against falling interest rates (investment protection).

IVW (Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern). This German organization tracks the reach of print media and online offerings.

Layer ads Type of advertisement used in websites, which are superimposed over the actual website content.

Newsroom An editorial center where all journalistic content is collected, processed, and produced for various media channels, e.g., online, TV, print, and mobile services.

Newsstand newspapers Unlike subscription newspapers, newsstand newspapers are generally sold in retail outlets.

Online marketing Marketing of ad space on web portals.

Online marketplaces Electronic platforms that bring vendors and buyers together, facilitate the comparison of products and services, and allow for the direct placement of online orders.

Paid content Digital or mobile content that users pay for by means of subscriptions or usage-based fees.

Performance-based online marketing Form of advertising under which an Internet sales partner (publisher) receives a share of the proceeds of every successfully completed transaction (e.g., sale of a product or sign-up for a newsletter), in the form of a commission.

Portal Website covering a wide range of different subjects that help users to navigate the Internet. Special-interest portals such as car or book portals try to cover the complete range of their target group's interests by way of a common entrance platform.

Pro-forma revenues Revenues that comprise revenues from business combinations prior to the date of initial recognition in the consolidated financial statements.

Purchase price allocation Process in which the purchase price of a business combination is allocated to the fair values of all identifiable assets and liabilities.

Reach Percentage of a target group that is reached at least once by an advertising vehicle or combination of advertising vehicles.

Registered shares of restricted transferability Registered shares that can be transferred only with the consent of the respective stock corporation.

Search term marketing Type of marketing geared to specific target groups, using search engines. The customer of such a service defines the search terms which, when entered by the online user, will trigger the placement of the customer's banner or advertising message on the search engine's web page.

Special-purpose entities Companies that are formed for the purpose of fulfilling a specified narrowly defined purpose. A special-purpose entity must be consolidated if the Axel Springer Group controls the special-purpose entity in substance or if, in substance, the majority of the risks and rewards from the special-purpose entity's operations lie with Axel Springer. For this purpose, it is not required that the Axel Springer Group holds an equity interest in the special-purpose entity, or vice versa.

Tabloid format Small-size format for newspapers.

Unique visitors Number of persons who have visited a website at least once during a specified period of time. It corresponds to the net reach.

Wallpaper ads Large-format ads on websites.

Visits Connected series of usage events (visits). After an interruption of 30 minutes, a new visit is counted. A usage event is defined as a technically successful page load by an Internet browser from a specific online offering.

Financial Calendar

- **March 2, 2011**
  Annual Report, annual financial statements press conference, investor/analyst teleconference
- **April 14, 2011**
  Annual shareholders' meeting, Berlin
- **May 11, 2011**
  Quarterly financial report at March 31, 2011
- **August 3, 2011**
  Quarterly financial report at June 30, 2011
- **November 7, 2011**
  Quarterly financial report at September 30, 2011

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