axel springer

Annual Report 2005

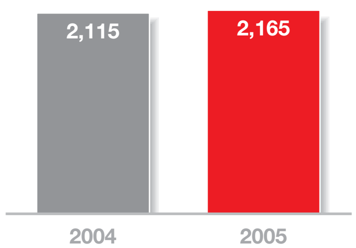
Key Figures Group

Key Figures Group

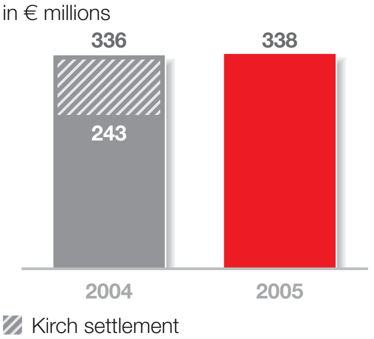
in € millions	2003	2004	2005	Change year-on-year
Revenues	**2,321**	**2,402**	**2,392**	**- 0.4 %**
thereof advertising and circulation revenues	2,038	2,115	2,165	2.4 %
Net income				
EBITA [1]	**215**	**336**	**338**	**0.6 %**
EBITA margin	**9.3 %**	**14.0 %**	**14.1 %**	
Net income	**112**	**148**	**231**	**56.1 %**
EBIT [1]	194	316	330	4.4 %
EBITDA [1]	290	433	414	- 4.4 %
Total assets	2,115	2,392	2,612	9.2 %
Equity	678	873	1,185	35.7 %
Equity ratio	32.1 %	36.5 %	45.4 %	
Capital expenditures	159	131	82	- 37.4 %
Cash flow from operating activities	317	305	224	- 26.6 %
Earnings per share (in €)	3.26	4.66	7.38	58.4 %
Dividend (in €)	1.20	1.20	1.70	41.7 %
Special dividend (in €)		0.25		
Year-end share price (in €)	70.00	86.00	108.00	25.6 %
Number of employees (average)	10,949	10,700	10,166	- 5.0 %

[1] Adjusted for non-recurring items.

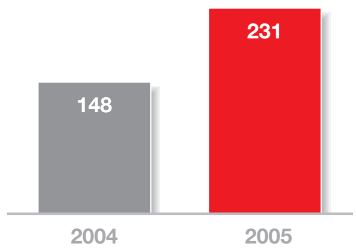
Advertising and Circulation Revenues
in € millions



EBITA
in € millions



Net Income
in € millions



Cover photo: see page 10

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Foreword

Dr Mathias Döpfner
Chairman and
Chief Executive Officer

Dear Shareholders!

“Win when you can, lose when you must, but never give up!” – an appropriate motto for the year 2005. And what a year it was! We invested a lot of time and energy into our attempt to acquire ProSiebenSat.1. In December 2004, talks with the sellers got underway, on August 5, 2005, the purchase contract was signed, and on January 23, 2006, the German Federal Cartel Office rejected the deal.

Was the entire effort all for naught? In the end was it a wasted year for Axel Springer AG? I don’t think so. In fact, I’m convinced of exactly the opposite. And I can offer some clear evidence of this. In 2005 we again enjoyed record earnings, and with an EBITA margin of 14.1 percent we achieved our objective for the first time: Axel Springer AG is – according to published or available facts and figures – the most profitable and most creative major publishing house in Germany.

Two Strategic Growth Options

For the last five years our focus has been on two strategic growth options: one involves internationalizing our print business, the other branching out into the German TV sector. The willingness of the current majority stakeholder to sell his shares of ProSiebenSat.1 presented an opportunity to pursue the second option. The objective was clear. By combining newspapers, magazines and television we would have a platform from which we would be able to shape future digital business. Access to video and written information is the basis for creating and successfully marketing cross-media products of the future: digital products for mobile communication devices, Internet portals, and interactive TV.

The purchase contract would have given us 100 percent of the common shares of ProSiebenSat.1 Media AG, and would have allowed us – after a public tender offer to the preference shareholders – to fully integrate the company into our operations – and all this at favorable conditions ranging from the purchase price to the fact that the antitrust risk was born by the seller.

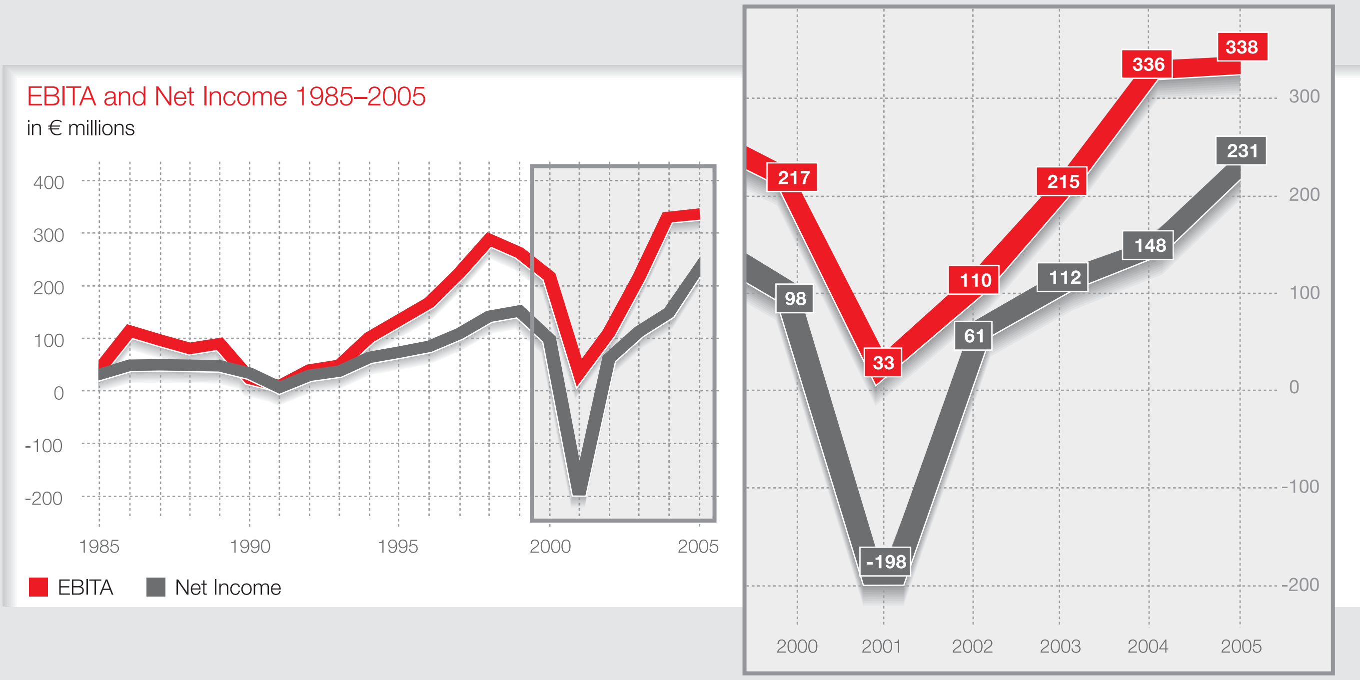
From this point on everything appeared to go even more smoothly than expected. The capital market was very receptive to the transaction, the share prices of both companies rose. The earnings picture developed better than anticipated, the debt level shrank faster than planned. The vast majority of preferred shareholders declined the cash offer. The financial burden tied to the transaction fell from the original € 4.2 billion to € 2.8 billion. Within a half-year the purchase price factor also declined significantly from 14.3 to 10.4 with respect to the EBITDA for the last twelve months, respectively. This would have made it the least expensive TV deal in recent years.

No Economic Damage Following the Takeover Attempt

But it was not meant to be. The deal was first rejected by the Commission for Determining Concentration in the Media Sector (KEK), then by the German Federal Cartel Office. The business calculation models, criteria and market demarcation models remain controversial today. In our opinion they are totally inaccurate and, with respect to European antitrust law, detrimental to our location. But it makes no sense to quibble about it now. The governing bodies have spoken. And we have to respect their decisions. We will be good sports about it – and look to the future. This is easy, because our business suffered no damage. The costs incurred in pursuing the transaction have been almost fully recovered – thanks to a profitable interest guarantee. Due to the numerous uncertainties especially with regard to a possible application for a ministerial permit and the related unacceptable risks for all parties involved, we decided on February 1, 2006 not to pursue the takeover attempt any further. However, on February 23, 2006 we filed an appeal against the prohibition notice of the German Federal Cartel Office to achieve legal certainty for further acquisitions.

Spectacular Success at Home

It is astounding how focused and successful we have been in expanding our core business and boosting its profitability despite all of our takeover efforts. This is true for the national market where BERLINER MORGENPOST and WELT am SONNTAG have, in many respects, been the year's big winners in the national newspaper sector, and where they have achieved outstanding market positions. Where BILD and BILD am SONNTAG, while already enjoying a high level of success, were again able to generate record earnings. And where WELT KOMPAKT has demonstrated that it is possible to attract new, young readers with new newspaper formats. But undoubtedly the most spectacular success on the national market was recorded by TV DIGITAL. Circulation rose 40 percent to 1.7 million copies in the fourth quarter. And the nicest thing about it is that this success was not at the expense of HÖRZU, which saw its advertising business grow by more than 16 percent and its earnings improve again.



Axel Springer AG corporate headquarters in Berlin

FAKT is Poland's Largest Newspaper – and it's Profitable

We are very happy to report that business is going very well in Eastern Europe, especially in Poland. The daily newspaper FAKT, which we launched in 2003, has seen its circulation stabilize at 500,000 copies per day, thereby making it Poland's largest newspaper. And that's not all. FAKT shifted into the profit column in only its second full year of operation. This makes FAKT the most successful newspaper launch in recent decades. If we needed courage to take our core expertise in the German mass newspaper market and apply it abroad, we certainly found it in Poland.

Growth on the Internet

We are also very pleased with the success that we have enjoyed in our online endeavors. BILD.T-ONLINE now generates a double-digit yield on sales, and our classified advertising portals IMMONET.DE, STEPSTONE.DE and AUTOBILD.DE are enjoying double-digit growth in the number of visits. Our position on the Internet is very strong, compared to other German publishing houses. But we cannot be satisfied to use this as a benchmark. Our real competitors are eBay, Google and other online companies. This is where the challenges of the future are to be found.

Strategic Decisions in Print and Distribution

At the beginning of July, Axel Springer, Arvato and Gruner+Jahr merged their German rotogravure printing plants into the newly founded and jointly owned company of Prinovis. The new company, in which we hold a 25.1 percent stake, is the largest illustration printing operation in Europe. We also entered into a mailing service joint venture with Holtzbrinck, WAZ and Rosalia. Our mailing service activities are now handled by the new jointly owned company PIN Group. The German mail distribution market promises to explode in the coming years after the monopoly on mail delivery is fully abolished at the end of 2007. The objective of our joint venture is to become second to Deutsche Post AG on the postal services market.

Record Earnings in 2005

These, dear shareholders, are only a few of the many highlights of the past year. On the whole, it was the most successful year in the history of our company. We grew in many ways. Our core business surged ahead in a market environment that remains rather subdued. Advertising and circulation revenues rose 2.4 percent to € 2,165 million. Our EBITA of € 338 million is the highest in company history. It is remarkable that these figures exceed the previous year's result, which included the one-time Kirch payment of € 93 million. Without this non-recurring effect the increase would come to € 95, or 39 percent. Net income also set a new historic record. At € 231 million it is € 83 million or 56 percent higher than the previous record of € 148 million set in 2004. Net liquidity also rose to € 327 million. The equity ratio of 45.4 percent is also the highest in company history. And our share price rose from € 86 to € 108 over the course of the year for a 26-percent increase in value. Finally, earnings per share of € 7.38 are the highest ever achieved by our company. All of this indicates that Axel Springer is very healthy indeed. With our record results we are well equipped to grow and invest.

The structural challenges facing the media sector, in particular print media, remain. On the one hand, we have seen that we can boost circulation and market share faster and more profitably than ever before by launching entirely new products. This is evidence of a healthy business model. On the other hand, it is obvious that young target groups can be quickly reached through digital sales channels. And it is also evident that, given the prevailing antitrust law, the growth potential for Axel Springer in Germany is limited.

Two Priorities: Internationalization and Digitization

Two opportunities are self-evident. Organic and inorganic growth can best be achieved through internationalization and digitization. These are our two top priorities for the coming years. We intend to pursue these two objectives aggressively and prudently. The conditions are good. Our company has the required management expertise, financial reserves and strategic freedom of action. Following years of negative growth, the market as a whole is again beginning to show growth potential. There is more optimism about the outlook for the economy and growth than there has been in a long time. The Soccer World Cup promises to stimulate the economy in the short term. But one can only speculate as to how long the upswing will last and whether it will lead to structural change or simply die out again. Our objective is to remain healthy and continue to operate profitably in order to secure long-term economic and journalistic independence. Our employees play a decisive role in our success. They do not simply internalize our corporate values of creativity, enterprise and integrity; they live them.

I thank you for your trust in our company.

Yours,

Dr Mathias Döpfner
Chairman and Chief Executive Officer

Report of the Supervisory Board

Dr Giuseppe Vita
Chairman of the Supervisory Board

Born 1935, career milestones: General Director of Schering S.p.A., Milan/Italy; Chief Executive Officer and Chairman of the Supervisory Board of Schering AG, Berlin. Since 2001 on the Supervisory Board, since 2002 Chairman of the Board.

The Supervisory Board monitored the execution of company business by the Management Board in accordance with legal stipulations and the provisions of the company's articles of association. It was provided with detailed and regular information on the current situation and development of the company, important business transactions and risk management at its own meetings, at the meetings of its committees and through written and oral reports by the Management Board. The Management Board also kept the Supervisory Board informed about events of particular importance between meetings. The Chairman of the Supervisory Board and the Chairman of the Management Board met regularly to discuss company operations.

The Management Board was consulted on matters of great importance to the company, such as corporate planning, strategic objectives, personnel planning and major investment projects. The Supervisory Board also discussed significant individual matters of particular importance for the further development of the company and which affect legal matters and measures, which require its approval in accordance with legal stipulations, the provisions of the company's articles of association and the rules of procedure of the Management Board. This applies in particular to the company's budget planning.

The Supervisory Board held a total of six meetings during the period under review: three meetings during the first half of the calendar year and three meetings during the second half of the calendar year. Only three Supervisory Board members were unable to attend one meeting each, and one Supervisory Board member was unable to attend two meetings. The consultations of the Supervisory Board during the 2005 financial year focused on: maintaining company profitability by continuing restructuring measures; the expansion and safeguarding of the company's core brands, preparations for developments on the market for free newspapers, the safeguarding of the future of the company through the establishment of new projects at home and abroad, efforts to acquire ProSiebenSat.1 Media AG including the financing thereof and all measures connected thereto.

Among other things, the Supervisory Board also discussed the financial statements and consolidated financial statements as of December 31, 2005, the agenda for the 2005 shareholders' meeting, corporate and investment planning for the 2006 financial year, the examination of the efficiency of the work of the Supervisory Board, and the implementation of the recommendations contained in the German Corporate Governance Code.

German Corporate Governance Code

In December 2005 the Management Board and the Supervisory Board issued their joint statement of compliance in accordance with § 161 of the Stock Corporation Act (AktG) and made it available on the company web site on a permanent basis. Axel Springer AG complies with the recommendations to a very large extent. The statement of compliance appears on page 64 of this annual report.

Supervisory Board Committees

The Supervisory Board has an executive committee, a personnel committee and an audit committee. The executive committee, whose responsibilities include publishing and journalistic matters as well as issues relating to strategy, corporate planning, investments and the financing thereof (notwithstanding the responsibilities of the Supervisory Board as a whole), met five times during the period under review. The personnel committee, whose responsibilities include the conclusion, alteration and termination of employment contracts with the members of the Management Board, met twice during the period under review.

The audit committee prepared the decisions of the Supervisory Board concerning the adoption of the financial statements and approval of the consolidated financial statements, reviewed the interim statements and/or interim report, discussed issues in connection with the auditors and examined risk management issues and the activities of the internal auditor. The audit committee met four times in 2005.

The Chairman of the Supervisory Board is chairman of the executive committee, the personnel committee and the audit committee.

Financial Statements and Consolidated Financial Statements

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, audited the financial statements and consolidated financial statements prepared by the Management Board as well as the management report and consolidated management report for the 2005 financial year and issued an unqualified opinion thereof. The auditors issued a summary in which they concluded that the Management Board has established a risk management system that complies with legal regulations and that this system, in principle, is capable of detecting at an early stage developments that could threaten the existence of the company.

The aforementioned documents, the proposal made by the Management Board regarding appropriation of the retained earnings and the audit reports by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft were punctually submitted to all members of the Supervisory Board. The documents were discussed in detail in the presence of the auditors at meetings of the audit committee and Supervisory Board on March 7, 2006. The auditors reported on the main results of their audit.

The Supervisory Board acknowledged and approved the results of the audit. Following its own internal review the Supervisory Board found no grounds to challenge the results. The Supervisory Board approved the financial statements and consolidated financial statements prepared by the Management Board. The 2005 financial statements of Axel Springer AG have thereby been adopted.

The Supervisory Board agrees with the proposal made by the Management Board concerning the appropriation of the retained earnings.

The Management Board also provided the Supervisory Board with the report on relationships with affiliated companies in accordance with § 312 of the Stock Corporation Act (AktG). The audit report prepared by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, was also made available to the Supervisory Board. The audit report reads as follows:

"Following our conscientious audit and evaluation we confirm that
1. the factual details of the report are correct,
2. the amounts paid by the company for legal transactions listed in the report were not unreasonably high."

The Supervisory Board also reviewed this report by the Management Board. It acknowledged and approved the auditors report on the report by the Management Board. Following the completion of its own internal review, the Supervisory Board agrees with the declaration made by the Management Board concerning the report in accordance with § 312, Paragraph 3 of the Stock Corporation Act (AktG).

New Supervisory Board Elections

At the shareholders' meeting on April 20, 2005, Oliver Heine was elected to replace Axel Sven Springer, who resigned his post at the end of the 2005 shareholders' meeting and whom the Supervisory Board thanked for his work on the board.

Berlin, March 7, 2006
The Supervisory Board

Dr Giuseppe Vita
Chairman

Supervisory Board

Dr Giuseppe Vita
Chairman of the Supervisory Board

Dr h. c. Friede Springer
Vice Chairwoman
Businesswoman, Berlin

Dr Gerhard Cromme
Chairman of the Supervisory Board of ThyssenKrupp AG, Düsseldorf

Leonhard H. Fischer
Member of the Management Board of Crédit Suisse Group, Switzerland, and Chief Executive Officer of Winterthur Group

Oliver Heine
Lawyer, Hamburg
(since April 20, 2005)

Klaus Krone
Businessman, Berlin

Prof. Dr Wolf Lepenies
University Professor, Berlin

Dr Michael Otto
Chairman of the Management Board of Otto (GmbH & Co.), Hamburg

Brian M. Powers
Chief Executive Officer of the Investment Group Hellman & Friedman, LLC, San Francisco, California, USA

Management Board

Dr Mathias Döpfner
Chairman and
Chief Executive Officer
Newspapers Division

Born 1963, Journalist.
Career milestones: Frankfurter Allgemeine Zeitung; Gruner+Jahr; Chief Editor of Wochenpost and DIE WELT. Since 2000 on the Management Board, since 2002 Chairman of the Board.

Rudolf Knepper
Vice Chairman
Printing and Logistics Division

Born 1945, Master's degree in engineering and business engineering. Career milestones (since 1973 with Axel Springer): Head of Technical Planning; Director of the Printing Facility Hamburg; Head of the Production Unit Offset Printing. Since 1994 on the Management Board, since 2002 Vice Chairman.

Steffen Naumann
Chief Operating Officer and
Chief Financial Officer

Born 1966, Master's degree in business administration and economics. Career milestones: Mc Kinsey & Company; Board Member of Bertelsmann Buch AG; Executive Vice President and Chief Financial Officer of Random House, New York. Since 2001 on the Management Board.

Dr Andreas Wiele
Magazines and International Divisions

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

ullstein bild

Creativity

A photo is only good when it moves you. When it helps you understand, opens up new horizons, provides insight. When the artistic quality and meaning of the subject complement one another.

For over 100 years ullstein bild, the photo agency of Axel Springer AG, has been collecting and marketing photographs that continually attempt to do these demands justice.

Over twelve million prints, negatives, slides and digital images in color and black and white – from the beginning of photography until today. A unique orbis pictus populated with the works of some of the greatest masters of photographic art. Here are a few examples from a realm, which like few others, radiates creativity and feeling: art and the artist.

Jochen Blume and Grock the clown's bid of farewell to the stage, James Abbe with a look behind the scenes at the ballet, Horst Tappe and two of his expressive photographic portraits, or Sasha Stone, who succeeds in capturing the modern theater of the twenties. Icons.

Cover Photo: **Rhythm is It**
Pavel Sticha, born in Prague in 1942, took this photo of jazz legend Lionel Hampton (1908–2002) during the eighties in Berlin, where the Czech has lived since 1968. He is known for his special brand of humor. It is said that he can even make his camera wink. But humor is not his only talent. Robert Capa once said: "If your photos are not good enough, then you weren't close enough!" Sticha was close enough.

Final Curtain
Even clowns get the blues. So it was with Dr Charles Adrien Wettach (1880–1959) as he bid farewell to the circus on October 30, 1954, in Hamburg. The career of the man the world knew simply as "Grock" had come to an end. No more would we hear his legendary "Taint pooosible." Jochen Blume, born in 1925, captured this tender moment in the life of the comedy genius.

and feeling

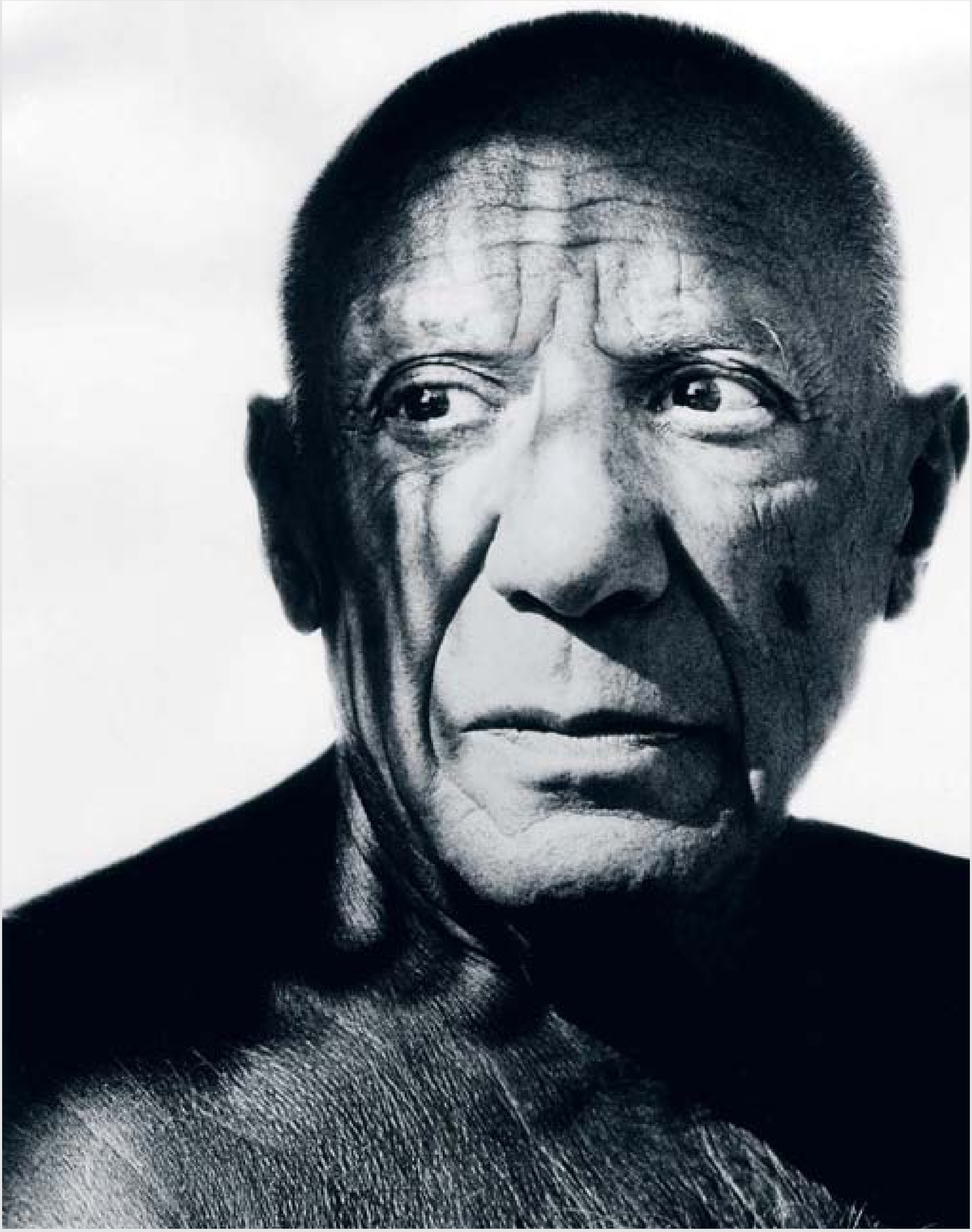
Modern Moorish Dancer

Dancer Harald Kreuzberg (1902–1968) was a wizard at merging the delicate with the powerful. He was admired, copied and even immortalized as a porcelain figurine. Siegfried Enkelmann (1905-1978), one of the best dance photographers of the forties through sixties, captured the “Moorish” master on film in this scene from the ballet “Song of the Night” in 1947.

Attempting to Explain Art

Joseph Beuys (1921–1986) moved people in a very different way, mesmerizing his audiences with experiments, discussions – and the cognizance that “everyone is an artist.” Here photographer Werner Eckelt (1914–1990) preserves a moment in the life of the man in the trademark felt hat as he attempts to explain his constellation of 100 wooden panels entitled “Directive Forces” at Berlin’s New National Gallery in March 1977.

Russia Comes to Berlin
American James E. Abbe (1883–1973) is one of the recently rediscovered pioneers of photographic journalism. “Shooting Stalin”, a new book about him, tells the story of his famous portraits of the Russian dictator. Here Abbe snaps the shutter on Russian ballerinas from Viktor and Tatyana Gsovsky’s ballet school as they prepare to perform in Berlin. The photo was taken in 1928 for Ullstein’s snobbish magazine “Die Dame”.



Sharp Left Turn

Exaggeration was the stylistic medium employed by the Berlin cabaret performer Margo Lion (1900–1989). The woman with the super-slender body sang the sometimes “idiotic” and often “hypnotic” chansons written for her by her life’s companion Marcellus Schiffers. This photo entitled “Lines of Fashion” was taken on the Trude Hesterberg’s “Wild Stage” in 1923 by the famous Atelier Rieß. The result: an icon.

Classic Moments

The term icon most certainly applies to this expressive portrait of Pablo Picasso taken by Horst Tappe (1938–2005) during the mid-sixties. The Spaniard who preferred to live in France is only one of the some 5,000 famous personalities who were caught on film over the years by the photographic artist trained by Marta Hoepffner and Oswald Ruppen. The photo archives at ullstein bild are filled with his “victims.”

Profile in Theatrical Greatness
Sasha Stone (1895–1940), a Russian-American citizen of the world, opened an atelier in Berlin in 1925 under the motto “Sasha Stone sees more.” This classic silhouette of theatrical director Erwin Piscator (1893–1966) was taken at Piscator’s “Theater am Nollendorfplatz”, which set the tone for political theater in the Weimar Republic.

Vamp with Fox Tail

Those who encounter the musical saw outside of the circus can thank Marlene Dietrich, who learned to play it for the film "Café Electric". Her effort to master the "instrument" was all that more bizarre because it was a silent movie. Dietrich later put her musical saw talent to work in entertaining American troops. The photo was taken in 1927 by Martin Badekow in his Berlin atelier.

German *Jeunesse Dorée*

Lotte Jacobi (1896–1990) is one of the great masters of the photographic art. She snapped her first photos as a 12-year-old growing up in West Prussia. As an elderly woman she donated 47,000 negatives to the University of New Hampshire. In between, she lived in Berlin (1925–1935), New York (until 1955) and 35 years in New England. Here she captures Thomas Mann's somewhat bohemian children Klaus and Erika for the Berlin daily "BZ am Mittag" in 1930.

Contemplative Double
A picture is a picture is a picture … to paraphrase Gertrude Stein. Jaro von Tucholka snapped the profile and likeness of her girlfriend, sculptress René Sintenis (1888–1965), in Berlin in 1927. Unfortunately she did not leave us many photos; the talented artist retreated from her life as a professional photographer during the thirties.

Elegant Defiance of Gravity
Only a master can make the difficult look so easy. American dancer Fred Astaire (1899–1987) was indeed a master of elegant ease. Here he is captured in apparent zero gravity in the 1935 film “Top Hat.” His heroine was again Ginger Rogers. The photo was taken by Radio Pictures photographer Robert W. Coburn (1916-1995).

Strategy and Principles

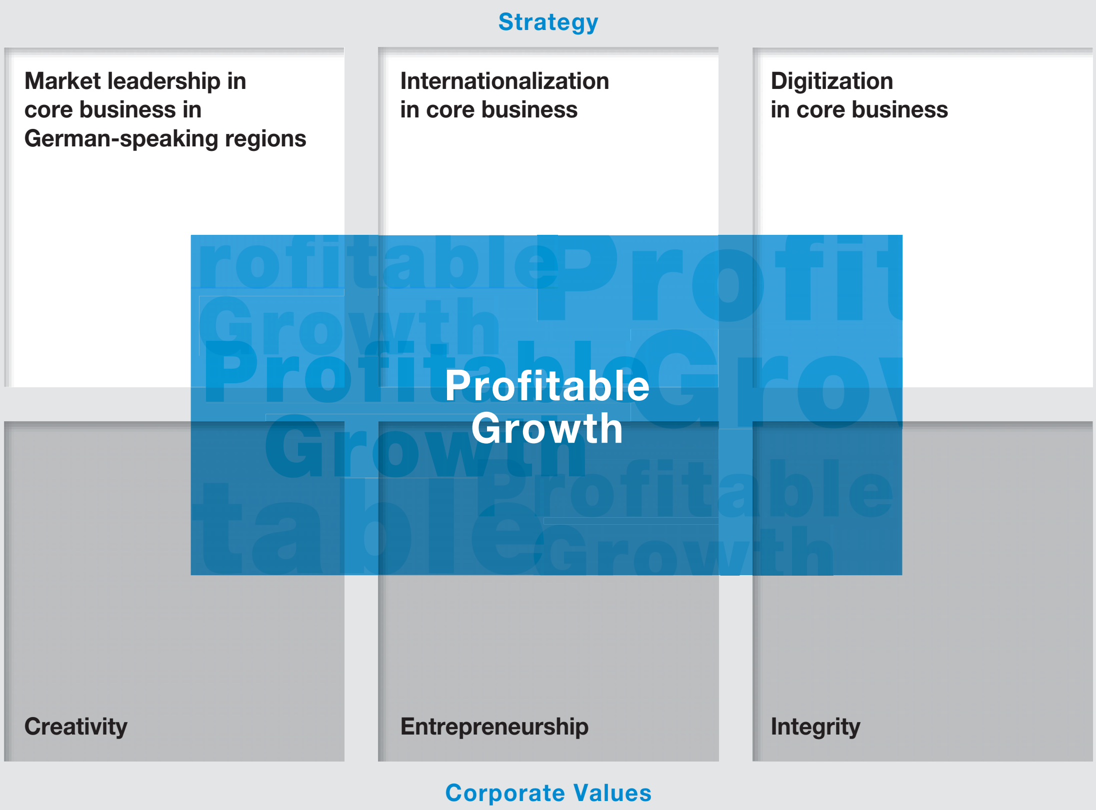
Company Profile

Axel Springer is Germany's largest newspaper publishing house and one of the world's leading media corporations. Founded in 1946, the Group is headquartered in Berlin with publishing facilities in Hamburg, Munich and abroad. The company's core business consists of newspapers, magazines and digital sales channels. The Group also operates modern printing plants and has highly efficient sales organizations. The company's core expertise consists of providing current information and entertaining mass journalism. The focus of international expansion is Eastern Europe, namely Poland, Hungary, the Czech Republic and Russia. In Western and Southern Europe the Group's activities are focused on France, Spain and Switzerland.

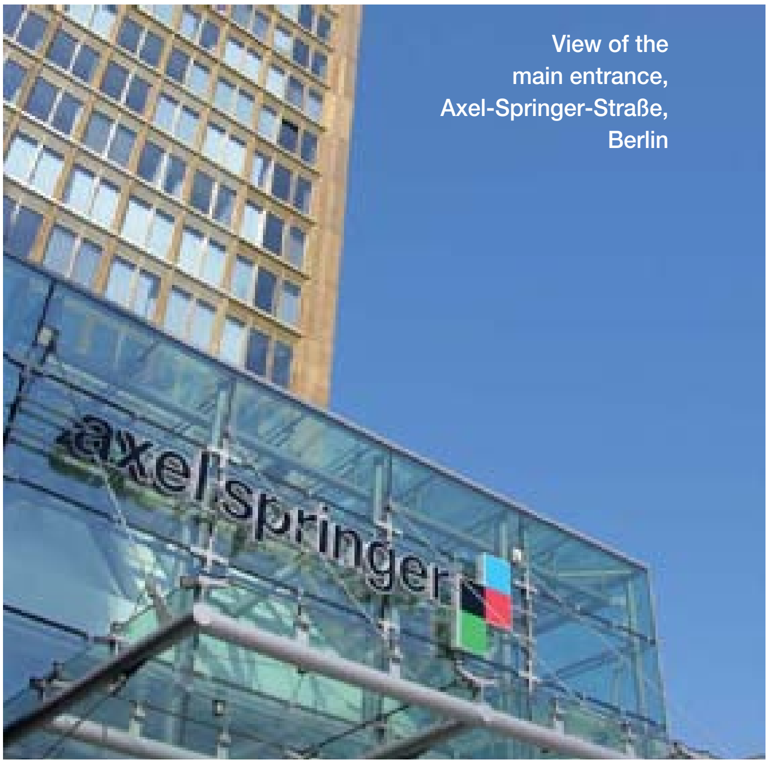
Strategy

The objective of the Group is to make information and entertainment available to various target groups. The company seeks to generate profitable growth and increase the value of the company by providing and disseminating content in return for cash payment and by marketing an attractive environment for advertising. The strategic priorities of the Group are to achieve and maintain market leadership in its German-language core business, internationalization and digitalization. With new launches of publications such as TV DIGITAL, WELT KOMPAKT, AUDIO VIDEO FOTO BILD and JOLIE, Axel Springer has demonstrated that it can also achieve success in its German-speaking core business through creative journalistic concepts, despite the slow economic environment. The Group continues to enjoy dynamic growth abroad through the successful transfer of brands and concepts. Examples of this include AUTO BILD, which is published in 28 countries, and COMPUTER BILD, which appears in eight countries. With FAKT, Axel

Six Keys to Profitable Growth



Springer now publishes Poland's largest daily newspaper. Digitization efforts have also been intensified. BILD.T-ONLINE is one of Germany's leading online portals. The Group is also well positioned in the online classified advertising market through its own portals and stakes in other online operations. By making constant adjustments to market changes and by launching new publications and through acquisitions, Axel Springer will continue to grow profitably by following its strategic guidelines.



View of the main entrance, Axel-Springer-Straße, Berlin

Corporate Values

Our corporate culture is based on solid corporate values: creativity as a prerequisite for journalistic and business success, entrepreneurialism in the sense of managers and employees having the courage to put their ideas into action, to take responsibility for their actions, and to produce meaningful results. All employees are required to demonstrate the highest integrity toward the Group, its readers, fellow employees, customers, business associates and shareholders.

Corporate Preamble

Axel Springer is the only media company to have a corporate constitution (here: Preamble), which it introduced in 1967. In accordance with this Preamble, the company adheres to the following principles, which are firmly anchored in the articles of association: the unconditional upholding of liberty and the rule of law in Germany as a member of the Western family of nations; the furtherance of the unification of Europe; reconciliation between Jews and Germans and support for the vital rights of the State of Israel; support for the Transatlantic Alliance and solidarity with the United States of America and the values it shares with free nations; the rejection of all forms of political extremism; the upholding of the principles of a free social market economy.

Guidelines of Journalistic Independence

The editors-in-chief and publishing directors of the company developed guidelines to guarantee journalistic independence at Axel Springer and introduced them in August 2003 in agreement with the Management Board. The guidelines specify and extend the company's understanding of the publishing principles of the press code of conduct issued by the German Press Council. The observance of these guidelines by all reporters and editors in their journalistic endeavors forms the foundation for the general conditions that make independent and critical journalism possible. The editors-in-chief are responsible for the observance of the guidelines and for their implementation in day-to-day business. The guidelines deal with the distinction between advertising and editorial copy as well as between the editors' private and professional interests; they preclude the exercise of personal advantage and define a position with respect to the treatment of sources.

International Social Policy

In view of the company's growing international presence, Axel Springer AG adopted a catalog of social standards during the 2004 financial year. Therein are defined the Group's position on matters of human rights, the protection of children and youth, employee qualifications and the balance between family and career. This "International Social Policy" is a set of binding guidelines on social integrity that applies to all activities of the Group worldwide.
The full Preamble, the Guidelines of Journalistic Independence and the International Social Policy are available on the Internet at www.axelspringer.de.

Highlights 2005

Q1
January
February
March

EURO mit FINANZEN

On January 1, 2005, the publishing house Finanzen Verlag, a subsidiary of Axel Springer AG, acquired the magazine €URO from the Handelsblatt Newspaper group and merged it with the business magazine FINANZEN under the new title of EURO mit FINANZEN.

Superbrand HÖRZU

Exclusive award: For its outstanding brand management and market positioning, HÖRZU was bestowed with the coveted title “Superbrand Germany 2005” in February. HÖRZU is the first and only TV guide on the German market to ever be afforded this honor.

Q2
April
May
June

Prinovis – Securing the Future of Gravure

Prinovis, Europe’s largest magazine printing operation, was created in May 2005 through the merger of the German gravure printing operations of Axel Springer, Arvato and Gruner+Jahr as well as a printing plant in Liverpool, which is currently under construction.

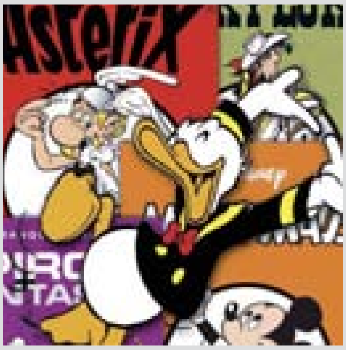
Success for JOLIE

After watching the circulation of JOLIE skyrocket in Germany, publisher AS Young Mediahouse is now exporting the magazine’s successful concept abroad. The first international edition of the pocket-size magazine for young women was published in Serbia and Montenegro in July 2005.

Q3
July
August
September

BILD COMIC LIBRARY

A magazine featuring Asterix, the quick-witted Gaul, appeared in August 2005 as the first in a 12-volume series being released by the BILD COMIC BIBLIOTHEK. Subsequent volumes of the series, published jointly by BILD and Weltbild, followed in weekly succession.



Nationwide Postal Network

Following the successful acquisition of a majority stake in PIN AG, Axel Springer got together in September 2005 with Rosalia AG and publishing houses Holtzbrinck and WAZ to form the jointly owned PIN Group AG. The regional postal service operations of the publishing houses are being merged to enable nationwide mail delivery.

Q4
October
November
December

Best of European Business Award

In October, Axel Springer AG received the “Best of European Business Award” in the category “Strategies for the New Europe” for its exemplary entrepreneurial performance. The award is presented by Roland Berger Strategy Consultants in cooperation with The Financial Times and manager magazin.

WELT KOMPAKT Increases its Reach

Germany’s cross-regional premium newspaper published in tabloid format extended its reach in 2005: from Kiel to Hamburg; from Cologne to Munich. WELT KOMPAKT has been available in 30 major cities since November 2005.

GOLDENE KAMERA Celebrates its 40th Year

On February 13, 2005, ZDF broadcast the 40th annual award ceremony for the GOLDENE KAMERA, the film and television awards presented by HÖRZU. The event was held in the Axel Springer's Ullstein Hall in Berlin for the first time.

AUDIO VIDEO FOTO HOY

On March 31, 2005, the monthly magazine AUDIO VIDEO FOTO HOY was launched by Axel Springer España as the first licensed edition of the German magazine AUDIO VIDEO FOTO BILD. This is one of the latest steps in our continuing effort to internationalize the COMPUTER BILD family of publications. COMPUTER BILD also launched its seventh international edition in Romania.

International Standards for Fair Wood Trading

"From Russia with Transparency" is a project aimed at promoting greater transparency in wood trading in Russia. Axel Springer is working together with publishing houses, paper manufacturers and non-government organizations to ensure that legal, social and ecological standards are adhered to throughout the entire paper production chain.

BILD.T-ONLINE.DE

BILD.T-ONLINE.DE strengthened its leading position as a general interest portal with an increase in reach. The number of visits grew by more than 30 percent over the previous year to an average of 29 million visits.

FAKT

With a circulation of over 500,000 copies, FAKT is now Poland's leading daily newspaper. A regional edition for Katowice became the third such regional publication to be launched. Two more regional editions for Wroclaw and the greater Gdańsk area followed during the third quarter.

International Licensing Business Grows

The new Swedish edition of AUTO BILD was launched on September 22, 2005. Country editions of the car magazine were also launched in Lithuania, Spain and Azerbaijan during the 2005 financial year. AUTO BILD is now published in 27 country-specific editions.

TV DIGITAL – On the Road to Success

TV DIGITAL, Germany's largest TV guide for digital television, saw its circulation grow to 1,735,186 copies (IVW statistics) in the fourth quarter of 2005. The 14-day publication is Germany's leading TV program guide on the growing digital TV market-segments.

30th Annual Presentation of the GOLDEN STEERING WHEEL

In November 2005, BILD am SONNTAG presented the 30th annual GOLDEN STEERING WHEEL awards in the Ullstein Hall in Berlin. "DAS GOLDENE LENKRAD" is awarded for outstanding automotive innovations.

IMMONET.DE

The German Realtors Association and Immonet GmbH, in which Axel Springer AG holds a 74.9 percent stake, strengthened their strategic online market position. With over 3 million visits, IMMONET.DE is one of Germany's leading real estate portals.

Consolidated Management Report and Management Report of Axel Springer AG

Amid continued difficult conditions in the German publishing market, which were alleviated somewhat by rising advertising expenditures in the second half of the year, Axel Springer generated growth in its core business, reporting higher advertising and circulation revenues. Axel Springer also posted a record EBITA of € 338.3 million (adjusted for non-recurring effects), even higher than the prior-year EBITA of € 335.8 million, which included the profit from the Kirch settlement. Net income also reached an historical high of € 230.7 million (2004: € 147.5 million). Earnings per share rose from € 4.66 in 2004 to € 7.38 in 2005.

The Group's advertising and circulation revenues rose from € 2,114.6 million in 2004 to € 2,164.8 million in 2005. Total revenue came to € 2,391.5 million, slightly less than the prior-year figure of € 2,402.0 million, due to the fact that rotogravure printing revenues were discontinued after July 1, 2005, when the corresponding printing plants were contributed to the joint Venture Prinovis.

For 2006, the Management Board anticipates a slight increase in advertising revenues and a slight decrease in circulation revenues. As the discontinuation of rotogravure printing revenues resulting from the spin-off of these operations to the joint venture Prinovis will affect the full-year results for the first time in 2006, total revenues for 2006 will likely again be less than the prior-year level. For 2007, the Management Board anticipates a slight increase in advertising and circulation revenues, as well as total revenues, compared to 2006.

In fiscal year 2006, the Management Board intends to step up capital expenditures in the core business of German-language publications to bolster its market leadership position in that market and to press forward with the strategic goals of internationalization and digitization. Depending on the scope of the capital expenditures effected to achieve these ends, the Management Board is prepared for the possibility that the EBITA for 2006 may be lower than the record level achieved in 2005, despite the continued practice of strict cost management.

Introduction
The following management report contains statements about the development of the Axel Springer Group which largely also apply to the development of Axel Springer AG.

Group Structure and Business Activities

Business Activities
Founded in 1946, Axel Springer is Germany's biggest newspaper publisher and one of the world's leading international media companies. The core business consists of newspapers and magazines and digital distribution channels. The Group also owns and operates modern printing plants and has a highly effective sales organization. Axel Springer's core competence is current news and entertaining, general-interest journalism. A broad portfolio of strong brands and dedicated, highly qualified employees stand for a tradi-tion of creativity, market leadership and profitability.

Axel Springer's overriding goal is to increase the company's value through profitable growth. The strategic goals are market leadership in the German-language core business, internationalization and digitalization in the core business.

Segments
The **Newspapers** segment comprises daily newspapers and Sunday newspapers, superregional and regional subscription newspapers and advertising supplements. This business segment also includes the Group's investments in regional publishers, as well as the Internet

portals BILD.T-ONLINE.DE and IMMONET.DE. With the top-selling titles of the BILD Group and WELT Group and a broad-based spectrum of regional daily newspapers, Sunday newspapers and business newspapers in Germany and abroad, the Newspapers segment is traditionally the Group's biggest revenue contributor. In fiscal year 2005, the Newspapers segment accounted for 60.3 % of the Group's total revenues. Circulation revenues represented 47.0 %, advertising revenues 49.6%, of the segment revenues.

The **Magazines** segment comprises TV programming guides, women's magazines, men's magazines, youth magazines, computer magazines, financial and business magazines and family magazines in Germany and abroad. In addition, the range of titles includes numerous specialty magazines as well. The Group also holds investments in magazine publishers in Germany and abroad. In fiscal year 2005, the Magazines segment contributed 32.9 % of the Group's total revenue. Circulation revenues represented 63.7 %, advertising revenues 34.4 %, of the segment revenues.

The **Printing** segment comprises three offset printing plants in Germany, as well as the Group's investments in two offset printing plants outside Germany and the rotogravure joint venture Prinovis. The printing plants serve the purpose of ensuring the necessary printing capacities.

The **Services/Holding** segment comprises services such as customer service, value-added telephone services, TV productions, logistics, sales, direct marketing, insurance sales and commercial office buildings, the investment in the PIN AG Group, as well as exclusively internal areas such as IT, accounting, human resources and corporate staff. The value-added telephone services were sold in December 2005.

Market Positions

Axel Springer is Germany's biggest newspaper publisher, with a leading market position in daily newspapers, Sunday newspapers and the regional subscription newspaper markets of Hamburg and Berlin. In addition, Axel Springer publishes the country's third-biggest premium newspaper.

With a portfolio comprising about 50 titles, Axel Springer is one of the largest magazine publishers in Germany, with leading market positions in the various segments of TV guides, women's magazines, automotive magazines, computer magazines, financial and business magazines, music magazines and youth magazines.

Axel Springer also publishes about 100 newspapers and magazines in eight countries besides Germany, with an emphasis on Eastern Europe. With ten newspapers and 22 magazines in Hungary, Axel Springer is the leading publisher in this country. In Poland, Axel Springer is the second-largest magazine publisher, with one newspaper and 15 magazines. In the Czech Republic, Axel Springer publishes eight magazines and is this country's second-leading publisher of automotive magazines. Having entered the Russian market in 2004, Axel Springer now publishes three magazines in this country. In Romania, Axel Springer holds an equity investment in Edipresse AS Romania. Axel Springer's activities in Western Europe are focused on France, Switzerland and Spain. In the computer and gaming segment, Axel Springer is the market leader in Spain, with eight titles. In East Asia, Axel Springer has maintained an office since 2004 in the People's Republic of China for the purpose of exploring possible brand and copyright agreements with Chinese publishing houses.

Axel Springer indirectly holds a 12.0 % equity interest in ProSiebenSat.1 Media AG, Germany's biggest privately-owned TV station group. The company also holds a 27.0 % equity interest in Hamburg 1, one of the most successful metropolitan-area TV stations in Germany. In addition, the company holds a portfolio of minority interests in some of Germany's most successful radio stations. In the online segment, Axel Springer holds a 63.0 % interest in the leading cross-media general-interest portal BILD.T-ONLINE.DE. It also holds equity investments in the jobs portal STEPSTONE.DE (49.9 %), the real estate portal IMMONET.DE (74.9 %) and the company's own auto portal AUTOBILD.DE. These three portals are among the market leaders in the three most important classifieds markets.

Organizational Structure

The Management Board Chairman is responsible for the Newspapers division and the departments of Information and Public Relations, Human Resources, Employee Development and Legal. The Newspapers division of the Management Board includes all the German-language newspapers, the investments in regional newspapers and all Internet activities and investments belonging to the newspapers.

The Vice Chairman of the Management Board is responsible for the Printing & Logistics division, which comprises the company's offset printing plants, Logistical Sales, the investments in the rotogravure joint venture Prinovis and in the PIN Group and Central Purchasing.

The Magazines and International division comprises the portfolio of German-language magazines, including TV programming guides, women's magazines, automotive and computer magazines, financial and business magazines, music and youth titles, as well as the international activities of Axel Springer AG. The Magazines division is also responsible for electronic media.

The Management Board division of Finance and Services comprises the corporate staff and service functions of Finance, Internal Audit, Corporate Development and the service business lines of real estate and facility management, IT, insurance sales and customer service.

The Group's development activities are focused on developing new concepts and further developing existing concepts of presenting information and entertainment, with the goal of establishing new titles in the print business and new presentation formats for electronic media and improving the existing titles in the market. In addition, Axel Springer conducts market research in relevant markets to explore the possibility of introducing new titles.

Sites, Shareholdings

The Group has its headquarters in Berlin. It also has publishing houses in Hamburg, Munich and abroad. The Group's consolidated shareholdings are listed in the Notes to the Financial Statements under Note (39).

Stock Exchange Listing, Shareholder Structure

Axel Springer AG has been a publicly traded company since 1985. The company's registered shares are traded on the General Standard section of the Frankfurt Stock Exchange and sold over-the-counter in Berlin-Bremen, Düsseldorf, Hamburg, Munich and Stuttgart. The subscribed capital (€ 102,000,000) is divided into 34 million no-par share certificates. The Axel Springer share closed the year at € 108.00 (2004: € 86.00).

Annual Shareholders' Meeting 2005

At the annual shareholders' meeting of Axel Springer AG held in Berlin on April 20, 2005, the draft resolutions set forth in the meeting agenda, including those relative to the Supervisory Board elections, changes to the articles of association of the company and the authorization to purchase and utilize the company's own shares for the purpose of a Management Participation Plan, were approved by a majority of 99.9 % in every case. The 29.4 million shares pre-sent or represented at the meeting represented 86.5 % of the com-pany's share capital.

On May 19, 2005, Dr. Oliver Krauß filed an action to render null and void the resolutions of the shareholders' meeting of April 20, 2005, relating to Item 2 (resolution on the utilization of the unappropriated net profit for the year), Item 3 (resolution on the ratification of the actions of the Management Board), Item 4 (resolution on the ratification of the actions of the Supervisory Board) and Item 7 (resolution on the authorization to purchase and utilize the company's own shares for a purpose commensurate with Section 71 (1) (8) of the German Stock Corporations Act, including the Management Participation Plan). Axel Springer AG filed a motion for dismissal of this action. The Berlin District Court dismissed the action on February 9, 2006.

Axel Sven Springer has filed an action for avoidance of the resolution of the annual shareholders' meeting of April 14, 2004, by which the Management Board was authorized to purchase and utilize the company's own shares for a purpose commensurate with Section 71 (1) (8) of the German Stock Corporations Act, including in particular the establishment of a Management Participation Plan for the Management Board (Item 7 of the meeting agenda). The Berlin District Court dismissed the action on September 27, 2004. Mr. Springer lodged an appeal against this decision on November 11, 2004 but withdrew the appeal on February 13, 2006. Consequently, the dismissal by the Berlin District Court is final.

Value-Driven Management

The long-term strategy of the Axel Springer Group is to strengthen its market leadership position in the core business of German-language newspapers and magazines and to advance the process of internationalization and digitalization. The corporate management system revolves around the key factors of profitable growth and the sustained enhancement of the company's value.

The key managerial indicators, both on the Group level and for the segments, are EBITA (earnings before interest, taxes and amortization of goodwill), EBITA margin and revenue. These indicators are anchored in the Group-wide planning and controlling system and form the basis for the performance-oriented compensation of the Management Board and other senior managers.

The compensation of the Management Board members is divided into fixed and variable elements. The variable elements have a cash component and a company stock component. Maximum limits have been established for the variable cash payments. These payments are results-dependent, determined on the basis of the individual performance of the Management Board member and the overall success of the Group. A portion of this compensation is tied to the achievement of a certain company value, calculated on the basis of EBITA. The Management Participation Plan adopted by the annual shareholders' meeting of April 14, 2004 established a long-term, variable compensation component for all Management Board mem-bers.

The compensation of the Supervisory Board members is divided into fixed and variable elements. The variable compensation is dependent on the amount of the dividend distributed to shareholders. In determining the compensation of the Supervisory Board members, due consideration is given to the activities of the Chairman and Vice Chairman of the Supervisory Board, as well as the activities of the members serving as chairmen and members of the various committees.

A capitalized value method based on weighted capital costs is applied to assess the profitability of capital investments in new or existing business segments. The weighted average capital costs are determined on the basis of a target capital structure. The risk of a capital investment project is generally represented by means of a capital market equilibrium model, applying a beta factor (for the business-specific, systemic risk) and a market premium (for the country-specific, non-systemic market risk). Generally speaking, it is as-sumed that the Group's systemic risk is equivalent, on average, to that of comparable companies. For Axel Springer, the group of comparable companies consists of European media companies. In addition, specific risks are reflected in the weighted average capital costs, which are updated every year.

Economic Environment

Germany: Low Growth, Stagnant Consumption

The hopes for an economical revival in Germany, the most important market for Axel Springer, did not materialize in 2005. According to the German Federal Statistical Office, the inflation-adjusted economic growth rate in Germany was 0.9 % in 2005. The growth resulted mainly from the positive trend of exports, which increased 6.2 % on the year. By contrast, the domestic economy experienced very little growth. Consumer spending, the most important factor contributing to the success of Axel-Springer's titles, was stagnant. The main causes for this development were the difficult state of the jobs market and the persistent reluctance of consumers to spend. Disposable incomes increased at a nominal rate of 1.5 %, but did not boost consumer spending. Fueled by the rise in energy prices, consumer prices increased 2.0 %. The savings rate held steady at a high level and slightly rose from 10.5 % in 2004 to 10.6 % in 2005. The average annual unemployment rate for 2005 was 11.7 %.

Europe: Flagging Growth Momentum

The European markets (excluding Germany) in which Axel Springer AG is represented through its own publishing activities registered higher growth rates than Germany. According to the estimates contained in the Joint Report of the leading German economic research institutions issued in the autumn of 2005, the growth momentum began to slow also in these countries in 2005. In the newly acceded EU countries, foreign trade was a bigger contributor to economic growth than domestic demand. Poland's gross domestic product increased 3.3 % and Hungary's 3.6 %. Benefiting from higher energy prices, Russia saw economic growth of 6.0 %, and in Spain, which is experiencing an economic upswing, the growth rate was 3.2 % in 2005. The economies of France and Switzerland each registered growth rates of 1.5 %.

Information on the development of the economic sectors in which Axel Springer operates can be found in the section Operating Results – Segments.

Business Development

Core Business Strengthened

Amid the continued difficult conditions in the publishing market, Axel Springer successfully expanded its domestic core business. In the Newspapers business, Axel Springer increased both revenues and earnings of its existing titles and strengthened its presence in the newspapers market by expanding the regional circulation of WELT KOMPAKT in gradual steps to a total of 30 cities. Defying the general market trend and intense competition, the magazines segment again posted higher revenues and earnings. The positive performance was driven both by established titles such as HÖRZU, FUNK UHR, AUTO BILD and some youth magazines, as well as newer publications like TV DIGITAL and JOLIE, which were launched in the last two years. The title JOURNAL für die FRAU was sold to Hubert Burda Media.

Internationalization Continued

Despite intensified competition, FAKT strengthened its position as the biggest daily newspaper in Poland. In Hungary, REGGEL was discontinued due to insufficient economic prospects. In Russia, Axel Springer launched WALLPAPER* as a Russian licensed edition of the design and style magazine of the same name. Axel Springer expanded its international licensing business by launching four new editions of AUTO BILD and one new edition of COMPUTER BILD. Furthermore, licensed editions of the titles JOLIE and AUDIO VIDEO FOTO BILD were introduced in foreign markets for the first time in 2005.

Systematic Expansion of Online Presence

Axel Springer systematically expanded both the online offerings of its existing print brands and its multi-brand Internet activities in 2005. BILD.T-ONLINE.DE strengthened its top position as a cross-media general interest portal. Through STEPSTONE.DE, IMMONET.DE und AUTOBILD.DE, Axel Springer is one of the leading providers in Germany in the growing online classifieds market.

Prinovis and PIN Group Established

In 2005, Axel Springer, Arvato and Gruner + Jahr contributed their five German rotogravure printing plants to a new joint venture, Prinovis, the biggest illustrated printing group in Europe, in which Axel Springer holds a 25.1 % equity interest. The new company employs more than 4,300 people at production sites in Ahrensburg, Darmstadt, Dresden, Itzehoe and Nuremberg. In addition, a sixth plant is under construction in Liverpool, England. The goal of all the shareholders of this joint venture is to protect and extend their printing activities in the competition-intensive European rotogravure printing market.

In the first quarter of 2005, Axel Springer and the Georg von Holtzbrinck printing group completed their joint acquisition of a majority shareholding interest in PIN AG, the biggest regional mail delivery service in Germany. The aim of this new company, jointly established by Axel Springer, Georg von Holtzbrinck, WAZ and the investment company Rosalia AG, each shareholder holding a 25 % interest, is to establish a nationwide mail delivery and logistical services group to which the joint venture partners will contribute their regional mail delivery services. PIN AG is the biggest national competitor to Deutsche Post AG in the German mail delivery market.

Acquisition of ProSiebenSat.1 Media AG Rejected

Axel Springer AG had intended to acquire a majority interest in ProSiebenSat.1 Media AG, thereby establishing television as the Group's second main strategic business. In August, Axel Springer signed an agreement that would have increased its equity holding in ProSiebenSat.1 from the current level of around 12 % to 100 % of voting common stock and 25 % of non-voting preferred stock. In September 2005, Axel Springer made a voluntary takeover offer to the remaining independent shareholders of ProSiebenSat.1.
On February 1, 2006, however, after the German Cartel Office denied the acquisition and the Media Concentration Commission issued a negative decision as well, the parties decided to annul the above-mentioned agreement and therefore the takeover offer was no longer valid. In view of the numerous economic and legal uncertainties associated with a possible appeal or ministerial permission procedure, the parties chose not to lodge such an appeal or procedure, as it would entail unacceptable risks for all parties.

Operating Results – Group

Market Environment: Print Circulation Continues to Fall, Advertising Business Positive on the Whole

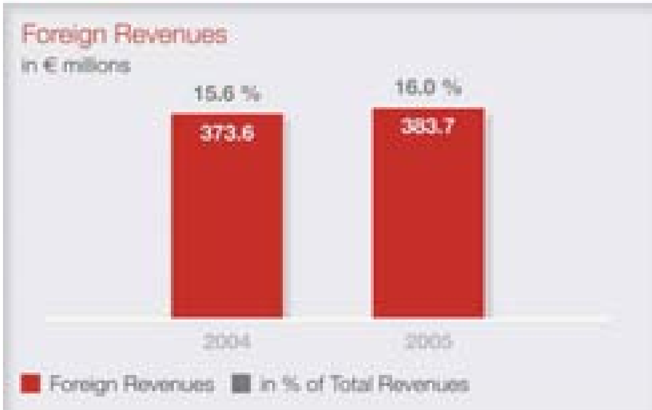
Due to the continuing weakness of consumer spending, sales volumes and revenues continued to shrink in the print circulation market. The total paid circulation of newspapers and magazines effectively declined by around 2.5 %. Print revenues in the entire market fell by around 1.0 %. The gross advertising revenues of print media (excluding classifieds and advertising supplements) continued to show a positive development in 2005, posting an increase of 4.9 % to reach € 9.29 billion, although the growth rate of this business was lower than it was in the previous year (2004/2003: +7.1 %). Again in 2005, this growth (before rebates and agency commissions) was driven largely by the advertisements of the media sector itself. The economically more important indicator of net revenue did not perform as well, however, due to intensifying pressure on terms.

Revenues from classified ads, one of the key revenue sources for subscription newspapers, continued to decline in the case of real estate, automobile and event ads.

Axel Springer: Higher Circulation and Advertising Revenues

Amid the continued difficult conditions of this market, Axel Springer managed to boost its revenues in its core business. At € 2,164.8 million, circulation and advertising revenues were € 50.2 million (2.4 %) higher than the corresponding prior-year figure, while the total revenues of € 2,391.5 were slightly lower than the prior-year figure of € 2,402.0 million. Circulation revenues amounted to € 1,178.8 million, indicative of a € 9.2 million (+ 0.8 %) increase over the previous year, representing 49.3 % of the Group's total revenue in 2005. This increase can be attributed mostly to the positive development of TV DIGITAL, FAKT and the titles in Spain and

Hungary. The advertising revenues amounted to € 986.0 million, indicative of a € 41.0 million (+ 4.3 %) increase over the previous year, representing 41.2 % of the Group's total revenue in 2005. This increase in revenue was mainly due to the strong performance of BILD, WELT am SONNTAG, FAKT and TV DIGITAL, as well as the heightened volume of advertising business in Russia. The "other revenues" amounted to € 226.7 million, indicative of a € 60.7 million (- 21.1 %) decrease from the previous year, due mainly to the discontinuation of revenues from the rotogravure business in the second half of the year. Foreign exchange effects contributed € 10.0 million to the total revenue figure.



Revenue Growth in Foreign Markets

At € 383.7 million, foreign advertising revenues were € 10.1 million (+ 2.7 %) higher than the corresponding prior-year figure. Thus, the proportion of total revenue contributed by foreign revenue rose from 15.6 % in 2004 to 16.0 % in 2005. The increase in total revenue was driven mainly by higher circulation revenues in Spain and Hungary and by higher advertising revenues in Poland, Russia and Spain.

Total Expenses Lower than Previous Year

Due in particular to the continued practice of strict cost management, the total operating expenses contained in EBITA were reduced by € 107.0 million (- 4.7 %) to € 2.174.0 million in 2005. The cost of purchased goods and services rose by € 15.7 million (+ 2.1 %) to € 761.0 million, because the rotogravure printing expenses that had formerly been allocated to all the cost categories are now presented entirely under Purchased goods and services since the commencement of the joint venture Prinovis. The ratio of the cost of purchased goods and services to total revenue was 35.0 % (2004: 32.7 %). Personnel expenses were reduced by € 67.1 million (- 9.3 %) to € 654.9 million. This decrease resulted from various different factors, including the additional restructuring measures that were carried out, a reduction of the expenses for employee layoff mitigation plans and the spin-off of personnel expenses for rotogravure printing operations to the joint venture Prinovis. The ratio of personnel expenses to total revenue was 30.1 % (2004: 31.7 %). The other operating expenses were reduced by € 33.9 million (- 4.7 %) to € 682.8 million. Depreciation and amortization expenses (excluding amortization of goodwill) declined by € 21.8 million (- 22.5 %) to € 75.3 million. It was not necessary in 2005 to recognize impairment losses in title rights.

Higher EBITA for 2005

Adjusted for non-recurring effects of € 60.0 million, Axel Springer's EBITA for 2005 amounted to € 338.3 million, € 2.5 million higher than the corresponding prior-year figure of € 243.2 million, adjusted for the effect of the Kirch settlement in the amount of € 92.6 million. The overall earnings increase can be attributed to the higher level of revenues in the advertising business, the continued practice of strict cost discipline and the step-by-step progress towards making the new titles profitable. The EBITA margin was 14.1 % (2004: 14.0 %, or 10.1 % adjusted for the effect of the Kirch settlement).

Income from Continuing Operations and Net Income for the Year Significantly Higher than Previous Year

The income from continuing operations was € 231.4 million, 50.7 % or € 77.8 million higher than the corresponding prior-year figure, and consolidated net income was € 230.7 million, 56.4 % or € 83.2 million higher than the prior-year figure. Key factors contributing to this increase included the operational improvements in EBITA, which were sufficient to offset the effect of the Kirch settlement, as well as non-recurring effects such as real property sales, the sale of AS Interactive and the contribution of the rotogravure printing operations to the joint venture Prinovis, a lower level of costs associated with tax audits and the non occurrence of impairment losses.

Net Income
in € millions

	2005	2004	Change
Income from continuing operations	231.4	153.6	50.7 %
Income from discontinued operations	- 0.7	- 6.1	
Consolidated Net Income	**230.7**	**147.5**	**56.4 %**

Earnings per Share Show Significant Improvement

As a direct result of the increase in consolidated net income for the year, earnings per share rose from € 4.66 to € 7.38. The diluted earnings per share for fiscal year 2005 were € 7.33 (2004: € 4.65). This latter figure takes account of the dilution effect resulting from the stock options issued to managers under the Management Participation Plan.

Earnings per Share

	2005	2004	Change
Net Income after Minority Interests (€ millions)	**226.1**	**142.9**	**58.2 %**
Weighted average shares outstanding (thousands)	30,662	30,623	0.1 %
Basic Earnings per Share (€)	**7.38**	**4.66**	**58.4 %**
Weighted average shares diluted (thousands)	30,876	30,703	0.6 %
Diluted Earnings per Share (€)	**7.33**	**4.65**	**57.6 %**

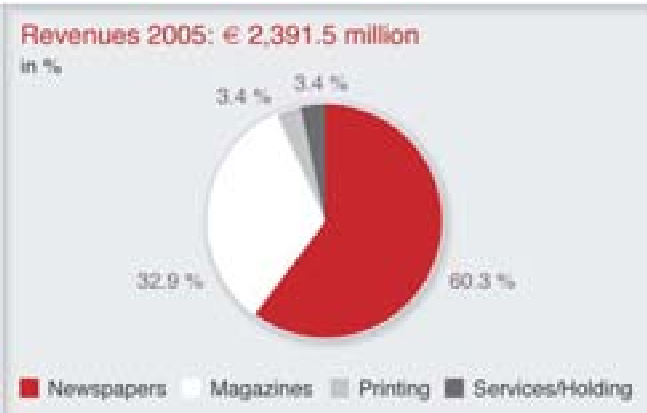
Operating Results – Segments

Newspapers

General Market: Circulation Continues to Fall, Advertising Continues to Gain

The 376 daily and Sunday newspapers in Germany that are tracked by IVW registered average total sales of 25.3 million copies on the issue date. This indicator is 3.0 % less than the figure for 2004. Promotional incentives such as free gifts and feature items available for an additional charge, including CD-ROMs and audio books, continued to spread in the newspaper market. The gross advertising revenues of newspapers (excluding classifieds and advertising supplements) increased 9.9 % over the previous year to reach € 4.99 billion, continuing the positive growth trend from the previous year (2004/03: +10.6 %). This trend was driven in large part by the ongoing expansion strategy of discounters and technology chains.

On the other hand, the revenue situation of newspapers was weighed down by continuing weakness in classified ads for real estate, cars and events. The trend of job ads was moderately positive in 2005.



Axel Springer: Newspaper Circulation Revenues Hold Steady, Advertising Revenues Increase

In this market environment, Axel Springer increased its newspaper revenues by € 43.6 million (+ 3.1 %) to a total of € 1442.0 million in 2005. Accounting for 60.3 % of revenue, the Newspapers segment was again the biggest revenue contributor in the Group. Foreign exchange effects contributed € 3.8 million to the revenue figure.

Circulation revenues amounted to € 677.1 million, slightly less than the corresponding prior-year figure of € 678.3 million. The lower revenues from domestic newspapers were offset by the successful sales of FAKT in Poland and the newspapers in Hungary. Newspaper advertising revenues rose € 30.5 million (+ 4.5 %) to € 715.2 million. This increase was due mainly to the successful development of the advertising business of BILD, FAKT, WELT am SONNTAG, BILD am SONNTAG and HAMBURGER ABENDBLATT.

Key Figures – Newspapers
in € millions

	2005	2004	Change
External Revenues	**1,442.0**	**1,398.4**	**3.1 %**
in % of consolidated revenues	60.3 %	58.2 %	
Circulation revenues	677.1	678.3	- 0.2 %
in % of revenues	47.0 %	48.5 %	
Advertising revenues	715.2	684.7	4.5 %
in % of revenues	49.6 %	49.0 %	
Other revenues	49.7	35.4	40.4 %
in % of revenues	3.4 %	2.5 %	
EBITA	**323.3**	**250.7**	**29.0 %**
EBITA margin	22.4 %	17.9 %	
Employees	4,182	4,060	3.0 %

The EBITA of the Newspapers segment rose 29.0 %, thus at a higher rate than revenue, from € 250.7 million to € 323.3 million. This increase resulted from several factors, including the revenue increase resulting from continued cost discipline in all areas of the Newspapers segment and the € 8.6 million (+ 121.1 %) increase in income from equity investments, which reached € 15.7 million.

The BILD Group, consisting of BILD, BILD am SONNTAG and the BILD specialty titles, continued a trend of positive development, registering a significant increase in its advertising business. Now that WELT KOMPAKT has been extended to a total of 30 large cities, the combined average circulation of WELT/WELT KOMPAKT rose to more than 238,000 copies in 2005. WELT am SONNTAG also increased its circulation. The joint venture BILD.T-ONLINE.DE strengthened its pole position as a cross-media general interest portal, registering an increase in visits of more than 30 % over the previous year. The real estate portal IMMONET.DE extended its market position as one of the leading real estate portals of Germany. Internationally, FAKT strengthened its position as Poland's biggest daily newspaper despite intensified competition. In November 2005, Axel Springer Hungary discontinued the regional newspaper REGGEL, which had been launched in October 2004, due to a lack of economic prospects.

Magazines

Market environment: Paid Circulation Less than Previous Year, Advertising Revenues Stabilized

In Germany, the number of mass-market magazines tracked by IVW rose from 823 to 854. However, average total sales of 123.7 million copies per issue were 0.6 % lower than the prior-year level. Subscription magazines suffered significantly greater losses than newsstand sales. The practice of including product-related inserts such as CD-ROMs and DVDs continued to spread in the segment of PC and entertainment electronics titles. At € 3.87 billion, the gross advertising sales (including media advertising) in the German mass-market magazines sector were nearly unchanged from the previous year. The decreased level of advertising expenditures in the segments that are important for Axel Springer, including sports magazines (- 6.8 %), computer magazines (- 5.8 %) biweekly women's magazines (- 3.7 %) and illustrated current-interest magazines (- 3.6 %) were offset by the positive development of illustrated metro magazines (+ 10.4 %), customer magazines (+ 8.0 %) and weekly women's magazines (+ 7.3 %).

Key Figures – Magazines
in € millions

	2005	2004	Change
External Revenues	**787.1**	**771.4**	**2.0 %**
in % of consolidated revenues	32.9 %	32.1 %	
Circulation revenues	501.7	491.3	2.1 %
in % of revenues	63.7 %	63.7 %	
Advertising revenues	270.8	260.3	4.0 %
in % of revenues	34.4 %	33.7 %	
Other revenues	14.6	19.8	- 26.3 %
in % of revenues	1.9 %	2.6 %	
EBITA	**49.5**	**9.8**	**405.1 %**
EBITA margin	6.3 %	1.3 %	
Employees	2,414	2,332	3.5 %

Axel Springer: Higher Circulation and Advertising Revenues in Magazines Segment

In opposition to the market trend, Axel Springer managed to increase its revenue in the Magazines segment by € 15.7 million (+ 2.0 %) to € 787.1 million in 2005, despite the discontinuation of revenues for ALLEGRA and JOURNAL für die FRAU. Thus, the Magazines segment contributed 32.9 % of the Group's total revenue. Foreign exchange effects contributed € 6.2 million to the revenue figure.

At € 501.7 million, circulation revenues were € 10.4 million (+ 2.1 %) higher than the previous-year figure. This increase can be attributed in large part to the title TV DIGITAL, which was launched in 2004, and the successful performance of the titles in Spain. Advertising revenues rose € 10.5 million (+ 4.0 %) to € 270.8 million, driven in particular by the positive development of the TV programming guides, automotive magazines, financial and business magazines and youth magazines, as well as the titles in Russia and Spain.

The EBITA of the Magazines segment rose € 39,7 million (+ 405.1 %) to € 49,5 million. This positive development can be attributed mainly to portfolio streamlining, the increased profitability of established key titles and higher earnings from successful new titles such as TV DIGITAL, as well as continued cost discipline.

In Germany, the biweekly TV programming guide TV DIGITAL increased its circulation to 1.7 million copies in the fourth quarter, while the weekly TV programming guides successfully defended their strong market positions and registered gains in certain areas, above all in the advertising business. In the difficult market of women's magazines, both BILD der FRAU and FRAU von HEUTE successfully defended their market positions. The sale of JOURNAL für die FRAU to Hubert Burda Media was completed in the first quarter of 2005. Again in 2005, the magazines COMPUTER BILD, COMPUTER BILD SPIELE and AUDIO VIDEO FOTO BILD were the clear market leaders in their respective segments. JOLIE, the monthly magazine for young women published by AS Young Mediahouse, has established itself as the second-biggest magazine in its segment after only two years in the market. Effective January 1, 2005, the Munich-based Finanzen Verlag GmbH, a wholly-owned subsidiary of Axel Springer AG, acquired the business magazine €URO from the Handelsblatt publishing group and combined it with its own title, FINANZEN, to create the new magazine EURO mit FINANZEN.

Axel Springer's foreign magazines continued to face tough competition in 2005. In France, competition in the segment of TV programming magazines intensified, to the detriment of Axel Springer's weekly title TÉLÉ MAGAZINE. The women's magazine segment in Poland, where Axel Springer publishes the title PANI DOMU, was also beset by tough competition, both in terms of price and gift supplements. In Russia, Axel Springer launched WALLPAPER* as a Russian licensed edition of the design and style magazine by the same name. Axel Springer expanded its international licensing business by adding four new editions of AUTO BILD and one new edition of COMPUTER BILD. Also in 2005, the first licensed editions of the titles JOLIE and AUDIO VIDEO FOTO BILD were launched in foreign markets.

Printing

The job printing revenues of the newspaper printing plants were slightly higher in 2005. The contribution of the rotogravure printing operations to the joint venture Prinovis caused the external revenues of the printing plants to fall € 63.1 million to € 81.0 million in 2005. Including internal revenues of € 279.3 million (2004: € 460.5 million), the overall segment revenues amounted to € 360.3 million (2004: € 604.6 million). The internal revenues were lower because the paper for the Magazines segment is no longer billed by the Printing segment, as of January 1, 2005, and the rotogravure printing operations were spun off in the second half of 2005 (Axel Springer AG: full year 2005). The Group's own printing plants are managed as cost centers.

The EBITA of the Printing segment came to € 11.0 million (2004: € 2.6 million). Since July 2005, the investment income or loss from the rotogravure joint venture Prinovis Ltd. & Co. KG is contained in the EBITA for the Printing segment.

Key Figures – Printing
in € millions

	2005	2004	Change
External Revenues	**81,0**	**144,1**	**- 43,8 %**
in % of consolidated revenues	3,4 %	6,0 %	
Internal revenues	279,3	460,5	- 39,3 %
Segment revenues	360,3	604,6	- 40,4 %
EBITA	**11,0**	**2,6**	
Employees	1.854	2.453	- 24,4 %

Services/Holding

The external revenues of the Services/Holding segment derive from value-added telephone services, TV productions, sales, direct marketing and insurance sales. At € 81.4 million, the external revenues of this segment were € 6.7 million (- 7.6 %) less than the corresponding prior-year figure. The main reason for this decrease was the sale during the year of the value-added telephone revenues. The EBITA came to € - 45.5 million (2004: € 72.7 million including the effect of the Kirch settlement, or € - 19.9 million adjusted for the effect of the Kirch settlement).

Key Figures Services/Holding
in € millions

	2005	2004	Change
External Revenues	**81.4**	**88.1**	**- 7.6 %**
in % of consolidated revenues	3.4 %	3.7 %	
Internal revenues	154.7	151.7	2.0 %
Segment revenues	236.1	239.8	- 1.5 %
EBITA	**- 45.5**	**72.7**	
Employees	1,716	1,855	- 7.5 %

Liquidity and Cash Flows

Financial Management

The finance function is performed centrally to ensure that adequate liquidity is ensured for all companies of the Axel Springer Group. As a basic rule, Axel Springer AG provides financial resources to the Group companies.

The central goals of financial management are to ensure cost-effective liquidity through structurally appropriate financing sources. Liquid assets are invested with the goal of earning an appropriate return.

At December 31, 2005, Axel Springer had net liquidity of € 327.1 million (2004: € 172.9 million). The cash and cash equivalents rose € 130.6 million (+ 28.7 %) to € 585.1 million, while financial liabilities declined € 23.6 million (- 8.4 %) to € 258.0 million. Liabilities due to banks amounted to € 255.0 million (2004: € 270.1 million). At year-end 2005, Axel Springer also possessed short-term and long-term credit facilities of € 235.0 million (2004: € 285.0 million), which have not been utilized.

Net Liquidity
in € millions

	2005	2004
Cash and cash equivalents	585.1	454.5
Financial liabilities	258.0	281.6
Net Liquidity	**327.1**	**172.9**

Cash Flow and Capital Expenditures

Consolidated Cash Flow Statement (Condensed)
in € millions

	2005	2004
Cash flow from operating activities	223.7	305.0
Cash flow from investing activities	- 26.8	- 95.3
Cash flow from financing activities	- 66.4	- 51.1
Cash flow related changes	130.5	158.6
Cash and cash equivalents on December 31	585.1	454.5

The cash flow from operating activities amounted to € 223.7 million, below the level of the previous year (2004: € 305.0 million). The main reasons for this decrease were the adjustment of advance tax payments for the years 2004 and 2005 and subsequent tax payments from tax audits.

The cash flow from investing activities was € - 26.8 million (2004: € - 95.3 million). Total capital expenditures amounted to € 81.7 million (2004: € 130.9 million).

Capital expenditures on intangible assets in the amount of € 9.5 million were devoted mainly to software and the subscriber list of the magazine €URO. Axel Springer invested a total of € 33.7 million in property, plant and equipment, including real estate held for investment purposes. This amount was € 60.6 million less than in 2004. These capital expenditures were devoted in particular to the final expansion phase of the offset printing plant in Ahrensburg and to business and computer equipment. The expenditures for the acquisition of consolidated subsidiaries totaled € 3.9 million (2004: € 0 million). Investments in financial assets amounted to € 34.6 million, € 14.4 million more than the corresponding prior-year figure. They mainly consisted of the capital increase in Prinovis Ltd. & Co. KG, as well as the equity investments in PIN intelligente dienstleistungen AG and PIN Group AG, Luxembourg.

The capital expenditures on intangible assets, property, plant and equipment and investment property were divided among the segments as follows. Capital expenditures in the Newspapers segment amounted to € 6.9 million, mainly for editing systems. Capital expenditures in the Magazines segment amounted to € 7.5 million, mainly for subscription lists and editorial equipment. Capital expenditures in the Printing segment amounted to € 14.8 million, most of which for the final expansion phase of the Ahrensburg offset printing plant. Capital expenditures of the Services/Holding segment amounted to € 14.5 million, mainly for additional building in the new site in Berlin and for software.

The cash outflow from financing activities was negative € 66.4 million. This figure was € 15.3 million higher than the corresponding prior-year figure. The increase can be attributed mainly to the payment of a special dividend for fiscal year 2004 of approx. € 8.0 million, and the scheduled higher repayment of financial liabilities. The net cash flow from operating activities, investing activities and financing activities increased the cash and cash equivalents by € 130.5 million. At December 31, 2005, the cash and cash equivalents (including marketable securities) amounted to € 585.1 million.

There are no off-balance sheet financing activities within the Axel Springer Group.

Balance Sheet

Consolidated total assets amounted to € 2,612.0 million, € 219.6 million (+ 9.2 %) higher than the corresponding prior-year figure. The increases in long-term financial assets and in cash and cash equivalents on the assets side were opposed by increases in equity capital and a reduction in non-current liabilities on the equity and liabilities side of the balance sheet.

Consolidated Balance Sheet (Condensed)
in € millions

	12/31/2005	12/31/2004
Non-current assets	1,616.5	1,562.8
Current assets	995.5	829.6
Assets	**2,612.0**	**2,392.4**
Equity	1,185.0	873.4
Non-current liabilities	634.5	796.1
Current liabilities	792.5	722.9
Equity and Liabilities	**2,612.0**	**2,392.4**

Non-current assets increased by € 53.7 million (+ 3.4 %) to € 1,616.5 million. The € 215.5 million (- 21.6 %) decrease in property, plant and equipment to € 781.5 million resulted mainly from the deconsolidation of the rotogravure printing operations. Intangible assets decreased by € 12.7 million (- 8.8 %) to € 130.9 million. Financial assets increased by € 281.9 million (+ 80.0 %) to € 634.1 million, primarily due to the capitalization of equity holdings in Prinovis Ltd. & Co. KG and in PIN intelligente dienstleistungen AG and the fair value recognition of the shares already held in ProSiebenSat.1 Media AG.

Current assets rose € 165.9 million (+ 20.0 %) to € 995.5 million, primarily due to the € 130.6 million (+ 28.7 %) increase in cash and cash equivalents, bringing this item to € 585.1 million. Trade receivables decreased by € 25.2 million (- 12.3 %) to € 179.5 million, due mainlly to the spin-out off of rotogravure receivables. The Other assets rose € 25.3 million (+ 38.9 %) to € 90.3 million.

Equity rose € 311.6 million (+ 35.7 %) to € 1,185.0 million. The equity ratio widened to 45.4 % (2004: 36.5 %).

Non-current provisions and liabilities decreased € 161.5 million (- 20.3 %) to € 634.5 million. The provisions for pensions declined by € 34.5 million (- 11.0 %) to € 280.4 million, due mainly to the spin-off of rotogravure operations. The Other provisions declined by € 10.5 million (- 24.5 %) to € 32.4 million. Because certain financial liabilities due to banks were reclassified to current liabilities on the basis of their remaining terms to maturity, the non-current financial liabilities, at € 140.4 million, was € 119.1 million (- 45.9 %) lower than the prior-year figure.

Current provisions and liabilities rose by € 69.6 million (+ 9.6%) to € 792.5 million. This increase was mainly due to the reclassification of bank loans from non-current to current status.

The Other financial liabilities amounted to € 605.0 million (2004: € 567.3 million). Of this amount, € 45.1 million consisted of firm orders for intangible assets, property, plant and equipment and inventories, € 43.6 million of future payment obligations under rental and lease contracts, and € 516.3 million of long-term purchase obligations under paper supply contracts.

Proposed Appropriation of Profit

Dividend Increase Proposed

The net income of Axel Springer AG, determined in accordance with the principles of German commercial law and the law applicable to stock corporations, rose from € 120.8 million in 2004 to € 143.2 million in 2005. This increase can be attributed to moderate revenue gains in the core business, as well as continued strict cost management, plus higher income from investments. After appropriating € 71.6 million to the item of other profit reserves, the unappropriated net profit comes to € 71.6 million. The Management Board intends to propose that the unappropriated net profit of € 52.1 million be distributed to shareholders as a dividend of € 1.70 per share for fiscal 2005. The treasury stock held by Axel Springer AG does not qualify for dividends.

Balance Sheet of Axel Springer AG (Condensed)
in € millions

	12/31/2005	12/13/2004
Intangible assets	27.5	34.1
Property, plant and equipment	340.0	487.1
Non-current financial assets	503.7	484.8
Non-Current Assets	**871.2**	**1,006.0**
Inventories	40.9	41.0
Trade receivables and other assets, and prepaid expenses	271.9	293.6
Treasury shares and securities	246.3	196.2
Cash and cash equivalents	489.8	407.9
Current Assets	**1,048.9**	**938.7**
Total Assets	**1,920.1**	**1,944.7**
Equity	660.3	561.5
Provisions	508.3	560.7
Liabilities and deferred income	751.5	822.5
Total Equity and Liabilities	**1,920.1**	**1,944.7**

Income Statement of Axel Springer AG (Condensed)
in € millions

	2005	2004
Revenues	**1,697.2**	**1,804.3**
Other operating income	219.3	218.2
Purchased goods and services	- 524.6	- 521.4
Gross Profit	**1,391.9**	**1,501.1**
Personnel expenses	- 465.7	- 568.6
Depreciation, amortization and impairments	- 108.6	- 163.8
Net interest expense	- 27.9	- 26.2
Income from investments	89.6	61.4
Other operating expenses	- 628.1	- 573.3
Income from Operations	**251.2**	**230.6**
Taxes	- 108.0	- 109.8
Net Income	**143.2**	**120.8**
Withdrawals from reserve for treasury shares	0	3.4
Addition to other profit reserves	- 71.6	- 63.8
Unappropriated Net Earnings	**71.6**	**60.4**

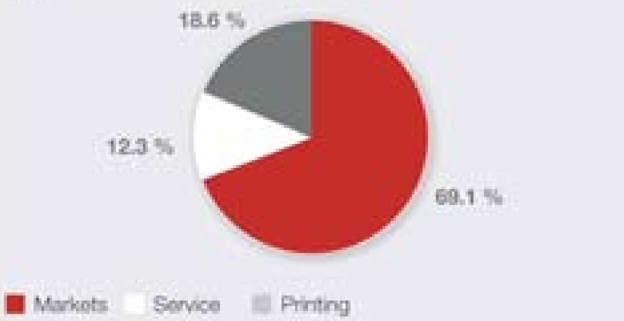
Employees

Axel Springer had an average of 10,166 employees (excluding apprentice-trainees and journalism students/interns) in 2005, 534 employees fewer than the previous year, on average. This decrease was mainly due to the contribution of the rotogravure printing operations to the joint venture Prinovis. The average number of employees working abroad was 2,278.

Employee Structure

A total of 7,024 employees worked in the market-oriented divisions (publishing, electronic media and marketing), 1,248 in the service divisions and 1,894 employees in the printing division. The publishing activities in Russia, Poland and Hungary were responsible for the addition of 85 editors, bringing the net total to 3,224. Axel Springer had an average total of 6,942 salaried employees and hourly workers in 2005, 619 fewer than in the previous year.

Employees by Departments 2005
in %



The average length of service of employees with the company in 2005 was 12.7 years and 49.5 % of employees have been with Axel

Springer for longer than ten years. On average for the year, 5.3 % of the Group's employees qualify as disabled (Axel Springer AG: 5.6 %). Thus, the statutory quotas established in the Disabled Persons Act were largely met.

Group Personnel Expenses Continue to Decline

At € 654.9 million, the personnel expenses for 2005 were € 67.1 million (- 9.3 %) less than the prior-year figure. This decrease was caused by a number of factors, including the additional restructuring measures that were carried out, a reduction of expenses for employee layoff mitigation plans and the contribution of the rotogravure printing operations to the joint venture Prinovis. Besides social security and pension costs, the personnel expenses also comprise payments for time off (vacations, holidays and sick days), as well as fringe benefits (Christmas bonus, vacation pay, service anniversary bonus, long-service bonuses and capital accumulation benefits).

Sustainability Report

Axel Springer maintains an active sustainability management program. Integral elements of this program include regular eco-audits of our printing plants and transparent reporting. Axel Springer continued in 2005 to show its commitment to sincere environmental management and upholding social standards.

Axel Springer regularly publishes a Sustainability Report that meets the requirements of the Global Reporting Initiative (GRI). The "GRI-Guidelines 2002" are an internationally recognized guide for the voluntary reporting by commercial enterprises according to economic, social and ecological criteria.

Axel Springer continued to actively pursue its paper chain optimization program in 2005. Approximately half the printing paper used by the Group contains recycled paper. The contracts with suppliers contain clauses to ensure ecological forestry management. Axel Springer purchases about 470,000 tons of printed paper every year from 52 paper factories in 14 countries around the world. Paper suppliers are evaluated and selected on the basis of criteria such as product quality, reliability of supply and price, but also according to ecological and social criteria.

In view of the Group's growing international presence, Axel Springer has adopted a code of social standards. This document sets out the position of the company on questions of human rights, protection of children and adolescents, employee qualifications and the compatibility of family and career. The "International Social Policy" is a binding guideline for social integrity. To uphold this policy, Axel Springer took the necessary organizational steps and conducted the first pilot projects in 2005 with regard to the procurement of advertisements, product supplements and merchandising articles, and with regard to the sale of title licenses.

Risk Management

The fundamental risk policy principles of the Axel Springer Group dictate that the Group is willing to assume risks only when by doing so it can take advantage of additional income opportunities and increase the value of the company. Appropriate measures are taken to reduce every risk to an acceptable level or transfer it to third parties, if economically sensible. Axel Springer's risk policy principles are the subject of a corporate directive that applies to all entities of the Group Risks are monitored and managed with the aid of various interlocking systems.

As part of the overall management process, general market and revenue risks are identified and tracked in the process of monitoring the development of revenues, quantities and costs in the budget and forecast and in the internal reporting system. Risks related to capital expenditures, projects and acquisitions are identified and evaluated in advance of such transactions as part of the pre-investment analysis. Thereafter, such risks are tracked in the reporting system. In addition, Axel Springer has implemented a risk management program that covers all other risks, in accordance with Section 91 (2) of the German Stock Corporations Act.

The overall responsibility for risk management lies with the Management Board. The respective divisions or Group companies are responsible for the operating processes of early detection, assessment, management and documentation of risks, the adoption and execution of suitable counter measures and the communication of such measures. A central risk manager coordinates all risk management activities, aggregates the risks on the Group level, appraises the plausibility and completeness of the reported risks and assumes responsibility for the continuous further development of the risk management system. In addition, the Internal Audit Department and the independent auditor in the context of annual audits serve as independent control instances, to ensure the completeness and adequacy of the risk management system.

A comprehensive survey of all risks is conducted once a year, at which time the risk inventory is updated. Those risks determined to be critical, significant or worthy of monitoring, as well as the counter measures that have been taken in regard to these risks, are reviewed during the year and reassessed in light of the current risk situation as part of an ad-hoc risk survey. To evaluate the potential of critical risks, Axel Springer AG and the individual subsidiaries apply the "net loss" criterion and evaluate the possible impact on the balance sheet and liquidity of the Group. Risks are classified as significant, worthy of monitoring and miscellaneous with regard to the criterion "net expected loss", for the calculation of which the effect of risk-mitigating counter measures on the potential loss and the risk-relevant historical data are taken into account. The following risks could have a critical or significant effect on the net assets, income and liquidity situation of the Group:

Terror Risks
The only risks that would endanger the continued existence of Axel Springer consist of the risk that its main headquarters' buildings and printing plants would be destroyed through attacks. To account for this risk, the Group took out appropriate insurance in fiscal year 2004. Nonetheless, there remains a residual risk that in the most extreme case, could threaten the continued existence of the Group. To improve the security situation of the publishing house headquarters and printing plants, access controls and video surveillance were further optimized and the property protection measures were continually adjusted. Terror risks are also covered by the Group's holdings of cash and cash equivalents and its access to credit facilities.

Market Risks and Competition Risks
It can be expected, from today's standpoint, that the general market situation in Germany, which is relevant for the Axel Springer Group, will be characterized by continued weak domestic demand and barely growing consumer spending. This scenario entails negative effects for the print circulation markets. The future prospects of the advertising market are still very much contingent on continued economic growth and the basic policy decisions of the new federal government. In addition, the markets in which Axel Springer operates will continue to be characterized by intense competition pressure. As new, competing titles and properties enter the market ,– particularly in the form of free-of-cost newspapers and magazines – the Group is exposed to the risk of revenue and market share losses in its advertising and circulation business. Evolving consumption and reading habits, due in particular to demographic changes, exacerbate this risk still further. As general market risks, these risks are monitored and managed primarily as part of the operational management process.
The Group seeks to counter such market risks in two ways. First, Axel Springer continually invests in innovative, promising new titles. A prime example of the Group's efforts in this direction is TV DIGITAL, Germany's biggest programming guide for digital television. Second, existing titles and properties are subject to continuous improvements and adjustments to reflect changing customer preference. Since July 2005, for example, BILD has been published in four colors. This measure further improved the appeal of BILD for advertising customers. The same approach was taken with HÖRZU. By improving the paper quality and launching a new image campaign, Axel Springer was able to substantially increase the advertising revenues of HÖRZU, in a market that otherwise saw falling

advertising revenues. In another step to reduce market risk, Axel Springer energetically pressed on with its efforts to tap new foreign markets. The Group's ambition was impressively confirmed last year when Axel Springer AG was selected for the first prize in the category of "Strategies for the New Europe" in the "Best of European Business" competition. In addition, various price and product actions were conducted last year to bolster the appeal of the company's titles for existing and prospective customers (including sales-promoting gift supplements and other supplemental features, available for a surcharge, such as CD-ROMs, audio books, DVDs) and entered into promising new cooperation agreements (including the cooperation of TV DIGITAL with Premiere and Kabel Deutschland, the two biggest providers of digital television).

Beyond the foregoing, Axel Springer has stepped up its activities in the online segment to win new customer groups. Among other measures, Axel Springer has continually upgraded its Internet portals, extending the pole position of the general interest portal BILD.T-ONLINE.DE in the process. Moreover, Axel Springer conducted its 50th cross-media "people's product action" in September 2005. As a result of such activities, the number of visits to the auto portal AUTOBILD.DE, the real estate portal IMMONET.DE and the online job exchange STEPSTONE.DE rose considerably in 2005.

Political and Legal Risks

The political and legal risks facing the company include, among others, the advertising restrictions and prohibitions enacted by the European Union. As the EU Commission has demanded that all EU member countries implement the Tobacco Advertising Directive in their national laws by August 1, 2005, Axel Springer is exposed to the risk of further restrictions. It is possible, for example, that the ban on tobacco advertising in print media, radio, television and Internet which has been demanded by the European Union may be extended to cover other health-threatening products (such as alcohol, fast food). Advertising bans in print media and the Internet will inevitably result in reduced advertising revenues.

Legislative decisions and court judgments in the area of press law (such as the Caroline' ruling) that limit journalistic freedom also heighten the risk of possible claims for damages, which would pose a financial burden on the company. In particular, such risks include those arising in connection with impermissible product placements.

Risks Related to Sustainability Management

The Axel Springer Group actively pursues a sustainability management program that meets international standards. The delayed identification of critical developments with regard to possible ecological and social conflicts in the procurement and recycling of certain resources (wood, paper) could cause considerable damage to the image of the Axel Springer Group. To reduce this risk, Axel Springer has extended its cooperation with experts in the wood, pulp and paper industry, and with numerous environmental protection organizations. In addition, the Group continually monitors the ecological and social conflict potential along the entire value chain. These measures are flanked by periodic eco-audits and by transparent, internal and external reporting.

Risks Arising in Connection with the Implementation of the International Social Policy

In view of the Group's growing international presence, the Axel Springer Group has adopted a statement of social standards known as the "International Social Policy" as a binding guideline for social integrity. Inadequate compliance with the International Social Policy, whether in connection with the procurement of adver-tisements, product supplements, merchandising and the sale of title licenses, could cause considerable damage to the company's reputa-tion.

IT Risks

The failure of information systems could substantially hamper the Group's activities all along the value chain. To counter possible IT risks, the Axel Springer Group utilizes backup computers, data backup systems, virus and access protection and physically separated data centers.

Furthermore, various technical and organizational measures have been developed and implemented to minimize risks associated with data protection and misuse.

Financial Risks

Financial risks relevant to the Axel Springer Group include the interest rate risks inherent in variable-interest financial liabilities and the investments in fixed-income securities, as well as the currency risks associated with the circulation revenues generated in foreign currencies. To limit interest rate risks, the Group adheres to principles that serve to limit the possible losses of investments. Such risks are also hedged by means of various kinds of interest rate derivatives.

The Axel Springer Group is currently not threatened by liquidity risks such as price risks, default risks and risks associated with income stream fluctuations.

Overall Risk Assessment

With the exception of terror risks, the probability of which is very low, there are no discernible risks that could threaten the continued existence of the Group. Moreover, there are at present no discernible risk concentrations or interdependencies that would have a significant influence on the net assets, financial condition and earnings of the Group. To this extent, the risk situation of the Axel Springer Group has not changed significantly from the previous year.

Subsequent Events

On February 1, 2006, the Management Board of Axel Springer AG and the board of P7S1 Holding L.P. jointly resolved not to further pursue their plans for the acquisition of ProSiebenSat.1 Media AG by Axel Springer AG, due to the numerous uncertainties associated in particular with a possible ministerial permission process, which would entail unacceptable risks for all participants. Detailed information on this subject can be found on page 32 in the Management Report. On February 23, 2006, Axel Springer AG filed a complaint against the decree of the German Cartel Office of January 19, 2006, which denied approval to the intended acquisition of ProSiebenSat.1 Media AG. The complaint process was initiated to establish legal clarity for future acquisitions.

The reversal of interest rate swaps entered into in connection with the financing of the acquisition of ProSiebenSat.1 Media AG led to the realization of an income item of € 22.4 million in January 2006.

Outlook

General Economic Trends
The German economic research institute DIW is forecasting a 1.7 % growth in Germany's gross domestic product in 2006, followed by 1.2 % in 2007. The planned increase in the value-added tax, which will take effect in 2007, is expected to stimulate consumer spending in 2006. Nonetheless, inflation-adjusted consumer spending is expected to barely rise in 2006 (+ 0.3 %) and to stagnate again in 2007. DIW expects that disposal incomes will rise 2.2% in 2006, but this development will not have a positive impact on purchasing power, considering an inflation rate of 2.0 %. A considerable portion of the rise in disposable incomes will be offset by rising energy costs. The savings rate is projected to fall to 9.9 % in the second half of 2006 and then rise again substantially to 10.7 %, after the value-added tax increase in 2007. The jobs market is expected to improve only slightly in 2006 and 2007. In view of these expected developments, the framework conditions for the German print circulation markets will remain difficult at first.

The Joint Report of the leading German economic research institutions published in the autumn of 2005 forecasts economic growth of 1.8 % in the Eurozone countries in 2006. Consumer spending is projected to increase slightly in conjunction with gradual jobs growth. Spain will again be one of the fastest-growing countries of Europe. In Switzerland, economic growth can be expected to outpace that of the Eurozone. The newly acceded EU countries are expected to see a slight acceleration of their economic growth rates. Poland and Hungary are expected to benefit from relaxed monetary policies in 2006. Economic growth in Russia, however, is likely to be restrained by the appreciation of the ruble in 2006.

Industry Environment
For the full year 2006, industry experts are predicting a rise of approximately 1.5 % to 2.0 % in the total net advertising revenues. The IT and telecommunications sectors in particular are expected to boost advertising expenditures. Intensifying competition in the segment of building supply stores, electronics stores and drugstores is expected to exert positive effects on advertising expenditures. And sports media and related media are expected to benefit from the upcoming Soccer World Cup. Sales promotion activities, customer relationship management, online marketing, e-commerce and direct marketing will continue to become more important in the overall communications mix.
The prospects for the advertising market are still very much contingent on the continued economic growth and the fundamental policy decisions of the new federal government in Germany.

Development of the Axel Springer Group

In fiscal years 2006 and 2007, Axel Springer will continue to energetically pursue the strategic goals of preserving the Group's market leadership position in the core business of German-language publications, as well as internationalization and digitalization.

The Management Board anticipates a slight increase in advertising revenues in 2006 and 2007. Considering the generally slow rate of economic growth, the Management Board is cautious in its assessment of the future development of the advertising market. Revenue gains have been budgeted in light of the positive effects of the Soccer World Cup in particular. The Management expects circulation revenues to fall slightly in 2006, as the trend of decline in the German press circulation market is expected to continue, accompanied by price sensitivity, leaving little room for raising copy prices. For 2007, the Management Board expects circulation revenues to show a slight increase.

Because the discontinuation of rotogravure revenues resulting from the spin-off of those operations to the joint venture Prinovis will affect the Group's full-year results for the first time in 2006, total revenues are expected to again be lower than the prior-year figure. For 2007, the Management Board anticipates a slight increase in total revenues over the prior-year level.

The Management Board intends in fiscal year 2006 to step up capital expenditures to bolster the company's market leadership position in the core business of German-language publications and to advance the strategies of internationalization and digitalization. Depending on the scope of these capital expenditures, the Management Board is prepared to accept the possibility that the EBITA for 2006 will be lower than the record figure for 2005, despite the continued practice of strict cost management. For 2007, the Management Board anticipates a positive development of the EBITA.

Segments

The Management Board anticipates a slight increase in revenue for the **Newspapers** segment. The EBITA could be slightly lower than the corresponding figure for 2005 due to increased start-up costs for new business.

The goal for the **Magazines** segment is to generate a further increase in revenue. The EBITA could be slightly lower than the corresponding figure for 2005 due to increased start-up costs for new business.

The revenue of the **Printing** segment will again be lower in 2006, due to the discontinuation of rotogravure revenues resulting from the spin-off of these operations to the joint venture Prinovis. For 2007, revenue is expected to remain basically unchanged from 2006. A slight increase in EBITA is expected for this segment.

A revenue decrease is likewise expected for the **Services/Holding** segment in 2006 as a result of the discontinuation of external revenues from AS Interactive. For 2007, the revenue of this segment is expected to remain basically unchanged from 2006. The EBITA could be lower than the corresponding figure for 2005.

Opportunities

Significant opportunities for the future development of the Axel Springer Group are seen in the possibility of an accelerated economic upswing in Germany, which could have a positive impact on the circulation and advertising revenuers of the Group. Other opportunities are seen in the successful internationalization of the company's business, particularly in those markets that show a higher rate of growth than the German market. There are also some opportunities in forward-looking cooperation arrangements and joint ventures. A prime example of such opportunities can be seen in the PIN Group AG, the joint venture with the Georg von Holtzbrinck publishing group, WAZ and the Luxembourg investment company Rosalia. Other opportunities lie in targeted investments and acquisitions.

Dividend Policy

Axel Springer strives to maintain continuity in its dividend policy, subject to the company's business development and earnings performance, in order to further strengthen the capital base and finance future growth.

The forecasts and other statements contained in this Management Report are based on the assumptions and expectations of the company concerning the future development of the Group and its business segments. The actual development could possibly differ from these assumptions and expectations due to changes in the market environment, the overall economic environment or the publishing industry, among other factors.

Final Declaration per Section 312 (3) AktG

“According to the circumstances known to the management at the time of every 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 fiscal year 2005 either at the instruction or in the interest of the controlling company or a company affiliated with the controlling company.”

Divisions
Newspapers

In 2005 Axel Springer maintained its position as the largest newspaper publishing company in Germany with nearly all segments of this sector enjoying positive business growth – daily and Sunday newspapers sold at newsstands, national and cross-regional newspapers distributed by subscription, free advertising publications and equity holdings in regional publishing houses.

BILD Group – Another Excellent Financial Year

The BILD group saw its business develop positively in 2005. The financial results for 2005 again slightly exceeded those for the previous year. The group profited from an increase in advertising activity on the part of retailers and lively regional business. Manufacturers of brand products nearly repeated the outstanding results they enjoyed during the previous year when the European Soccer Championship helped generate growth.

The average paid circulation of BILD was 3.7 million copies with a stable reach of nearly 12 million readers each day. Advertising revenues exceeded those for the previous year. BILD has been published continuously in four-color print since the middle of the year under review. This improvement in quality was well received by readers and advertising customers alike and led to another increase in the share of color advertisements in relation to total advertising volume. The BILD COMIC Library, two Pope picture books and the Gold Bible were published in a joint effort with the publishing company WELTBILD. The BILD editorial staff also created an attractive publication in anticipation of a possible entry into the market for free newspapers. This will allow Axel Springer to launch a competitive product onto the free newspaper market at short notice.

BILD am SONNTAG, Germany's largest Sunday newspaper, enjoyed an increase in market share in the areas of advertising and general sales. With an average circulation of nearly 2 million copies, the newspaper reaches an average of over 11 million readers. VIVA BamS, an attractive supplement for younger readers, was expanded to include Kino News.

SPORT BILD enjoyed an average circulation nearly 473,000 copies. A significant increase in the number of subscriptions testifies to solid reader loyalty. SPORT BILD was able to enlarge its market share by expanding joint advertising activities.

WELT group – Growth in the Premium Segment

Contrary to the general trend, the WELT group enjoyed a welcome increase in advertising business. WELT KOMPAKT did well during the week, and WELT am SONNTAG followed suit on Sunday. Group earnings are constantly growing, thanks to stable sales revenues coupled with a further reduction in costs.

By expanding WELT KOMPAKT coverage to 30 major cities, the combination of DIE WELT and WELT KOMPAKT saw circulation grow steadily throughout the 2005 financial year to an average of over 238,000 copies. As a modern publication in the premium segment, DIE WELT continues to strengthen its market position. The newspaper has appeared regularly in four-color print since September 2005.

WELT am SONNTAG significantly strengthened its market position as the leading premium Sunday newspaper during the 2005 financial year. Average circulation grew to over 404,000 copies for a slight improvement over the previous year. The reach of WELT am SONNTAG climbed to an average of 1.1 million readers per issue. Stable sales revenues coupled with a significant increase in advertising for brand products contributed to the improvement in earnings.

BERLINER MORGENPOST – Restructuring Has Paid Off

BERLINER MORGENPOST was able to raise circulation to an average of 150,000 copies in the hotly contested Berlin newspaper market. The newspaper also enjoyed a growth in newsstand sales through the supplementary DVD series "Secrets of History." The completed restructuring program combined with stable advertising and sales revenues had a positive effect on the earnings picture.

Newspapers Germany
Net paid circulation IVW, average per issue in 2005

BILD	3,713,720
BILD am SONNTAG	1,957,520
SPORT BILD	472,907
DIE WELT/ WELT KOMPAKT [1]	238,201
WELT am SONNTAG	404,192
HAMBURGER ABENDBLATT	269,925
BERLINER MORGENPOST	150,000
B.Z.	208,879
B.Z. am SONNTAG	119,186

[1] Issued together with WELT KOMPAKT since the 1st quarter of 2005.

B.Z. – Berlin's Leading Newspaper Sold at Newsstands

B.Z. – Berlin's largest newspaper sold at newsstands with a paid circulation of some 209,000 copies – maintained its leading position in the advertising market for newspapers sold at newsstands in Berlin/Brandenburg. Advertising revues grew especially strongly during the second half of the year following the implementation of a joint sale program with BILD. The introduction of subscription sales was positively received by readers and led to the steady growth of B.Z. throughout the year.

HAMBURGER ABENDBLATT – In Top Shape

HAMBURGER ABENDBLATT, Hamburg's leading regional newspaper, saw its advertising and sales revenues improve over the previous year. With an average paid circulation of some 270,000 copies, HAMBURGER ABENDBLATT reaches nearly 770,000 readers every day. It is the first regional newspaper in Germany to offer MP3 downloads to visitors to the newspaper's redesigned website. HAMBURGER ABENDBLATT also made its advertising environment more attractive for the classified advertisement markets of Auto & Motor, Beruf & Erfolg and Wohnen & Eigentum and strengthened joint efforts with online partners. The newspaper thereby improved the conditions for the successful marketing of its market leadership in the classified advertising market in Hamburg and northern Germany.

Equity Holdings – Portfolio Strengthened

The publishing houses LÜBECKER NACHRICHTEN, KIELER NACHRICHTEN, OSTSEE ZEITUNG, LEIPZIGER VOLKSZEITUNG and WESTFALEN-BLATT expanded their respective market positions while enjoying an increase in earnings.

Axel Springer now operates its own printing facilities for advertising publications in Hamburg, Berlin and Dresden. Advertising publications are enjoying increasing demand in the Berlin regional market.

Magazines

Axel Springer enjoys a top position among leading newspaper publishing houses in Germany. In 2005 the company expanded its already strong market positions in the fields of TV, women's, automobile, computer, financial and lifestyle magazines.

TV Guides – TV DIGITAL Continues to Grow Rapidly

The 14-day TV guide TV DIGITAL, launched in March 2004, enjoyed a 40 % growth in paid circulation over the previous year. By the fourth quarter of 2005, the popular magazine was selling at the rate of 1.7 million copies per issue. TV DIGITAL was thus one of the few TV guides to enjoy an increase in circulation over the previous year. It was also the fastest growing of all publications monitored by IVW during the year under review. In addition to its alliance with Premiere, TV DIGITAL is also now cooperating with Kabel Deutschland, the country's second-largest provider of digital television.

With an average circulation of over 1.6 million copies coupled with improved quality and a new image campaign, HÖRZU, Germany's largest weekly TV guide, recorded a significant increase in advertising revenues. The magazine developed better than the general market on the whole. The established magazines FUNK UHR, BILDWOCHE and TV NEU successfully defended their respective market positions while increasing their advertising market shares.

Women's Magazines – BILD der FRAU Continues to Lead the Market

BILD der FRAU, Germany's largest women's magazine, and FRAU von HEUTE maintained their market leadership with circulations of 1.2 million and some 437,000 copies respectively. Axel Springer completed the sale of JOURNAL für die FRAU to Hubert Burda Media during the first quarter of 2005.

COMPUTER BILD Group – Three Solid Market Leaders

COMPUTER BILD continued to expand its uncontested market leadership in the computer magazine segment. With a paid circulation of nearly 547,000 copies, COMPUTER BILD SPIELE remains the biggest selling game publication in Europe

AUDIO VIDEO FOTO BILD enjoyed an average paid circulation of some 469,000 copies in 2005. The publication thereby defended the leading market position it has held in the segment for publications for entertainment electronics since its launch in 2003, despite stiffer competition.

AUTO BILD is Still No. 1 in Europe

With a paid circulation of some 651,000 copies, AUTO BILD remains the unchallenged market leader among European automobile magazines sold at newsstands.

In August 2005 AUTO BILD TEST & TUNING was revamped and renamed AUTO BILD SPORTSCARS.

Rounding out the list of magazines published by Axel Springer Auto Verlag is the monthly magazine AUTO BILD ALLES ALLRAD and the 14-day publications AUTO BILD MOTORSPORT and AUTOMOBIL TESTS.

Lifestyle and Entertainment Publications Bundled

The monthly women's magazine JOLIE, published by the wholly owned subsidiary AS Young Mediahouse, enjoyed an 11 % increase in average paid circulation to some 375,000 copies in 2005, only its second full year of existence. This now makes it the second-largest publication in this segment.

AS Young Mediahouse also publishes four youth magazines: POPCORN, YAM!, MÄDCHEN and STARFLASH. With its three music publications – MUSIKEXPRESS, ROLLING STONE and METAL HAMMER – AS Young Mediahouse is also the clear market leader in Germany in this segment.

The monthly men's magazine MAXIM was integrated into AS Young Mediahouse in a move to bundle the expertise of lifestyle and entertainment publications into a single company.

Financial Magazines – Finanzen Verlag Strengthens Portfolio

On January 1, 2005, Finanzen Verlag, Munich, a wholly owned subsidiary of Axel Springer AG, acquired €URO from the Handelsblatt publishing group and merged it with its own business magazine FINANZEN. The ensuing monthly magazine EURO mit FINANZEN had an average paid circulation of some 134,000 copies from April through December 2005. The weekly publication EURO am SONNTAG saw both advertising and sales volume grow over the previous year.

Family Magazines – Family Media Well Positioned

The magazines published by the joint venture OZ Verlag GmbH and Family Media & Co. KG were able to maintain or slightly improve their respective circulations. The company thus defended its solid position in the German market for family and children's magazines.

Special-Interest Magazines – Continued Stability

Jahr Top Special Verlag is one of the leading publishing houses for spezial-interest magazines in Europe. The magazines devoted to sports, hobbies and leisure published in conjunction with the joint venture with Jahr Top Special Verlag enjoyed stable business in 2005 in this difficult market environment.

CORA Verlag – Market Leadership Maintained

CORA Verlag, a joint venture with Harlequin Enterprises, successfully defended its market leadership in the paperback novel segment with romance novels. The selection of CORA publications ranges from romance novels, such as the series JULIA, ROMANA, BIANCA, BACCARA and TIFFANY, to historical novels (HISTORICAL and MY LADY), MYSTERY novels for young people, television-related novels such as BIANCA – WEGE ZUM GLÜCK that parallel TV series, and audio books.

Magazines Germany
Net paid circulation IVW, average per issue in 2005

HÖRZU	1,631,194
TV DIGITAL [1]	1,569,309
FUNK UHR	817,004
TV NEU	248,004
BILDWOCHE	287,067
BILD der FRAU	1,163,153
FRAU von HEUTE	437,478
JOLIE	374,525
COMPUTER BILD	756,225
COMPUTER BILD SPIELE	546,934
AUDIO VIDEO FOTO BILD	468,807
AUTO BILD	650,520
AUTOMOBIL TESTS	105,826
AUTO BILD ALLES ALLRAD	71,496
AUTO BILD MOTORSPORT	64,662
AUTO BILD SPORTSCARS [2]	55,346
EURO mit FINANZEN [3]	133,549
EURO am SONNTAG	112,369
MAXIM	185,091
POPCORN	289,002
YAM!	206,701
MÄDCHEN	187,077
STARFLASH	106,321
ROLLING STONE	60,917
MUSIKEXPRESS	59,497
METAL HAMMER	47,095

[1] Since 2nd quarter of 2004
[2] The magazine AUTO BILD TEST TUNING was renamed AUTO BILD SPORTSCARS at the beginning of June 2005.
[3] IVW first began monitoring this publication after the merger of EURO and FINANZEN during the 2nd quarter of 2005.

International

Axel Springer currently publishes over 100 newspapers, magazines and special editions in Europe and Asia. The focus of the company's international expansion is on Eastern Europe: Hungary, Poland, the Czech Republic and Russia. In Western and Southern Europe activities are concentrated on France, Spain and Switzerland.

Poland – FAKT Remains the Largest Daily Newspaper

FAKT, launched by Axel Springer Polska in October 2003, has solidified its position as Poland's largest daily newspaper despite increased competition. With paid circulation of over 500,000 copies and more than 3.3 million readers, the tabloid enjoyed an increase in both advertising and sales revenues. In a move to increase regional appeal, FAKT began publishing regional editions in Katowice, Wroclaw and the greater Gdańsk area.

The Polish news magazine NEWSWEEK was able to boost both sales and advertising in 2005 despite increasing competition. KOMPUTER SWIAT remained the market leader in the computer magazine segment in 2005. PANI DOMU, the women's magazine published by Axel Springer, faced tough competition in the women's segment where a price war raged and issues were being distributed free of charge.

Poland [1)]

Tabloid	
FAKT	519,398
Women's Magazines	
PANI DOMU	282,416
OLIVIA	280,987
News and Business Magazines	
NEWSWEEK POLSKA	167,487
FORBES POLSKA (PROFIT)	43,446
Youth Magazines	
DZIEWCZYNA	144,316
POPCORN	122,229
True Story Magazines	
CIENIE I BLASKI	107,303
SEKRETY SERCA	85,737
Automobile Magazine	
AUTO SWIAT	129,144
Computer Magazines	
KOMPUTER SWIAT	115,617
KOMPUTER SWIAT GRY	52,486
PLAY	42,402
Illustrated Magazine	
NA ZYWO	69,034

[1)] Average paid circulation in 2005 according to ZKDP

Hungary – Still the Leading Publishing House

The TV guide TVR-HET and the women's magazine KISKEGYED remained the biggest sources of sales revenue. The car magazine AUTO BILD, launched the previous year, was able to solidify its market position in 2005. AUTO MOTOR enjoyed an average paid circulation of over 50,000 copies in 2005.

At the beginning of November 2005 Axel Springer Ungarn discontinued the publication of the regional daily newspaper REGGEL, which it launched in October 2004. The publication fell short of its goals and failed to develop an adequate business outlook in the hotly contested Budapest newspaper market.

Hungary [1]

Daily Newspapers	
BARANYA	47,108
KECSKEMÉT	37,880
SOMOGY	34,540
BÉKÉSCSABA	32,163
SZOLNOK	27,946
HEVES	21,403
KOMÁROM	20,892
TOLNA	20,035
Sunday Newspaper	
VASÁRNAP REGGEL	170,020
Business Magazine	
VILÁGGAZDASÁG	14,106
TV Guides	
TVR-HÉT	255,581
TV KÉTHETES	230,334
TVR-ÚJSÁG	158,693
SZÍNES KÉTHETES	116,775
Women's Magazines	
KISKEGYED	200,736
FANNY	105,974
GLAMOUR	62,236
HÖLGYVILÁG	75,050
GYÖNGY	53,942
Puzzle Magazines	
ÜGYES	103,339
TEREFERE	50,284
KÓPÉ	43,030
ESZES	37,006
JÓ VICC	19,534
Automobile Magazines	
AUTO BILD	53,638
AUTO MOTOR	50,510
Decorating Magazine	
LAKÁSKULTÚRA	64,253
Youth Magazines	
POPCORN	69,111
100 X SZÉP	60,486
Cooking Magazine	
KISKEGYED KONYHÁJA	58,565
True Story Magazine	
CSÓK ÉS KÖNNY	33,412

[1] Average paid circulation in 2005 according to MATESZ

Russia – Market Position Solidified

Axel Springer Russia was able to solidify its market position in its second year on the Russian market. FORBES strengthened its market leadership in the business publication segment and enjoyed an increase in advertising business. In March 2005 the company launched WALLPAPER* as a licensed Russian edition of the British design and style magazine of the same name.

Russia

Business Magazine	
FORBES [1]	69,109
News Magazine	
RUSSKIJ NEWSWEEK [1]	45,635
Design and Style Magazine	
WALLPAPER [2]	13,951

[1] Average paid circulation in 2005 according to the publisher
[2] Average paid circulation, (OCT 05–DEC 05) according to the publisher

Czech Republic – Market Position Maintained

Axel Springer Praha defended its market leadership in the car magazine segment with SVET MOTORU and AUTO TIP despite increased competition.

Czech Republic [1]

Youth Magazines	
TOP DIVKY	61,170
POPCORN	40,000
Automobile Magazines	
SVET MOTORU	38,000
AUTO TIP	26,000
Computer Magazine	
SVET POCITACU	21,000
Men's Magazine	
PLAYBOY	10,000

[1] Average paid circulation in 2005 according publisher's own data

France – Stiff Competition in the TV Guide Segment

The women's magazine VIE PRATIQUE was very successful in making the switch from a monthly to a 14-day publication. BIEN DANS MA VIE! continued to develop nicely. The weekly TV guide TELE MAGAZINE continued to feel strong competitive pressure. Axel Springer abandoned its French license for MEN's HEALTH at the end of 2005 due to the poor outlook.

France [1)]

TV Guide	
TÉLÉ MAGAZINE	377,283
Women's Magazines	
BIEN DANS MA VIE!	226,771
VIE PRATIQUE 1	160,009

[1)] Average paid circulation (JUL 04–JUN 05) according to OJD

Spain – Strong Brands Successfully Exported

Our Spanish subsidiary Hobby Press was renamed AS España. The company maintained its market leadership in the computer and computer games segment during the period under review. COMPUTER HOY sold a record 500,000 during the third quarter. In April 2005, AS España launched AUDIO VIDEO FOTO HOY as a Spanish licensed edition of the successful magazine AUDIO VIDEO FOTO BILD. AUTO BILD was launched on the Spanish market in November 2005 as another licensed edition. This was the first foray of AS España into the automobile magazine segment.

Spain [1)]

Computer Magazines	
COMPUTER HOY	116,955
PERSONAL COMPUTER & INTERNET	92,801
PC TODAY	35,474
Computer Game Magazines	
HOBBY CONSOLAS	90,672
PLAY2MANÍA	112,823
NINTENDO ACCIÓN	68,405
MICROMANÍA	47,417
COMPUTER HOY JUEGOS	38,603

[1)] Average paid circulation (OCT 04–SEP 05) according to OJD

Switzerland – Business Publications Profit from Stock Market Activity

Axel Springer is represented in the Swiss market by the publishing group HandelsZeitung. The revamping of the company's main publication HANDELSZEITUNG was well received by readers and advertisers in 2005. Advertising business developed positively overall. The investor magazine STOCKS profited from a revival of activity on the stock market.

Switzerland [1)]

Business Newspaper	
HANDELSZEITUNG	30,544
Financial Magazine	
STOCKS	18,145

[1)] Average paid circulation in 2005 according to WEMF

Romania – COMPUTER BILD Successfully Launched

The Romanian Publishing Group (RPG) was renamed Edipresse AS Romania in 2005. Axel Springer holds a 40 % stake in Edipresse AS Romania, the country's second-largest publisher of publications for the general public.

The financial year under review saw the successful launch of a licensed edition of COMPUTER BILD on the Romanian market. The company also launched two quarterly specialty publications in Romania: the puzzle magazine VACANTA TA PERFECTA and the handicrafts publication LUCRU DE MANA.

China – Infrastructure Strengthened

During the year under review, Axel Springer was busy preparing for entry into the Chinese sales and advertising market. The company also has plans to grant licenses for Axel Springer brands and concepts.

International Licensing Business – Continued Expansion

In 2005 Axel Springer again successfully expanded its international licensing business. Four new licensed editions of AUTO BILD were launched in 2005 in Sweden, Lithuania, Spain and Azerbaijan. Country-specific editions of AUTO BILD are now published in 27 countries, thereby making it the largest international brand family in the automobile magazine segment. The international portfolio of COMPUTER BILD also saw the addition of a new licensed edition in Romania. There are now a total of seven international editions of COMPUTER BILD.

In 2005 the magazines JOLIE and AUDIO VIDEO FOTO BILD were licensed for publication abroad for the first time. JOLIE was launched in Serbia and Montenegro, AUDIO VIDEO FOTO HOY was introduced in Spain.

Electronic Media

Axel Springer intensified its activities in the digital media segment during the 2005 fiscal year.

TV/Radio – Activities Expanded

Following the end of the Group's efforts to acquire ProSiebenSat.1 Media AG, Axel Springer still holds a 12 % indirect stake in the company. Axel Springer also holds a stake in Hamburg 1 (27 %).

Schwartzkopff TV, the successful producer of entertainment programs and talkshows, again strengthened its market position during the 2005 fiscal year. In addition to standard programming, the company also produced EIN HERZ für KINDER, DIE GOLDENE KAMERA and DIE LUSTIGEN MUSIKANTEN as well as the first broadcast in 2005 of the primetime series WILLKOMMEN BEI CARMEN NEBEL.

With its many direct and indirect minority stakes in radio stations, Axel Springer has one of the largest radio portfolios in Germany. Its holdings include Radio Hamburg, radio ffn, Antenne Bayern, Radio NRW, Radio FFH and Antenne 1. Through its interest in the holding company Regiocast, Axel Springer also holds stakes in Radio Schleswig-Holstein, Radio PSR (Private Saxony Radio) and rs2 in Berlin. The portfolio enjoyed a significant increase in earnings during the 2005 financial year.

Internet – Ongoing Expansion

In 2005 Axel Springer continued to expand its online versions of existing print brands and cross-brand Internet activities. With the portals AUTOBILD.DE, IMMONET.DE and STEPSTONE.DE, Axel Springer is one of Germany's leaders in the growing market for online classified advertisements. The company expanded the reach of the Internet portals of existing print brands while improving user-friendliness. The portals have also been upgraded with added digital services such as downloads and interactive forums.

BILD.T-ONLINE.DE further strengthened its leading position as a cross-media general interest portal with a 30 % increase in visits over the previous year. BILD.T-ONLINE.DE enjoyed a significant increase in revenues in the areas of online advertising and so-called "everyman's products," i.e. popular, affordable products of all kinds. AUTOBILD.DE, Germany's leading newspaper-based automobile portal, enjoyed a growth in the number of visits of more than 60 %. With more than 700,000 listed vehicles, the car portal launched last year has become a successful fixture in the online automobile classified advertisement market.

IMMONET.DE, a joint venture with German realtor's association Immobilienverband Deutschland IVD, strengthened its position in 2005 as one of the leading digital marketplaces for online classified advertising. Real estate listings rose by approx. 80 %, and online demand grew by 75 % over the previous year.

STEPSTONE.DE saw the number of classified employment advertisements grow by more 48 % over the previous year to more than 16,700. The number of visits grew significantly. In 2005 STEPSTONE.DE expanded its range of services to include the new target group channels of University & Career Launches, IT & Telecommunication and Engineering.

Telecommunication/Mobile – Interaction Strengthened

Our print segment is now increasingly providing value-added telephone services such as voice and SMS-based voting and contests in conjunction with alliances with other companies. In December, Axel Springer sold technical service provider AS Interactive – effective July 1, 2005 – because the technical side of the operation is not of strategic significance for the Group.

Online Products
Visits yearly average 2005
in thousands

Portal (Selection)	2005	Change year-on-year
www.bild.t-online.de	28,779	+ 31.8 %
www.welt.de	4,887	+ 38.6 %
www.abendblatt.de	1,829	+ 18.5 %
www.berlin1.de	1,826	+ 4.2 %
www.immonet.de [1]	3,391	+ 75.4 %
www.autobild.de	2,834	+ 68.5 %
www.stepstone.de [1]	1,929	+ 23.9 %

IVW-certified online portals
[1] company data

Printing and Logistics

The Printing and Logistics Division operates three company-owned offset printing plants, performs central procurement tasks and handles logistics activities. This division also oversees the company's stakes in the joint ventures Prinovis and PIN Group.

Printing plants – State-of-the-Art Technology for Higher Productivity

Axel Springer operates its own printing plants located in Ahrensburg near Hamburg, Berlin-Spandau and Essen-Kettwig. The technical capacities are geared to the publishing house's own printing needs. In order to make full use of available capacities, the plants also accept contract printing orders and print the publications of other publishing houses.

In recent years, Axel Springer carried out the most extensive technical reinvestment program in company history. Following the successful completion of the program, Axel Springer now has the most modern newspaper printing plants in Europe. They ensure the highest degree of productivity, quality, flexibility and operational independence

The newspaper printing plants saw the share of contract printing jobs grow by 10 % over the previous year. Contract printing work, as measured in paper throughput, accounted for nearly 25 % of all printing activities in 2005. The paper throughput at the newspaper printing plants grew from 205,000 tons to over 210,000 tons. Axel Springer completed most of the technical modernization efforts at the offset printing plant in Ahrensburg during the completed financial year. Five of six rotary printing presses are already in operation.

At the beginning of July 2005, Axel Springer, Arvato and Gruner + Jahr merged their five German gravure printing plants. The new jointly owned company Prinovis, in which Axel Springer holds a 25.1 % stake, is the largest magazine printing operation in Europe. The new company employs 4,300 workers at facilities in Ahrensburg, Darmstadt, Dresden, Itzehoe and Nuremberg. A sixth facility in Liverpool (Great Britain) is currently under construction. The joint venture makes it possible for the companies involved to pursue their goal of securing and expanding printing activities in the highly competitive European market.

Logistics and Distribution – the Driving Force Behind the Expansion of Postal Service Business

Logistics and distribution encompass logistics, market analysis, alliances with trading associates and foreign distribution. Also included here are stakes in press wholesale companies, import companies as well as holdings in press wholesale companies, import companies in Eastern Europe and the wholly-owned subsidiary ASV Vertriebs GmbH.

In cooperation with other publishing houses and press wholesalers, Axel Springer is successfully expanding the sales network for its own publications. Tests conducted at the discount supermarkets Norma and Lidl were expanded during the course of the year. In 2005 Axel Springer began supplying all Penny supermarket outlets with a selection of discounted newspapers and magazines appropriate to the discount chain. The incorporation of an additional distribution channel via drugstores also helped stabilize the retailer network.

In 2005 Axel Springer AG continued its strategic project of creating a national mail distribution service. During the first quarter of 2005, Axel Springer and the publishing group Georg von Holtzbrinck completed their stock-market acquisition of PIN AG, one of the largest regional mail distribution companies in Germany. The mail distributor, which is already active in Berlin and Leipzig, expanded operations to the greater Cologne and Frankfurt areas. Axel Springer joined forces with the publishing group Georg von Holtzbrinck, the WAZ media group and the holding company Rosalia AG to form the jointly owned company PIN Group AG for the purpose of providing nationwide postal services. Each of the partner companies holds a 25 % stake in the joint venture, which is destined to become the strongest national competitor of Deutsche Post AG on the German mail distribution market.

Finance and Services

The Finance and Services Division encompasses the financial staff and financial services, auditing, corporate development, real estate and facility management, IT, insurance sales and customer service.

Axel Springer Passage in Berlin

The new Axel Springer Passage, which was opened in January 2004, continued to attract office and shop space tenants from various sectors. The premium nature of the office space in particular and the employee-friendly infrastructure make the building especially attractive to prospective tenants. The subsidiary PACE Paparazzi Catering & Event runs catering services, provides event management and rents space to third parties. Numerous events, TV productions and meetings were held in the Ullstein Hall and Passage. The central location of the facility has made it a popular venue for events of all kinds in Berlin. PACE also operates publicly accessible restaurants and fast-food outlets in the Axel Springer Passages in Berlin and Hamburg. It also handles food services for employees at the printing facilities in Spandau, Ahrensburg, Kettwig and Darmstadt (Prinovis)

asdirekt – Success Through Focus on the Customer

As a professional provider of customer care management, asdirekt offers premium services to customers in Berlin, Hamburg and Warsaw. Through expert consulting, marketing expertise and flexible software systems, asdirekt offers solutions that meet a wide range of needs in different sectors.

The services provided by asdirekt are also in demand by both commercial and private customers beyond the publishing sector. Classic sales-related projects such as new customer acquisition are as much a part of the services portfolio as advertisement acquisition.

The company has made a name for itself in its core market as the provider of premium-quality services. Within the group itself, asdirekt supports the development of customer management and promotes the growth of advertising.

VVDG – Verlags- und Industrieversicherungsdienste GmbH

VVDG is an insurance brokerage that advises its customers on matters pertaining to national and international insurance. Most of the company’s income is generated from external customers in various sectors, such as the media, media-related businesses, tourism and services. VVDG acts as an insurance department within the Group. It advises internal customers on matters of risk prevention and risk transfer at conditions appropriate to the market. The recently completed financial year was not a good one for the insurance industry on the whole. Insurance premium levels fell, and the life insurance business declined significantly. VVDG was able to compensate for these negative market influences through the acquisition of new business and thereby enjoyed a successful financial year overall.

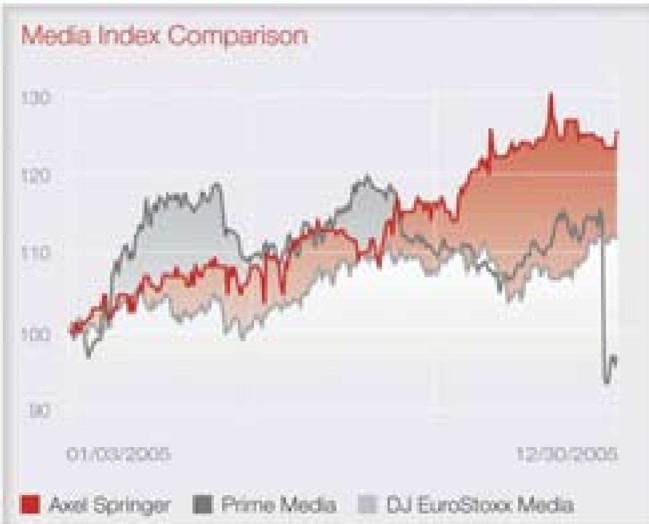
Further Information
The Share

Axel Springer shares developed considerably better during the 2005 financial year; with an increase in value of 25.6 %, the share price exceeded all comparative indices. Earnings per share rose from € 4.66 to € 7.38.

Axel Springer Shares Grew in Value
In a positive environment the spot price of Axel Springer shares rose by 25.6 % from € 86.0 at the beginning of the year to € 108.0 at the end of the year, thereby faring very well on the average in comparison with other European stocks. The Dow Jones EuroStoxx50 index rose by 20.5 % during the same period. Comparative media indices were also exceeded. Deutsche Börse's Prime Media fell 3.2 %; the European Dow Jones EuroStoxx Media index gained 11.6 %. During the same period the DAX improved by 26.0 %, the MDAX by 34.8 %. The low percentage of free float shares is reflected in the development of the share price. While total market capitalization began and finished the year at € 2.9 and € 3.7 billion respectively, free float-weighted market capitalization rose from € 315.8 million at the beginning of the year to € 396.6 million at year's end.

Dividend Increase Planned
At the shareholders' meeting the Management and Supervisory Boards are proposing that a dividend of € 1.70 be paid out for the 2005 financial year. This represents an increase in 17.2 % over the previous year's dividend. The dividend yield thus amounts to 1.6 % of the share price at year's end.

Annual Shareholders' Meeting 2005
At the shareholder's meeting of Axel Springer AG in Berlin on April 20, 2005, the proposals on the changes to the articles of association as well as those involving the authorization to acquire and utilize the company's own shares for a Management Participation Plan were both approved by a majority vote of over 99.9 %. The 29.4 million votes present at the meeting represented 86.5 % of the company's equity capital.

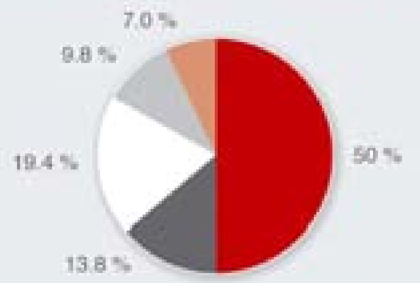


Stable Shareholder Structure

Subscribed capital (€ 102,000,000) is distributed over 34 million no-par shares.

Shareholder Structure (End of February 2006)

in %



Investor Relations Strengthened

The goal of Investor Relations is to provide shareholders and analysts with comprehensive information at an early stage. Over the last two years the company took steps to improve capital market communication. Quarterly reports were introduced at the beginning of 2004 following the shortening of reporting periods in 2003. Axel Springer began compiling the annual report according to International Financial Reporting Standards (IFRS), beginning with the 2004 annual report.

In 2005, numerous roadshows were conducted for the purpose of providing information to analysts and investors at major financial centers in Europe and the USA. Axel Springer also presented information about the company and the state of its business at various international capital market conferences. The range of information available on the Internet is being constantly expanded. Here investors can find financial reports and information about current dealings. The Investor Relations team can be contacted at all times for inquiries.

Share Information

in €

	2005	2004	Change year-on-year
Earnings per share (basic)	7.38	4.66	58.4 %
Earnings per share (diluted)	7.33	4.65	57.6 %
Dividend	1.70	1.20	41.7 %
Special dividend	-	0.25	-
Price at end of year	108.00	86.00	25.6 %
Highest price	112.00	94.50	18.5 %
Lowest price	86.00	70.00	22.9 %
Average price	97.33	85.68	13.6 %

Listing Information

Share type	Registered share with restricted transferability
Stock exchange	Frankfurt (official trading)
Stock exchange segment	General Standard
Freiverkehr	Berlin-Bremen, Düsseldorf, Hamburg, München, Stuttgart
Securities Identification Numbers	550 135, 575 423
ISIN	DE0005501357, DE0005754238
Reuters	SPRGn.F
Bloomberg	SPR GR

Analyst Interest on the Rise

The scope of reporting on the part of analysts is evidence of the high standing the company enjoys within the financial community. In 2005, analysts from renowned financial institutions covered Axel Springer and published studies of the company.

Employees

The success of a company depends to a significant degree on the motivation and qualifications of its employees. Axel Springer therefore supports its employees by providing qualification and advanced training programs as an investment in the future success of the company.

Qualifications and Advanced Training Support

During the 2005 financial year, advanced training programs concentrated on teaching participants to think and act like entrepreneurs. The company conducted over 600 training events designed to augment job-related knowledge while enhancing social and methodology expertise. The events focused on training management trainees and young employees and interaction with customers. Seminars were tailored to the concrete requirements of specific departments and employees. Axel Springer also expanded efforts to promote the health of its employees.

Management Development

Providing support for young managers is a primary task of personnel development. In October 2005, potential managers and employees with special skills met for the third time in conjunction with the conference "Young Professionals". In workshops, they demonstrated their creativity and entrepreneurial skills. Project groups were also created to address current challenges. The mentor program has become a permanent fixture of the company's efforts to support its young employees. Here, experienced managers convey their knowledge and know-how to young managers by providing expert advice and personal feedback. Axel Springer is also expanding the program for experienced managers through specially tailored events designed to promote personal and professional development.

Expanding Horizons: Study Groups and Networking

Cross-discipline thinking and action is an important aspect of innovation. In addition to providing qualification programs, Axel Springer therefore supports study groups and networking endeavors that promote the exchange of experience and information across disciplines. Examples here include the Study Group for Women in Specialized and Management Positions and the Secretary Network. The Study Group for Equal Opportunity is designed to support codetermination and allow employees to develop their personal and job-related potential. Participation in "Girls Day", a nationwide event that offers the daughters of employees an opportunity to spend a day at work with a parent, also met a high level of acceptance in 2005.

Building Loyalty: Trainees, Scholarship Recipients, Apprentices

The efforts of Axel Springer to support young employees were also very successful in 2005. Thanks to their high level of qualifications and motivation, all trainees were offered jobs following the end of their apprenticeships. Scholarship recipients – former apprentices who receive financial support to attend college – can also look forward to better jobs upon graduation. Axel Springer is also systematically expanding its contacts with leading institutions of higher learning and academies. The growing number of applications for apprenticeships and trainee ships is evidence of the attractiveness of the company among top employees and managers of tomorrow.

Providing Incentives: Electronic Idea Management

The Idea management program encourages employees to forward suggestions designed to promote efficiency and employment, job safety, environmental protection and technical progress within the company. The scope of idea management was systematically expanded throughout the 2005 financial year. The digital processing of employee ideas and suggestions via the company intranet was broadened, while the evaluation and implementation of suggestions was greatly accelerated.

Achieving a Social Balance: Part-Time Retirement is Finding Increasing Acceptance

The agreement on part-time retirement reached in conjunction with the rationalization protection agreement has made a significant contribution to the socially compatible implementation of company restructuring measures. Employees who retire early are, among other things, partly compensated by the company for the resulting reduction in pension benefits. A growing number of employees took advantage of this offer during the past year.

Securing the Future: Vario Rente – the New Variable-Yield Company Pension Plan

In conjunction with the reorganization of voluntary social benefits, a secure company pension plan in the form of Vario Rente, which is based on a remuneration conversion model, is now offered to the employees of Axel Springer AG, Ullstein GmbH and Ullstein Media Marketing GmbH. Axel Springer is thus supporting the demographically necessary change from a contribution-financed pension plan to a capital-based pension plan. This new form of company pension plan offers employees an opportunity to provide for retirement by investing part of their gross income in a capital fund. The new pension program was well received by employees during the past financial year.

Sustainability

Sustainability means conducting business in a manner that ensures the generation of added value while adhering to economic, ecological and social principles. Axel Springer is dedicated to providing a high degree of transparency in reporting on sustainability aspects.

Supply Chain Transparency

Each year, Axel Springer purchases approximately 350,000 tons of printing paper from 60 paper factories in 15 countries. During the 2005 financial year, the company continued to strictly honor the principles of sustainability in procuring paper. Recycled paper now accounts for approximately half of all printing paper used by Axel Springer. Contracts with suppliers stipulate that the paper must come from forests harvested in accordance with sound ecological practices. In addition to product quality, supplier reliability and price, Axel Springer emphasizes ecological factors when selecting paper suppliers.

Pilot Project: International Alliance to Promote the Transparency of Wood Imports

During the 2005 financial year, the company expanded its sustainability policy to include the paper processing stage of the supply chain. As a pilot project, Axel Springer has formed an alliance with paper manufacturer Stora Enso and the publishing houses Random House Group (London) and Time Inc. (New York). The objective of the project is to significantly raise the degree of transparency of wood imports, ensure adherence to the principles of sustainability and to combat corruption tendencies. Project partners selected a Russian forestry operation to serve as a model for the gradual and sustainable optimization of forest ecology, adherence to forestry laws, to promote occupational safety and contribute to the development of local communities.

International Social Policy

In light of its growing global presence, Axel Springer has developed a catalog of social standards, which serve as guidelines for all of the company's activities. These standards include the company's position on matters of human rights as well as an express commitment to follow the law, to provide protection for children and youth, to treat employees in a fair and responsible manner, to ensure compatibility between job and family, and to promote good health and security. As a set of obligatory guidelines, our International Social Policy applies to all company activities worldwide. Several onsite visits in Indonesia, China and Ukraine were conducted in 2005 to ensure that these principles are being followed.

Reporting in Accordance with GRI Guidelines

Axel Springer is the first global media company to issue sustainability reports compiled in accordance with the Global Reporting Initiative (GRI). GRI guidelines are an internationally recognized set of rules for companies to follow in voluntarily reporting business, social and ecological performance criteria.

Awards

In a critical comparison of the sustainability reports issued by 150 German companies, the business magazine "Capital" ranked Axel Springer AG fourth overall in the segment of environmental protection in 2005.

Corporate Governance

Good and responsible corporate governance is a top priority at Axel Springer. The company adheres to the recommendations of the German Corporate Governance Code with the exception of four points. The report of the Management Board and Supervisory Board on Corporate Governance at Axel Springer is as follows:

The Management Board and Supervisory Board have taken suitable measures to monitor and implement the principles of Corporate Governance. The Corporate Governance compliance officer is the Chief Financial Officer; his deputy is the head of the Legal Affairs Department. The implementation of and compliance with the recommendations of the German Corporate Governance Code (hereinafter referred to as Code) in the latest version published on July 20, 2004, are monitored every three months. The Chairman of the Board and Chairman of the Supervisory Board are kept informed of the status on a regular basis

Shareholders and Shareholders' Meeting

Our shareholders, who are listed in the share register and who registered for the shareholders' meeting before the prescribed deadline, are entitled to participate in the shareholders' meeting and to exercise their right to vote. The regular shareholders' meeting is held during the first eight months of the financial year. The Chairman of the Supervisory Board presides over the shareholders' meeting. The shareholders' meeting makes decisions on all the matters assigned to it by law. These matters include the discharge of the Management Board and the Supervisory Board, the election of the members of the Supervisory Board and the appointment of auditors. The shareholders' meeting also makes decisions concerning capital increases and changes in the articles of association.

Our goal is to make the participation of shareholders in the shareholders' meeting as easy as possible. The participation documents are made available to the shareholders in good time on the Internet. A proxy is also appointed for the shareholders' meeting, whom shareholders can commission to exercise their voting right in accordance with their instructions. By order of the person presiding over the shareholders' meeting, the shareholders' meeting may in part or in whole be transmitted in audio and video form. The transmission can also be carried out in a form to which the public has unlimited access. The form of the transmission is to be announced when the shareholders' meeting convenes.

Supervisory Board

The Supervisory Board of Axel Springer AG consists of nine members elected by the shareholders' meeting. The term of office of the Supervisory Board is five years; reelection is allowed. The Chairman of the Supervisory Board is elected by the members of the Supervisory Board; the term of office of the Chairman of the Supervisory Board corresponds to the term of office of the Supervisory Board. The members of the Supervisory Board are: Dr Gerhard Cromme, Leonhard H. Fischer, Klaus Krone, Prof Dr Wolf Lepenies, Dr Michael Otto, Brian M. Powers, Oliver Heine, Dr h c Friede Springer (Deputy Chairwoman) and Dr Giuseppe Vita (Chairman). Mr Axel Sven Springer left the Supervisory Board at the end of the shareholders' meeting on April 20, 2005. The shareholders' meeting elected Mr. Oliver Heine to replace him on the Supervisory Board. Every member of the Supervisory Board is obligated to immediately disclose to the Supervisory Board any conflicts of interest.

The Supervisory Board appoints the members of the Management Board. It monitors and advises the Management Board on business management. Management Board decisions of significant importance require the approval of the Supervisory Board. The Supervisory Board normally meets five times a year and holds meetings, if necessary, without the Management Board. Participation in meetings and voting are permitted in writing, by telephone, fax or using other forms of telecommunication. The Supervisory Board discusses at regular intervals the development of business, as well as planning and strategy regarding major investments. The Supervisory Board compiles the financial statements of Axel Springer AG and approves the consolidated financial statements of the Group. The Supervisory Board has also examined the efficiency of its work for the 2005 financial year.

The members of the Supervisory Board receive fixed and variable compensation. The variable compensation depends on the level of the dividend. The functions of Chairman of the Supervisory Board and Deputy Chairman of the Supervisory Board as well as chairman and membership of the committees are taken into account in determining the amount of compensation. Contrary to Number 5.4.7, Clauses 6 and 7 of the Code, the information regarding the compensation of the members of the Supervisory Board and payments for services provided individually by Supervisory Board members are not individualized in the Notes to the Consolidated Financial Statements as competitors do not publish corresponding information either.

Committees of the Supervisory Board in accordance with the rules of procedure:

Executive Committee

Responsibilities	Members in 2005
Publishing and journalistic matters Strategy, financial planning Investments, financing Preparation of organizational decisions for the Management Board Preparation of the proposal for the election of Supervisory Board members Approval of the sale of registered shares of Axel Springer AG and of granting subscription rights Single procedures according to rules of procedure	Dr Giuseppe Vita (Chairman) Dr h c Friede Springer (Deputy Chairwoman) Dr Gerhard Cromme Klaus Krone

Audit Committee

Responsibilities	Members in 2005
Preparation of decisions for approving the financial statements and consolidated financial statements Preliminary examination of the financial statements, dependency report, consolidated financial statements, management report and Group management report Examination of the proposal for the appropriation of profits Examination of interim financial statements Examination of the risk management system Discussion of the audit report and the auditor's report on inspection of interim financial statements Preparation of the proposal to the shareholders' meeting for the selection of the auditor Ordering the audit of the financial statements and consolidated financial statements, stipulation of the focus of the audit	Dr Giuseppe Vita (Chairman) Dr h c Friede Springer (Deputy Chairwoman) Leonhard H. Fischer

Personnel Committee

Responsibilities	Members in 2005
Preparation of decisions regarding the appointment and dismissal of Management Board members Decisions regarding the conclusion, alteration and termination of employment contracts with Management Board members Decisions regarding the granting of credit in accordance with § 89, §115 Stock Corporation Act Approval of contracts with Supervisory Board members in accordance with § 114 Stock Corporation Act Representation of the company in legal matters with Management Board members, in individual matters in accordance with the rules of procedure	Dr Giuseppe Vita (Chairman) Dr h c Friede Springer (Deputy Chairwoman) Dr Gerhard Cromme

Management Board

The Management Board is responsible for running the company. The board currently consists of four members. The Management Board regularly, promptly and comprehensively informs the Supervisory Board about all relevant issues relating to planning, business developments, the risk situation and risk management. Every member of the Management Board is obligated to immediately disclose to the Supervisory Board any conflicts of interest.

The members of the Management Board receive fixed and variable compensation. Variable compensation consists of two components: cash and shares. A maximum amount has been defined for the variable cash payments. They are based on the results, i.e. they are dependent on the performance of the individual and the success of the Group. One part is tied to achieving a certain company value, which is determined on the basis of the EBITA. The target agreement and the targeted cash component are established by the Chairman of the Supervisory Board and the Management Board member. With the approval the Management Participation Plan by the shareholders' meeting on April 14, 2004, a variable compensation component with long-term incentives was created for all members of the Management Board. Based on this, the members of the Management Board acquired shares in the company using own cash, the acquired shares must be held for several years. In combination with this corporate participation, the members of the Board received stock options. How many options can be exercised depends on the profit development of the company and the duration of future work on the Management Board. The company has almost no financial burden from the Management Participation Plan. Due to a contract entered into with the companies managed by the shareholder Hellman & Friedman, Axel Springer AG is entitled to buy back the number of shares which were previously sold to the members of the Management Board at a comparable price. Alternatively, it will receive cash compensation. Due to this financial security for the company no price-based limitation was introduced for the Management Participation Plan. A detailed description of the Management Participation Plan can be found at www.axelspringer.de under >Investor Relations >Shareholders' Meeting. Axel Sven Springer filed a complaint requesting the nullification of the resolution of the shareholders' meeting on April 14, 2004, which authorizes the Management Board to acquire and utilize its own shares in accordance with § 71, Para. 1, No. 8 Stock Corporation Act, in particular for the establishment of Management Participation Plan for the Management Board (point 7 of the agenda). The Berlin District Court rejected the complaint on September 27, 2004. Mr. Springer appealed the decision on November 11, 2004. A date for the oral hearing before the Superior Court was set for February 20, 2006. An individualized breakdown of the compensation paid to Management Board members (Number 4.2.4, Clause 2 of the Codex) will not be provided in the Notes to the Consolidated Financial Statements, because competitors also do not publish these salaries.

Accounting and Auditing

The consolidated financial statements were first prepared in accordance with IFRS/IAS for the 2004 financial year, i.e. one year sooner than required by law. The quarterly reports for the 2005 financial year were also prepared in accordance with IFRS.

The consolidated financial statements are prepared by the Management Board, audited by the auditors and reviewed by the Supervisory Board. The consolidated financial statements are published within 90 days after the end of the reporting period, the quarterly reports within 45 days. The interim report for the period January 1 – June 30, 2005, was made available to the public 45 days after the end of the reporting period, namely on August 19, 2005, instead of August 15, 2005 (Number 7.1.2, Clause 3 of the Code). The 45-day period was exceeded due to the reservations of the antitrust authority with respect to the acquisition of a majority stake in ProSiebenSat.1 Media AG.

The company takes full advantage of the option to present some of the information in a list of equity holdings instead of in the Notes to the Financial Statements/Consolidated Financial Statements. The list of equity holdings includes statutory information. If disclosure of the equity holdings and the income during the last financial year is not required under these rules, this information is not indicated – a deviation from Number 7.1.4, Clause 3 of the Code – in order to avoid disadvantages to individuals concerned.

The consolidated financial statements describe the relationship with shareholders who are classified as related parties as defined by the applicable accounting regulations.

It has been agreed with the auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, that the Chairman of the Supervisory Board and/or the Audit Committee are to be informed immediately of any reasons for exclusion or indications of partiality that become apparent during the audit and that the auditors be notified immediately of all issues and incidents, which are important for the assignments of the Supervisory Board. It has also been agreed upon that the auditors inform the Chairman of the Audit Committee and/or indicate in the audit report if facts are discovered during the course of the audit of the financial statements, which show that the declaration of conformity issued by the Management Board and the Supervisory Board in accordance with § 161 of the Stock Corporation Act is inaccurate.

Transparency

Providing consistent, comprehensive and prompt information to all capital market participants has a high priority at Axel Springer. Reports on the business situation and results of Axel Springer AG are presented in the Annual Report, at the annual results press conference and in the quarterly reports. Axel Springer has been publishing quarterly reports since the first quarter of the 2004 financial year.

Information is also provided through ad-hoc releases to the extent that this is legally required, through press releases and through the company website. The articles of association of Axel Springer AG are also available on the website. The publication dates for financial reports are published in the financial calendar with sufficient prior notice. Changes in the composition of the shareholder structure subject to the mandatory reporting requirements of § 25 of the German Securities Trade Act (WpHG) as well as the acquisition and sale of shares by persons who assume management tasks at Axel Springer in accordance with § 15 a of the WpHG (directors' dealings) are also published by the Management Board. By the end of 2005, the total number of shares held by all members of the Management Board was 62,300. The deputy chairwoman Dr h c Friede Springer held directly 3,401,000 shares and indirectly 17,000,010 shares by the end of the year; this corresponds to the total number of shares held by all Supervisory Board members by the end of 2005.

The company has an Ad-Hoc Committee for the purpose of examining and evaluating company procedures subject to ad hoc scrutiny. The members of the Ad-Hoc Committee are the head of the Personnel and Legal Affairs Department, the head of Corporate Controlling and the head of Investor Relations. The Ad-Hoc Committee reports to the Management Board. Axel Springer has compiled the list of insiders, which is kept by the Investor Relations Department. Insiders are informed about the legal obligations and sanctions.

Axel Springer AG published on schedule in December 2004 the declaration of conformity in accordance with § 161 of the Stock Corporation Act (AktG). The declaration of conformity is available on the Internet at www.axelspringer.de under >Investor Relations >Corporate Governance.

Declaration of Conformity in Accordance with § 161 AktG:

The Management Board and the Supervisory Board of Axel Springer AG hereby declare the following pursuant to § 161 of the Stock Corporation Act (AktG):

The recommendations of the Government Commission on the German Corporate Governance Code (Code), as published by the Ministry of Justice on July 20, 2005 in the official section of the electronic Federal Gazette, are met with the following exceptions:

1. The list published by the company of third-party enterprises in which it holds a financial stake of not insignificant importance to the company, contains statutory information (Number 7.1.4, Clause 3 of the Code).
The company takes full advantage of the opportunity to present part of the information instead of the list of stakes in the Notes to the Consolidated Financial Statements. The list of stakes contains the information required by law. Insofar as the information on equity capital and the results can be withheld, the information will not be disclosed to avoid disadvantage to the individuals concerned.

2. The information regarding compensation paid to members of the Management Board is not individualized in the Notes to the Consolidated Financial Statements (Number 4.2.4, Clause 2 of the Code).
The information is not indicated individualized, because this information is also not published by competitors.

3. The Management Participation Plan approved by the shareholders' meeting on April 14, 2004, contains no cap for extraordinary unforeseeable developments (Number 4.2.3, Clause 6 of the Code).

The company has almost no financial burden from the Management Participation Plan. Due to a contract entered into with the companies managed by the shareholder Hellman & Friedman, Axel Springer AG is entitled to buy back the number of shares which were previously sold to the members of the Management Board at a comparable price. Alternatively, it will receive cash compensation. Due to this financial security for the company no price-based limitation was introduced for the Management Participation Plan.

4. Information regarding the compensation of the members of the Supervisory Board and payments for services provided individually by Supervisory Board members is not individually itemized in the Corporate Governance Report (Number 5.4.7, Clause 6 and 7 of the Code).

The information is not individualized, because this information is also not published by competitors.

The recommendations of the Code in the version effective July 4, 2003, have been followed since the declaration of conformity of December 2004 with respect to the aforementioned points (Numbers 1- 3) and the following exceptions:

Information regarding compensation paid to the members of the Supervisory Board and payments for services provided individually by Supervisory Board members is not individualized in the Notes to the Consolidated Financial Statements (Number 5.4.5, Clause 6 and 7 of the Code).
The information is not individualized because this information is also not published by competitors.

The interim report for the first half of 2005 (January 1 – June 30, 2005) was not made available to the public within 45 days after the end of the reporting period, namely on August 19, 2005, instead of August 15, 2005 (Number 7.1.2, Clause 3 of the Code).
The 45-day period was exceeded due to the reservations of the anti-trust authority with respect to the acquisition of a majority stake in ProSiebenSat.1 Media AG.

Berlin, December 2005

Axel Springer AG

The Supervisory Board The Management Board

Consolidated Financial Statements
Group

Auditor’s Report

We have audited the consolidated financial statements – consisting of the balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the consolidated financial statements - and the Group management report of Axel Springer AG, Berlin, for the business year from January 1st to December 31st 2005. The preparation of the consolidated financial statements and the Group management report in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the additional provisions stated in § 315a (1) of the German Commercial Code (HGB), are the responsibility of the Company’s Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report, based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (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 drawn up in accordance with German principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of 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 Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and the significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. 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 results of our audit, the consolidated financial statements are in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the additional provisions stated in § 315 a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group, in accordance with German principles of proper accounting. The Group management report is in accordance with the annual financial statements and provides on the whole a suitable understanding of the Group’s position and suitably presents the chances and risks of future development.

Berlin, February 24, 2006

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Nienborg)	(ppa. Wilke)
Wirtschaftsprüfer	Wirtschaftsprüfer
(Auditor)	(Auditor)

Consolidated Balance Sheet

Consolidated Balance Sheet as at December 31, 2005

EUR thousands

ASSETS	Note	12/31/2005	12/31/2004
Non-Current Assets		**1,616,482**	**1,562,821**
Fixed assets		1,584,507	1,524,526
Intangible assets	(4)	130,894	143,577
Property, plant and equipment	(5)	781,522	996,959
Investment property	(6)	37,987	31,760
Non-current financial assets	(7)	634,104	352,230
Investments in associated companies accounted for under the equity method		238,532	76,959
Other non-current financial assets		395,572	275,271
Receivables and other assets	(9–11)	2,286	534
Deferred taxes	(28)	29,689	37,761
Current Assets		**995,517**	**829,571**
Inventories	(8)	49,031	48,672
Trade receivables	(9)	179,460	204,696
Receivables due from related parties	(10)	66,365	30,838
Current income tax receivables		25,185	25,850
Other assets	(11)	90,348	64,969
Financial assets		80,522	52,105
Miscellaneous assets		9,826	12,864
Cash and cash equivalents	(12)	585,128	454,546
Total Assets		**2,611,999**	**2,392,392**

Consolidated Balance Sheet as at December 31, 2005

EUR thousands

LIABILITIES AND EQUITY	Note	12/31/2005	12/31/2004
Equity	(13)	**1,184,989**	**873,399**
Shareholders of Axel Springer AG		1,174,410	862,503
Minority interests		10,579	10,896
Non-Current Liabilities		**634,484**	**796,047**
Pension provisions	(14)	280,391	314,877
Other provisions	(15)	32,371	42,904
Financial liabilities	(16)	140,405	259,518
Other non-current liabilities	(17, 19)	23,422	31,750
Deferred taxes	(28)	157,895	146,998
Current Liabilities		**792,526**	**722,946**
Pension provisions	(14)	46,752	16,982
Other provisions	(15)	162,773	157,512
Financial liabilities	(16)	117,556	22,036
Trade payables		173,197	164,835
Liabilities due to related parties	(17)	45,588	37,159
Current income tax liabilities	(18)	95,637	158,708
Other liabilities and accruals	(19)	151,023	165,714
Financial liabilities		47,564	47,975
Other liabilities and accruals		103,459	117,739
Total Liabilities and Equity		**2,611,999**	**2,392,392**

Consolidated Income Statement

Consolidated Income Statement
EUR thousands

	Note	2005	2004
Revenues	(20)	2,391,505	2,402,035
Other operating income	(21)	129,164	186,668
Change in inventories and internal costs capitalized		3,989	2,410
Purchased goods and services	(22)	- 761,001	- 745,272
Personnel expenses	(23)	- 654,924	- 721,990
Depreciation, amortization and impairments	(24)	- 83,168	- 117,262
Other operating expenses	(25)	- 682,782	- 716,693
Income from investments	(26)	47,608	40,169
Equity income from associated companies		24,524	18,696
Other investment income		23,084	21,473
Net financial expenses	(27)	- 24,372	- 34,319
Interest income		12,907	10,522
Interest and similar expenses		- 35,098	- 44,575
Other net financial expenses		- 2,181	- 266
Income taxes	(28)	- 134,582	- 142,124
Income from Continuing Operations		**231,437**	**153,622**
Loss from Discontinued Operations	(2)	**- 702**	**- 6,075**
Consolidated Net Income		**230,735**	**147,547**
Consolidated net income attributable to shareholders of Axel Springer AG		226,147	142,872
Consolidated net income attributable to minority interests		4,588	4,675
Basic Earnings per Share from Continuing Operations (in EUR)	(29)	**7.40**	**4.86**
Diluted Earnings per Share from Continuing Operations (in EUR)	(29)	**7.35**	**4.85**
Basic Earnings per Share (in EUR)	(29)	**7.38**	**4.66**
Diluted Earnings per Share (in EUR)	(29)	**7.33**	**4.65**

Statement of Changes in Equity

Statement of Changes in Equity 2005

EUR thousands

	Number of Shares Outstanding (Shares)	Subscribed Capital	Additional Paid-In Capital	Consolidated Retained Earnings	Treasury Shares	Other Accumulated Equity			Shareholders of Axel Springer AG	Minority Interests	Consolidated Equity
						Currency Translation Adjustment	Changes in Fair Values of Financial Instruments	Other			
Balance 01/01/2005	**30,662,300**	**102,000**	**23,467**	**860,203**	**- 181,203**	**- 200**	**30,684**	**27,552**	**862,503**	**10,896**	**873,399**
Consolidated net Income				226,147					226,147	4,588	230,735
Currency translation differences						1,811			1,811	- 63	1,748
Change in fair values of financial instruments							124,107		124,107	516	124,623
Consolidated Comprehensive Income				**226,147**		**1,811**	**124,107**		**352,065**	**5,041**	**357,106**
Dividends paid				- 44,459					- 44,459	- 4,324	- 48,783
Management Participation Plan			3,213						3,213		3,213
Other changes recognized directly in equity for companies accounted for under the equity method								1,194	1,194		1,194
H&F call option			- 106						- 106		- 106
Other changes										- 1,034	- 1,034
Balance 12/31/2005	**30,662,300**	**102,000**	**26,574**	**1,041,891**	**- 181,203**	**1,611**	**154,791**	**28,746**	**1,174,410**	**10,579**	**1,184,989**

Statement of Changes in Equity for 2004

EUR thousands

	Number of shares Outstanding (Shares)	Subscribed Capital	Additional Paid-In Capital	Consolidated Retained Earnings	Treasury Shares	Other Accumulated Equity			Shareholders of Axel Springer AG	Minority Interests	Consolidated Equity
						Currency Translation Adjustment	Changes in Fair Values of Financial Instruments	Other			
Balance 01/01/2004	**30,600,000**	**102,000**		**754,051**	**- 184,585**	**- 2,068**	**- 945**	**- 1,543**	**666,910**	**10,902**	**677,812**
Consolidated net income				142,872					142,872	4,675	147,547
Currency translation differences						1,868			1,868	70	1,938
Changes in fair values of financial instruments							31,629		31,629	1,047	32,676
Consolidated Comprehensive Income				**142,872**		**1,868**	**31,629**		**176,369**	**5,792**	**182,161**
Sale of treasury shares	62,300				3,382				3,382		3,382
Dividends paid				- 36,720					- 36,720	- 4,685	- 41,405
Management Participation Plan			3,561						3,561		3,561
Other changes recognized directly in equity for companies accounted for under the equity method								29,095	29,095		29,095
H&F call option			19,906						19,906		19,906
Other changes										- 1,113	- 1,113
Balance 12/31/2004	**30,662,300**	**102,000**	**23,467**	**860,203**	**- 181,203**	**- 200**	**30,684**	**27,552**	**862,503**	**10,896**	**873,399**

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

EUR thousands

	Note	2005	2004
Consolidated net income		230,735	147,547
Depreciation, amortization, impairments on and increases in value of fixed assets		84,628	118,055
Equity income from associated companies		- 24,524	- 18,696
Dividends received from associated companies accounted for under the equity method		10,960	15,493
Gains (-) /losses (+) on disposals of fixed assets		- 46,043	- 2,566
Income (-) /losses (+) from discontinued operations		702	6,075
Increase/decrease in non-current provisions		- 1,392	- 12,993
Increase/decrease in deferred taxes		31,978	11,222
Other non-cash income and expenses	(31)	- 25,491	- 30,820
Increase/decrease in inventories		- 14,167	- 2,195
Increase/decrease in trade receivables		13,291	366
Increase/decrease in other assets		2,847	- 6,310
Increase/decrease in current provisions		10,873	2,129
Increase/decrease in trade payables		23,050	- 15,358
Increase/decrease in receivables due from and liabilities due to related parties		4,136	- 6,107
Increase/decrease in other liabilities		- 77,912	99,162
Cash Flow from Operating Activities		**223,671**	**305,004**
Proceeds from disposals of intangible assets, property, plant and equipment		39,718	1,291
Proceeds from disposals of consolidated affiliated companies		15,824	20,000
Proceeds from disposals of other non-current financial assets		1,019	0
Net cash inflow/outflow from initial consolidation/deconsolidation		- 1,631	14,383
Purchases of intangible assets, property, plant and equipment and investment property		- 43,227	- 110,736
Cash outflows for acquisition of consolidated subsidiaries		- 3,947	0
Purchases of other non-current financial assets		- 34,566	- 20,236
Cash Flow from Investing Activities	(31)	**- 26,810**	**- 95,298**
Dividends paid			
Dividends paid to shareholders of Axel Springer AG		- 44,459	- 36,720
Dividends paid to minority interests		- 4,324	- 4,685
Capital contributions received		0	3,382
Repayments of finance lease obligations		- 2,348	- 4,349
Additions to other financial liabilities		4,543	4,588
Repayments of other financial liabilities		- 19,795	- 13,311
Cash Flow from Financing Activities		**- 66,383**	**- 51,095**
Cash Flow-Related Changes in Cash and Cash Equivalents		**130,478**	**158,611**
Effects of exchange rate changes on cash and cash equivalents		104	497
Cash and cash equivalents at beginning of period		454,546	295,438
Cash and Cash Equivalents at End of Period	(30)	**585,128**	**454,546**

Cash inflows and outflows contained in the cash flow from operating activities:
EUR thousands

	2005	2004
Income taxes paid	- 169,523	- 53,774
Income taxes received	4,231	16,616
Interest paid	- 18,743	- 12,455
Interest received	11,338	8,775
Investment income received	31,719	22,910

Consolidated Statement of Changes in Fixed Assets

Consolidated Statement of Changes in Fixed Assets for 2005

EUR thousands

							Cost
Intangible Assets	**01/01/2005**	**Decon-solidation**	**Currency Translation Differences**	**Additions**	**Disposals**	**Reclassi-fications**	**12/31/2005**
Purchased rights and licenses	153,535	- 2,703	- 43	6,501	- 5,717	906	152,479
Internally generated rights	10,063	0	- 6	3,459	- 91	0	13,425
Goodwill	104,696	- 735	0	500	- 500	0	103,961
Advance payments made	943	- 25	2	0	- 14	- 906	0
	269,237	**- 3,463**	**- 47**	**10,460**	**- 6,322**	**0**	**269,865**
Property, Plant and Equipment							
Land and buildings, including buildings on third-party land	616,527	- 51,437	- 73	2,787	- 12,844	- 9,199	545,761
Technical equipment and machinery	836,784	- 302,874	- 82	9,252	- 24,608	17,040	535,512
Other equipment, furniture and fixtures	166,857	- 14,579	349	13,261	- 20,289	5,654	151,253
Construction in progress	29,355	- 203	177	7,171	- 71	- 24,077	12,352
	1,649,523	**- 369,093**	**371**	**32,471**	**- 57,812**	**- 10,582**	**1,244,878**
Investment Property	**69,244**	**0**	**0**	**781**	**0**	**10,582**	**80,607**
							Cost or Fair Value
Non-Current Financial Assets							
Investments in subsidiaries	63,714	0	- 60	866	- 323	- 35	64,162
Investments in associated companies accounted for under the equity method	76,959	0	0	176,394	- 14,856	35	238,532
Other investments in associated companies	81,644	0	- 1	8,100	- 811	0	88,932
Investments in other related companies	198,960	0	0	116,244	- 1,961	- 158	313,085
Loans	10,318	0	0	7	- 571	0	9,754
Securities and other non-current financial assets	3,308	0	- 6	226	- 352	158	3,334
	434,903	**0**	**- 67**	**301,837**	**- 18,874**	**0**	**717,799**

Consolidated Statement of Changes in Fixed Assets for 2004

EUR thousands

							Cost
Intangible Assets	**01/01/2004**	**Initial Con-solidation/ Decon-solidation**	**Currency Translation Differences**	**Additions**	**Disposals**	**Reclassi-fications**	**12/31/2004**
Purchased rights and licenses	136,545	0	540	26,109	- 10,041	382	153,535
Internally generated rights	8,821	0	0	1,242	0	0	10,063
Goodwill	124,042	- 19,309	2	0	- 39	0	104,696
Advance payments made	411	0	- 3	923	- 22	- 366	943
	269,819	**- 19,309**	**539**	**28,274**	**- 10,102**	**16**	**269,237**
Property, Plant and Equipment							
Land and buildings, including buildings on third-party land	514,906	0	133	22,772	- 5,554	84,270	616,527
Technical equipment and machinery	837,999	- 12,547	207	17,073	- 26,304	20,356	836,784
Other equipment, furniture and fixtures	163,153	- 190	650	20,359	- 22,464	5,349	166,857
Construction in progress	174,679	0	315	23,174	- 539	- 168,274	29,355
	1,690,737	**- 12,737**	**1,305**	**83,378**	**- 54,861**	**- 58,299**	**1,649,523**
Investment Property	**0**	**0**	**0**	**10,961**	**0**	**58,283**	**69,244**
							Cost or Fair Value
Non-Current Financial Assets							
Investments in subsidiaries	59,367	2,325	157	2,257	- 392	0	63,714
Investments in associated companies accounted for under the equity method	147,846	- 107,389	0	51,995	- 15,493	0	76,959
Other investments in associated companies	77,524	0	0	718	- 87	3,489	81,644
Investments in other related companies	10,584	180,829	- 2	8,167	- 618	0	198,960
Loans	3,788	0	0	6,620	- 90	0	10,318
Securities and other non-current financial assets	7,327	0	16	491	- 1,037	- 3,489	3,308
	306,436	**75,765**	**171**	**70,248**	**- 17,717**	**0**	**434,903**

						Depreciation, Amortization and Impairments	Carrying Amounts	
01/01/2005	Deconsolida-tion	Currency Translation Differences	Additions	Disposals	Reclassi-fications	12/31/2005	12/31/2005	12/31/2004
84,104	- 2,205	17	9,768	- 3,599	0	88,085	64,394	69,431
2,180	0	- 2	1,502	- 70	0	3,610	9,815	7,883
39,376	0	0	7,900	0	0	47,276	56,685	65,320
0	0	0	0	0	0	0	0	943
125,660	**- 2,205**	**15**	**19,170**	**- 3,669**	**0**	**138,971**	**130,894**	**143,577**
148,806	- 26,907	- 14	11,097	- 4,111	- 158	128,713	417,048	467,721
391,153	- 166,461	- 73	32,300	- 23,086	158	233,991	301,521	445,631
111,983	- 9,236	73	15,623	- 18,255	- 158	100,030	51,223	54,874
622	0	0	0	0	0	622	11,730	28,733
652,564	**- 202,604**	**- 14**	**59,020**	**- 45,452**	**- 158**	**463,356**	**781,522**	**996,959**
37,484	**0**	**0**	**4,978**	**0**	**158**	**42,620**	**37,987**	**31,760**
						Impairments	Carrying Amounts	
43,121	0	1	962	- 75	0	44,009	20,153	20,593
0	0	0	0	0	0	0	238,532	76,959
32,034	0	0	245	- 363	0	31,916	57,016	49,610
5,597	0	0	35	0	0	5,632	307,453	193,363
1,913	0	0	204	0	0	2,117	7,637	8,405
8	0	0	14	- 1	0	21	3,313	3,300
82,673	**0**	**1**	**1,460**	**- 439**	**0**	**83,695**	**634,104**	**352,230**

						Depreciation, Amortization and Impairments	Carrying Amounts	
01/01/2004	Initial Con-solidation/ Decon-solidation	Currency Translation Differences	Additions	Disposals	Reclassi-fications	12/31/2004	12/31/2004	12/31/2003
68,725	0	289	24,061	- 8 .971	0	84,104	69,431	67,820
874	0	0	1,306	0	0	2,180	7,883	7,947
21,471	- 2,314	1	20,218	0	0	39,376	65,320	102,571
0	0	0	0	0	0	0	943	411
91,070	**- 2,314**	**290**	**45,585**	**- 8,971**	**0**	**125,660**	**143,577**	**178,749**
140,452	0	38	11,135	- 2,819	0	148,806	467,721	374,454
386,807	- 12,547	180	40,884	- 24,171	0	391,153	445,631	451,192
113,192	- 171	408	18,432	- 20,000	122	111,983	54,874	49,961
37,279	0	0	742	- 277	- 37,122	622	28,733	137,400
677,730	**- 12,718**	**626**	**71,193**	**- 47,267**	**- 37,000**	**652,564**	**996,959**	**1,013,007**
0	**0**	**0**	**484**	**0**	**37,000**	**37,484**	**31,760**	**0**
						Impairments	Carrying Amounts	
42,328	0	0	793	0	0	43,121	20,593	17,039
0	0	0	0	0	0	0	76,959	147,846
28,568	0	0	0	- 23	3,489	32,034	49,610	48,956
5,597	0	0	0	0	0	5,597	193,363	4,987
1,913	0	0	0	0	0	1,913	8,405	1,875
3,497	0	0	0	0	- 3 .489	8	3,300	3,830
81,903	**0**	**0**	**793**	**- 23**	**0**	**82,673**	**352,230**	**224,533**

Notes
Segment Reporting

Segment Reporting – Primary Reporting Format

EUR thousands

	Newspapers		Magazines		Printing		Services/Holding		Consolidated total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
External Revenues	**1,441,965**	**1,398,398**	**787,108**	**771,396**	**81,005**	**144,147**	**81,427**	**88,094**	**2,391,505**	**2,402,035**
Internal revenues	19,249	18,285	7,261	4,596	279,347	460,486	154,706	151,728		
Segment revenues	1,461,214	1,416,683	794,369	775,992	360,352	604,633	236,133	239,822		
EBITDA	**329,580**	**257,180**	**56,773**	**30,806**	**44,627**	**43,127**	**- 17,403**	**101,685**	**413,577**	**432,798**
other non-cash income included therein								32,810		32,810
income from investments included therein	15,665	7,119	5,819	7,386	10,995	2,574	16,938	23,089	49,417	40,169
thereof accounted for under the equity method	7,406	3,462	7,688	7,142	9,563		- 133	8,092	24,524	18,696
Depreciation, amortization and impairments	- 6,328	- 6,494	- 7,220	- 21,032	- 33,632	- 40,553	- 28,088	- 28,965	- 75,268	- 97,044
thereof impairments				- 14,790			- 4,105		- 4,105	- 14,790
Segment Earnings (EBITA)	**323,252**	**250,686**	**49,553**	**9,774**	**10,995**	**2,574**	**- 45,491**	**72,720**	**338,309**	**335,754**
Impairment loss on goodwill			- 7,900	- 18,418				- 1,800	- 7,900	- 20,218
EBIT	**323,252**	**250,686**	**41,653**	**- 8,644**	**10,995**	**2,574**	**- 45,491**	**70,920**	**330,409**	**315,536**
Non-recurring items (Note - 33)			- 1,400	1,526	16,000		45,382	13,003	59,982	14,529
Earnings before Interest, Taxes and Discontinued Operations	**323,252**	**250,686**	**40,253**	**- 7,118**	**26,995**	**2,574**	**- 109**	**83,923**	**390,391**	**330,065**
Net financial expenses									- 24,372	- 34,319
Income taxes									- 134,582	- 142,124
Income from Continuing Operations									**231,437**	**153,622**
Capital expenditures	6,924	10,383	7,533	23,684	14,792	42,752	14,463	45,794	43,712	122,613
Segment assets	240,358	253,497	228,931	218,770	662,539	680,417	766,868	674,882	1,898,697	1,827,565
thereof accounted for under the equity method	67,010	62,421	15,913	14,538	149,189		6,418		238,531	76,959
Segment liabilities	328,729	324,029	205,341	168,693	168,344	214,097	207,672	218,342	910,086	925,161
Employees	4,182	4,060	2,414	2,332	1,854	2,453	1,716	1,855	10,166	10,700

Segment Reporting – Secondary Reporting Format

EUR thousands

	Domestic		Foreign		Consolidated Total	
	2005	2004	2005	2004	2005	2004
Consolidated external revenues	2,007,848	2,028,433	383,657	373,602	2,391,505	2,402,035
Capital expenditures	38,361	116,911	5,351	5,702	43,712	122,613
Segment assets	1,792,076	1,716,500	106,621	111,065	1,898,697	1,827,565

General Information

(1) Introduction

By application of Section 315 a of the German Commercial Code ("HGB"), the consolidated financial statements at December 31, 2005 of Axel Springer AG were drawn up in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB). All standards and interpretations applicable by law in the European Union for fiscal year 2005 have been observed. The requirements of IFRS were satisfied in full, leading to the presentation of a true and fair view of the assets, financial condition and operating results of Axel Springer AG and the subsidiaries and associates included in the consolidated financial statements (hereinafter referred to as the "Axel Springer Group". To improve the readability of the financial statements, certain individual items of the income statement and balance sheet have been aggregated. These items are explained in the notes to the financial statements. The income statement is formatted in accordance with the cost summary method.
The consolidated financial statements are denominated in euros. Barring an indication to the contrary, all amounts are stated in euro thousands (€ 000s). The consolidated financial statements and the consolidated management report have been filed with the Commercial Register of the Berlin-Charlottenburg Local Court under the No. 4998.

(2) Consolidation

(a) Consolidation Principles
All significant domestic and foreign subsidiaries in which Axel Springer AG is able to control, directly or indirectly, the financial and operating policies of the company are included in the consolidated financial statements of the Axel Springer Group. The equity consolidation was performed by application of the purchase method as at the date of acquisition. Under the purchase method, the acquired proportion of the fair value of the purchased assets and liabilities of the subsidiary at the date of acquisition are deducted from the cost of acquisition of the interest in the subsidiary. Any remaining positive difference is capitalized as goodwill. Negative goodwill arising on the consolidation of equity at the date of acquisition is recognized immediately as income. The date of acquisition is that date when the ability to control the net assets and the financial and operating activities of the acquired company passes to the Axel Springer Group.
The hidden reserves and liabilities uncovered as a result of the fair value measurement of the assets and liabilities upon initial consolidation are either carried at cost, amortized or reversed in subsequent periods, depending on the development of the assets and liabilities to which they relate. In subsequent periods, any derivative goodwill is subjected to an impairment test at least once a year and if an impairment loss has been found to exist the carrying amount is written down to the lower realizable value.
Expenses and income and receivables and payables between consolidated companies are eliminated. Intermediate profits are eliminated, if they are material.
Significant 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. With regard to calculating the goodwill and the proportional fair value of the assets and liabilities, the principles applied to full consolidation apply here as well. The IFRS financial statements of these companies as at the Group's balance sheet date serve as the basis for consolidation by the equity method. Losses from associated companies that do not 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. It is not necessary to eliminate intermediate profits because they are not material. The separate financial statements of Axel Springer AG and its subsidiaries and associates included in the consolidated financial statements have been drawn up on the basis of uniform accounting and valuation methods.

(b) Consolidation Group
The consolidation group of the Axel Springer Group breaks down as follows:

	12/31/2005	12/31/2004
Fully Consolidated Companies		
Domestic	28	31
Foreign	15	17
Fully Consolidated Special-Purpose Entities		
Domestic	4	4
Foreign	1	1
Companies Consolidated under the Equity Method		
Domestic	7	5
Foreign	1	1

The companies included in the consolidation group are listed in Note (39). Pursuant to Section 313 (4) HGB, the list of shareholdings of Axel Springer AG and the Group has been filed with the Commercial Register of the Berlin-Charlottenburg Local Court. The exemption provisions of Section 264 (3) HGB and Section 264 b HGB have been applied with respect to the publication of the separate financial statements of the subsidiaries included in the consolidated financial statements.

Three fully consolidated domestic companies were merged into other Group companies in connection with internal restructuring measures in 2005. In addition, AS Interactive GmbH (Hamburg) was sold and the newly formed Axel Springer Media Logistik GmbH (Berlin) was consolidated for the first time in 2005. In Hungary, two subsidiaries were merged into Axel Springer-Ungarn GmbH (Tatabánya). Moreover, PIN intelligente dienstleistungen AG (Berlin) and Prinovis Ltd. & Co. KG (Hamburg) were consolidated according to the equity method for the first time in 2005.

(c) Discontinued Operations

As part of the strategic reorientation to focus on the core activities of the Axel Springer Group, the Books and Logistics segments were sold in 2003. In financial year 2005, subsequent expenses related to the divestments of the Books segment at Ullstein Heyne List GmbH & Co. KG and Weltkunst Verlag GmbH were incurred in the total amount of EUR 702 thousand (PY: 6,075 thousand).

(d) Translation of Financial Statements Denominated in Foreign Currency

The 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. Derivative goodwill and hidden reserves and liabilities that have been recognized in connection with the first-time consolidation of a subsidiary have also been translated at the exchange rate in effect on the balance sheet date. Items of the income statement have been translated at the weighted average exchange rate for the year in question. Equity components of the subsidiaries have been translated at the respective historical exchange rate at the date of origination. The foreign exchange differences resulting from the translation have been recognized as a currency translation adjustment within the item of other accumulated equity and/or minority interests. The exchange rates to the euro used to translate significant foreign financial statements underwent the following changes from the preceding year:

Exchange rate for 1 euro	Average exchange rate		Exchange rate on balance sheet date	
	2005	2004	12/31/2005	12/31/2004
Czech koruna	29.7820	31.8910	29.0470	30.3950
Russian ruble	35.1884	36.7242	34.0230	37.7300
Hungarian forint	248.0500	251.6600	252.4800	245.6250
Polish zloty	4.0230	4.5268	3.8560	4.0740
Swiss francs	1.5483	1.5438	1.5560	1.5540

(3) Accounting and Valuation Methods

(a) Recognition of Income and Expenses

The Axel Springer Group generates most of its revenues from sales of newspapers and magazines (circulation revenues) and from sales of advertising space in the published newspapers and magazines (advertising revenues). Revenues are recognized at the time when goods are sold or services rendered, provided that the amount of revenue can be reliably measured and it is probable that economic benefits will flow to the enterprise. Revenues are stated net of any discounts allowed. In the case of publishing products, revenue is not recognized for that portion of products sold which can be expected, on the basis of historical experience values, to be returned.

In the case of business activities about which it can be determined that the significant risks and rewards do not lie with the Axel Springer Group and/or the Group only collects income 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.

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 certain assets are not capitalized as assets in the financial statements of the Axel Springer Group. Income or expenses from profit/loss transfer agreements are recognized at the end of the financial year. They are measured as the profit or loss determined in accordance with the accounting rules of commercial law. Dividend income is recognized at the date of distribution; the distribution period is normally the period in which a legal entitlement is constituted.

(b) 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 by the straight-line method over their expected useful lives, starting from the time when they become available for use by the enterprise, as follows:

	Useful life in years
Software	3 – 8
Licenses	3 – 8
Supplier rights	3 – 8
Websites	3 – 5

Intangible assets with an indeterminable useful life, which in the Axel Springer Group include derivative goodwill and title rights, are not subjected to amortization. At present, the use of these assets by the company is not limited by any economic or legal restrictions. The carrying amounts of these intangible assets are subjected to an impairment test at least once a year. For the purpose of periodically testing title rights and goodwill for possible impairment losses, Axel Springer AG defines cash-generating units to which non-current assets and net current assets can be allocated.

(c) Property, Plant and Equipment

Property, plant and equipment are measured at cost and depreciated by the straight-line method over their expected useful lives. Any gains or losses on the disposal of property, plant and equipment are recognized as other operating income or expenses. Leased assets over which a company of the Axel Springer Group retains beneficial ownership (finance leases) are recognized as fixed assets and measured at the present value of the future lease payments or the lower fair value of the leased asset and depreciated by the straight-line method. The present value of the payment obligations associated with the future lease payments is recognized as a liability. For depreciation purposes, the following useful lives have been established as uniform guidelines for the entire Group:

	Useful life in years
Buildings	30 – 50
Leasehold improvements	5 – 15
Printing machines	15 – 20
Editing systems	3 – 6
Other operational and business equipment	3 – 14

When it is reasonably certain that ownership of the assets leased under finance lease will pass to a company of the Axel Springer Group at the end of the lease period, such assets are depreciated over their useful lives. Low-value assets are fully expensed in the year of acquisition. Government grants in the form of capital expenditure subsidies and premiums granted for the acquisition or construction of long-term assets are recognized as deferred income and presented among the Other liabilities. In subsequent periods, the deferred income item is released and recognized as income over the useful life of the asset for which the grant was extended.

(d) Investment Property

In accordance with the cost model option defined in IAS 40, investment property which the Axel Springer Group intends to lease out to third parties is measured at amortized cost. Such property is depreciated by the straight-line method over a useful life of 50 years.

(e) Recognition of Impairment Losses in Intangible Assets and Property, Plant and Equipment

Impairment losses are recognized in intangible assets, including derivative goodwill, and in property, plant and equipment, when as a result of certain events or changed circumstances the carrying amount of the asset is no longer matched by the expected net selling price or the discounted sum of future cash flows from the continued use of the asset. If it is not possible to determine the recoverable amount of an individual asset, the cash flow for the next-higher group of assets for which such a cash flow can be determined is applied.

For purposes of conducting the impairment test, derivative goodwill is attributed to the reporting units to which goodwill has also been allocated in the internal reporting system of the Axel Springer Group. In general, these reporting units correspond to specific titles of the Axel Springer Group, including, in particular, separate titles within a single title group. The impairment test is conducted on the basis of estimated future cash flows, which are derived from the company's Medium-Term Plan. The planning horizon for the detailed Medium-Term Plan 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 %, 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 7 % to 12.8 % after taxes.

Impairment losses are reversed when in the time since the last impairment loss was recognized the estimates applied for the purpose of determining the recoverable amount have changed and the value in use exceeds the carrying amount of the asset. In such cases, the highest amount to which the asset can be restated is that amount which would have resulted if the impairment loss had not been recognized. A recognized impairment loss in goodwill is never reversed.

(f) Non-Current Financial Assets and Financial Instruments
As a basic rule, non-current financial assets are recognized in the financial statements of the Axel Springer Group at the settlement date.
Investments in subsidiaries and associates that have not been consolidated or included by the equity method in the consolidated financial statements are classified for valuation purposes as "available-for-sale" assets according to IAS 39. Other non-current financial assets and instruments are classified, depending on their nature and purpose, either as "available-for-sale" financial instruments or as "held-to-maturity" financial assets according to IAS 39.
Available-for-sale assets are measured at their fair values on the balance sheet date. If the fair value cannot be determined, these financial assets are measured at amortized cost. Moreover, options to buy shares in unlisted companies in which the Axel Springer Group holds an investment are carried at amortized cost because it is not possible to reliably determine the fair value of such derivatives.
The common shares and preferred shares of ProSiebenSat.1 Media AG, which are held for the segment of SAT.1 Beteiligungs GmbH that is assigned to the Axel Springer Group, are stated under other non-current financial assets from shares in other related companies. The fair value of these shares is determined on the basis of the listed stock market price of the preferred shares of ProSiebenSat.1 Media AG at the balance sheet date. For this purpose, a discount is deducted from the stock market price to account for the prohibition on the sale of this stock which is currently in effect. The discount was determined on the basis of a reference transaction at the time when the shares were first recognized as assets in accordance with IAS 39; it will be reversed pro rata temporis over the period of time remaining until the sale prohibition for these shares expires in January 2007. Additionally, the varying features of the non-exchange-traded common shares as compared to the preferred shares which are held by Axel Springer AG were taken into account for valuation purposes.
The fair value of the other financial instruments of this category is determined by application of the discounted cash flow (DCF) method. However, the income from investments is considered to be not reliably measurable in those cases when sufficiently detailed information is not available, when the fungibility/comparability of the investments in such companies are highly restricted, when the Axel Springer Group has no influence on the profit distribution policies of the company by virtue of its status as a minority shareholder or when the distributions do not regularly occur in the same or subsequent financial year. Any unrealized gains or losses resulting from the changes in fair value of the financial instruments are recognized in other accumulated equity and the resultant tax effects are taken into account. Changes in fair value are not recognized in income until the corresponding non-current financial assets are sold or a permanent impairment loss is recognized. Assets held to maturity are measured at amortized cost by application of the effective interest method. An impairment loss is recognized for such assets when the recoverable amount is less than the carrying amount, based on the originally determined effective rate of interest.

(g) Inventories
Inventories are measured at cost. Costs of purchase 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 as the lower of the purchase or conversion cost and the net realizable value. The net realizable value is the estimated selling price less the 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 the finished goods and services less the remaining costs of completion.
Semi-finished goods from the production processes of the printing plants are measured at their respective fully-costed carrying amounts. If the fully costed carrying amounts of commercial printing jobs are higher than the corresponding market values at the balance sheet date, they are marked down to the expected net selling prices.
Original values are reinstated whenever the reasons justifying an earlier writedown no longer exist.

(h) Receivables and Other Assets
Trade receivables and other assets are measured initially at fair value plus transaction costs that are directly attributable to the acquisition. In subsequent periods, they are measured at amortized cost, after deduction of any writedowns, using the effective interest method.
A writedown is taken when objective indications suggest that the amount receivable may not be collectible in full. The amount of the writedown 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. The writedown is charged immediately to income.

(i) Cash
Cash is composed of cash in banks and cash on hand.

(j) Pension Provisions
The provisions for pension obligations are calculated by the projected unit credit method, in accordance with IAS 19, under which future changes in compensation and benefits are taken into account. The pension obligations are measured on the basis of expert actuarial opinions. 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.
If and when the actuarial gains and losses resulting from changes in actuarial parameters exceed 10 % of the higher pension obligations or plan assets at the beginning of the financial year, the amount exceeding the 10 % limit is recognized in income over the remaining service years of the employees entitled to benefits (corridor method). The service cost and the realized actuarial gains and losses are recognized in personnel expenses. The interest component contained in the pension expenses is stated separately as part of interest expenses.

(k) Other Provisions

Other provisions have been formed to account for all discernible legal and constructive obligations of the Axel Springer Group to third parties, provided that the settlement of the obligation is probable and the amount of the obligation can be reliably estimated. In accordance with IAS 37, 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 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) Liabilities

Liabilities are measured initially at fair value, plus any transaction costs. In subsequent periods, they are measured at amortized cost using the effective interest method.

(m) 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 such assets and liabilities in the IFRS financial statements and for loss carryforwards. Deferred taxes are measured on the basis of the tax laws enacted prior to the end of the financial year in which it is probable that the differences will reverse or the tax losses can be utilized. Deferred tax assets are recognized for temporary differences or tax losses only when the ability to utilize them in the near future appears to be reasonably certain. Deferred tax liabilities are recognized to account for temporary differences resulting from the fair value measurement of assets and liabilities obtained through acquisitions. Deferred taxes are recognized for temporary differences relating to derivative goodwill only when the derivative goodwill can be utilized for tax purposes. Deferred tax assets are netted with deferred tax liabilities only when such deferred taxes relate to income taxes assessed by the same taxation authority and when current taxes can also be netted.

(n) Derivative Financial Instruments

Derivative financial instruments are utilized in the Axel Springer Group to hedge against currency and interest rate risks. As a rule, derivative financial instruments are measured at fair value. Changes in the fair values of derivative financial instruments that satisfy the criteria of IAS 39 are accounted for differently, depending on the type of hedging relationship. Changes in the fair value of derivatives that serve the purpose of hedging the exposure to variability in future cash flows (cash flow hedges) are not recognized in income, but in other accumulated equity, together with the resultant tax effects. The amounts recognized in other accumulated equity are charged off when the underlying transaction is recognized on the balance sheet or income statement. In the case of certain derivatives used by the Axel Springer Group, which do not satisfy the criteria of IAS 39 for recognition as a hedging transaction, despite the hedging effect which they have economically, changes in fair value are recognized in income by virtue of being classified as fair value through profit and loss.

(o) Management Participation Plan

The Management Participation Plan for members of the Management Board that was approved by the shareholders at the annual meeting of April 14, 2004 is accounted for in accordance with IFRS 2. The compensation components of the Management Participation Plan to be recognized as expenses over the vesting period are measured as the fair value of the entitlement to purchase shares and the options granted at the time when they were granted. The fair values of the entitlement to purchase shares and the options granted are determined on the basis of the Black-Scholes model.

(p) 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 at the exchange rate on the balance sheet date. Any foreign exchange gains or losses resulting from such translations are recognized in income.

(q) Fair Value of Financial Instruments

The fair values of financial instruments are determined on the basis of appropriate market prices or valuation methods. (See also Section 3(f). In the case of cash and other short-term non-derivative financial instruments, the fair values are equivalent to the carrying amounts at the respective reporting dates. In the case of long-term receivables and other assets, as well as long-term provisions and liabilities, the fair values are determined as the sum of the expected cash flows based on reference interest rates in effect on the balance sheet date. The fair values of derivative financial instruments were determined on the basis of the forward exchange rates and reference interest rates in effect on the balance sheet date.

(r) Use of Estimates

The preparation of the IFRS 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 the definition of uniform, Group-wide useful lives for depreciation purposes, the rates used in determining allowances for doubtful receivables, the actuarial parameters used to measure pension provisions, the valuation parameters used to measure the fair value of options in the Management Participation Plan, the definition of product return rates and the ability to utilize deferred tax assets in the future. The amounts that actually materialize in the future may differ from the amounts determined on the basis of estimates and assumptions.

(s) Newly Published Accounting Rules of the IASB

The IASB has published supplements to the Standards IAS 19, IAS 39 and IFRS 4, plus the new standards IFRS 6 and 7, and the new interpretations IFRIC 4 and 5, which will be applicable in subsequent years. Once the aforementioned accounting rules have been endorsed by the European Union, they will be applied in the consolidated financial statements of Axel Springer AG.

Notes to the Consolidated Balance Sheet

(4) Intangible Assets

The changes occurring in each category of intangible assets of the Axel Springer Group are represented in the Statement of Changes in Fixed Assets. The carrying amount of intangible assets with indefinite useful lives, excluding intangible assets classified as goodwill, is EUR 34,026 thousand (PY: EUR 34,138 thousand).

The internally generated intangible assets consist of software solutions and web sites.

An impairment loss of EUR 25 thousand (PY: EUR 20 thousand) in purchased software was recognized in 2005 because this software is no longer being used in the Axel Springer Group. Impairment losses were recognized in goodwill on the basis of the future prospects for business success.
In France, 14-day TV programming guides have become increasingly popular since the end of 2003. The growing competition posed by this format considerably worsened the profit outlook for the weekly title TÉLÉ MAGAZINE, which made it necessary to recognize an impairment loss in 2005 of EUR 7,900 thousand (PY: EUR 17,418 thousand) for Les Publications Grand Public SAS.
In 2004, impairment losses were also recognized in the title rights of AS Young Mediahouse GmbH (EUR 14,790 thousand) and in the goodwill of Schwartzkopff TV-Productions GmbH & Co KG (EUR 1,800 thousand) and Axel Springer Praha a.s. (EUR 1,000 thousand).

(5) Property, Plant and Equipment

The changes occurring in property, plant and equipment are summarized in the Statement of Changes in Fixed Assets.
The assets classified as falling under finance leases are contained exclusively in the category “Technical equipment and machinery.” At December 31, 2005, these assets consisted of four IT servers, for which a sale-and-lease-back agreement with a term of three years was concluded in 2005. The residual book values of the IT servers totaled EUR 815,000 at the balance sheet date. The printing machines classified as falling under finance leases in the previous year were taken off the books in 2005 in connection with the spin-off of rotogravure printing operations.
At December 31, 2005, items of property, plant and equipment with acquisition or production costs of EUR 114,313 thousand (PY: EUR 195,127 thousand) were being used, although they have already been fully written off.

(6) Investment Property

Some of the space in the new building in Berlin that was completed in 2004 is not being used by Group companies, but serves the purpose of generating rental income over the longterm. The space intended for rental to third parties was expanded in 2005 by means of rededication of space.
Rental revenues of EUR 1,946 thousand (PY: EUR 1,236 thousand) were generated and rental expenses of EUR 1,230 thousand (PY: EUR 486 thousand) were incurred in 2005. Directly allocable expenses of EUR 819 thousand (PY: EUR 611 thousand) were incurred for the space that has not yet been rented. In 2005, the tenancy rate was about 60 %.
The fair value of real estate investment property at December 31, 2005 was EUR 37,987 thousand (PY: EUR 31,852 thousand). The increase in acquisition costs resulting in particular from the rededication of space as rental space necessitated the recognition of an impairment loss of EUR 4,105 thousand (PY: EUR 0), to account for the fair value. The fair value was determined by application of the discounted cash flow method with reference to the projected cash flows from the rental of the property. In calculating this value, a discount rate of 8.0 % and a perpetuity capitalization rate of 7.0 % were applied.

(7) Non-Current Financial Assets

The changes in non-current financial assets are summarized in the Statement of Changes in Fixed Assets.
The Group's share of the profits of associated companies accounted for under the equity method totalled EUR 24,524 thousand (PY: EUR 18,696 thousand); the Group's share of those companies' revenues totaled EUR 260,643 thousand (PY: EUR 113,015 thousand), their assets EUR 326,547 thousand (PY: EUR 117,653 thousand) and their liabilities EUR 203,793 thousand (PY: EUR 53,316 thousand). The non-consolidated equity interests in subsidiaries and the available-for-sale financial instruments carried under Other financial instruments in Fixed assets were measured at fair value on the balance sheet date, or if such fair value could not be reliably measured due to the lack of an active market, nor reliably measured by some other method, they were stated at amortized cost, as follows:

EUR thousands	31.12.2005	31.12.2004
At fair value	325,975	209,739
At amortized cost	60,093	55,114
Available-for-Sale Financial Instruments Carried under Fixed Assets	**386,068**	**264,853**
Financial Instruments Carried as Fixed Sssets under the Category Loans and Receivables	**9,504**	**10,418**
Other Non-Current Financial Assets	**395,572**	**275,271**

(8) Inventories

The inventories break down as follows:

EUR thousands	12/31/2005	12/31/2004
Raw materials and supplies	42,259	38,518
Semi-finished goods	4,448	8,067
Finished goods and merchandise	2,324	2,087
Inventories	**49,031**	**48,672**

Inventories of EUR 9,655 thousand (PY: EUR 14,416 thousand) were measured at their net realizable value. The valuation allowance for these inventories amounted to EUR 2,311 thousand at December 31, 2005 (PY: EUR 4,296 thousand), of which amount EUR 2,059 thousand was recognized in income in 2005 (PY: EUR 389 thousand).

(9) Trade Receivables

The trade receivables break down as follows:

EUR thousands	12/31/2005	12/31/2004
Trade receivables, nominal	187,938	214,719
Allowances for doubtful trade receivables	- 8,443	- 9,969
Trade Receivables	**179,495**	**204,750**

The decrease in trade receivables in 2005 was due primarily to the spin-off of the rotogravure printing operations.

(10) Receivables Due from Related Parties

The receivables due from related parties break down as follows:

EUR thousands	12/31/2005	12/31/2005
Receivables due from companies accounted for under the equity method	37,285	2,905
Receivables due from associated companies	16,924	14,713
Receivables due from non-consolidated subsidiaries	7,240	7,825
Receivables due from other related persons and companies	4,916	5,395
Receivables Due from Related Parties	**66,365**	**30,838**

The receivables due from companies accounted for under the equity method contain a claim to reimbursement of pension obligations in the amount of EUR 32,797 thousand (cf. Note (14)). Valuation allowances of EUR 26,336 thousand were recognized at December 31, 2005 to account for discernible default risks (PY: EUR 26,293 thousand). For more comments on this subject, please refer to Note (35).

(11) Other Assets

The Other assets break down as follows:

EUR thousands	12/31/2005	12/31/2004
H&F call option	31,367	20,745
Claims to payment of purchase price	16,600	10,010
Derivatives in cash flow hedges	14,428	0
Credit balances with suppliers	2,098	1,991
Receivables from employees	1,715	2,475
Other assets	16,533	17,272
Financial Assets	**82,741**	**52,493**
Prepaid expenses	7,230	9,494
Receivables related to other taxes	2,628	3,462
Other Assets (Other than Financial Assets)	**9,858**	**12,956**
Other Assets	**92,599**	**65,449**

By agreement of April 8, 2004, the shareholders 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 call options for the purchase of Axel Springer AG shares. The exercise of these options is subject to the condition that options be exercised by the Management Board under the corresponding Management Participation Plan. Thus, Axel Springer AG is entitled to purchase one share from H&F for every share issued to a member of the Management Board under the Management Participation Plan. In the event that H&F would no longer have a sufficient number of Axel Springer AG shares to settle the call options because it will have sold the shares, Axel Springer AG will be entitled to a cash settlement in the amount of the difference between the sale price attained by H&F on the sale of its shares and the exercise price of the call option. The amount of the cash settlement will be determined with reference to the number of options which the Management Board will still be entitled to exercise. According to IAS 32, the call options must be recognized as non-current financial assets and measured at fair value on the balance sheet date because of the settlement option allowed to H&F. The fair value is determined by application of an option pricing model. At the time when H&F granted the options to Axel Springer, the fair value of the options was EUR 19,800 thousand. Because the granting of options by H&F is characterized as a shareholder transaction, the capital reserve was increased by the amount of the fair value. The changes in fair value of the options in the time after they were granted are recognized in the item of other net financial expenses.
The purchase price receivables relate to the sale of real estate.

For more information on the derivatives in cash flow hedges, please refer to Note (34).

(12) Cash and Cash Equivalents

EUR thousands	12/31/2005	12/31/2004
Cash	517,778	439,050
Marketable securities due in up to three months	67,350	15,496
Cash and Cash Equivalents	**585,128**	**454,546**

The marketable securities are measured at fair value without exception.

(13) Equity

The changes in consolidated equity are summarized in the Statement of Changes in Equity.

(a) Subscribed Capital
The subscribed capital of EUR 102,000,000 is fully paid up. Based on the percentage of subscribed capital that each share represents, the shares are valued at EUR 3.00 per share, unchanged from the previous year. The subscribed capital is divided into 34,000,000 registered shares, which can be transferred only with the consent of the company. The company Axel Springer Gesellschaft für Publizistik GmbH & Co, Berlin, which holds 50 % plus ten shares, was registered as the shareholder holding more than 50 % of the company’s equity at the balance sheet date. Dr h.c. Friede Springer holds 90 % of the equity in Axel Springer Gesellschaft für Publizistik GmbH & Co, Berlin, and was also registered as directly holding 10 % of the equity of Axel Springer AG at the balance sheet date.

(b) Capital Reserve
The capital reserve was created primarily as a result of a shareholder contribution in the form of financial instruments granted in 2004 (H&F call option, see Note (11)). In addition, the capital reserve also contains the imputed compensation component of the Management Participation Plan, which was simultaneously recognized as Personnel expenses, in accordance with IFRS 2 (see Note (13f)).

(c) Consolidated Retained Earnings
The consolidated retained earnings comprise the profits of the companies included in the consolidated financial statements for past periods and the current period.
The consolidated retained earnings contain the following retained earnings accounts of Axel Springer AG, which are not available for distribution due to statutory restrictions or restrictions set forth in the company’s articles of incorporation and bylaws:

EUR thousands	12/31/2005	12/31/2004
Statutory reserve	10,200	10,200
Reserve for treasury shares	181,203	181,203

(d) Treasury Shares

By virtue of the authorization given by the shareholders at the annual meeting of April 16, 2003, Axel Springer AG purchased 3,400,000 shares at a price of EUR 54.00 per share, plus directly allocable costs, in November 2003. Of this number, 62,300 shares were sold to members of the Management Board on August 16, 2004, pursuant to and in accordance with the terms of the Management Participation Plan adopted by the shareholders at the annual meeting of April 14, 2004.

(e) Other Accumulated Equity

The other accumulated equity breaks down as follows:

EUR thousands	12/31/2005	12/31/2004
Changes in fair value of available-for-sale securities	143,241	31,482
Other changes, not recognized in income, in companies accounted for under the equity method	28,746	27,552
Currency translation adjustments to financial statements in foreign currency	1,611	- 200
Changes in fair value of derivatives in cash flow hedges	11,550	- 798
Other Accumulated Equity	**185,148**	**58,036**

The increase in the fair values of available-for-sale securities occurred almost exclusively in the shares of ProSiebenSat.1 Media AG. The other changes in companies accounted for under the equity method resulted mainly from a capital increase in 2004 in which the Group did not participate. The increase in the net assets for the Group resulting from the capital increase was attributed to Other accumulated equity, with no effect on the income statement.
The additions to the fair values of derivatives in *cash flow hedges* relate in particular to the interest rate hedging transactions effected in 2005.

(f) Management Participation Plan

On April 14, 2004, the shareholders at the annual meeting of Axel Springer AG approved a Management Participation Plan, 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 the Management Participation Plan, 62,300 shares were offered to the members of the Management Board for purchase on or after July 1, 2004 ("Purchase of Shares"). The Management Board purchased the shares in August 2004. The purchase price for the shares was EUR 54.00 per share, plus 2 % interest from July 1, 2004. Under the terms of the plan, the members of the Management Board are obligated to hold the shares for at least five years. A sale before this time is possible in the event that a majority of the shares of Axel Springer AG held by the shareholders Hellman & Friedman Rose Partners, L.P. and Hellmann & Friedman International Rose Partners, L.P., and the companies affiliated with them, would be sold (referred to hereinafter as the "H&F majority sale").
In this case, the Management Board would be entitled to sell 50 % of their shares on the first anniversary and the remaining 50 % on the second anniversary of the H&F majority sale. In connection with the purchase of the 62,300 shares, moreover, the members of the Management Board were granted, for each share purchased, eight additional options (referred to hereinafter as the "Options") to purchase shares of Axel Springer AG. These options entitle their holders to purchase up to 498,400 shares at a price of EUR 54.00 per share, plus 2 % interest from July 1, 2004. Nonetheless, if certain EBITA targets are not met in 2005 and 2007, the number of options that can be exercised by the members of the Management Board will decrease by 10 % and 50 %, respectively.
The EBITA target for 2005 was met and it has been assumed, for purposes of valuing the Management Participation Plan, that it will also be met for 2007. If the H&F majority sale should come to pass, 50% of the options received can be exercised on the first anniversary and the remaining 50 % on the second anniversary of the H&F majority sale, but not prior to the expiration of two years after the granting of the options. Upon the expiration of five years from the date of granting, the options can be exercised independently of an H&F majority sale. Once the conditions for exercise have been met, the Management Board can exercise the options within a period of 24 months.

The 498,400 options remaining at December 31, 2005 have a maximum life of approximately 5.5 years. The fair values of the entitlement to purchase shares and the options granted were determined by application of the Black-Scholes model at the time when they were granted. The following parameters were applied for this purpose:

	Shares purchased	Options
Share price in EUR	82.00	82.00
Exercise price in EUR	54.13	60.97
Interest rate for risk-free investments in %	2.07	3.70
Expected life in years	0.33	6.00
Expected volatility in %	27.50	27.50
Expected dividend yield in %	1.67	1.67
Fair value at time of granting in EUR	26.18	32.14

An amount of EUR 3,213 thousand (PY: EUR 3,561 thousand), representing the compensation component of the options, was recognized as personnel expenses in 2005. In accordance with IFRS 2, the capital reserve was increased by the same amount. The projected total cost of the imputed compensation component of the Management Participation Plan is EUR 17,650 thousand. The intrinsic value of an option at December 31, 2005 was EUR 52.37 (PY: EUR 31.59).

(g) Minority Interests

The minority interests relate mainly to the following companies:

	12/31/2005	12/31/2004
Bild.T-Online.de AG & Co. KG, Berlin	6,871	5,545
Special-purpose entities	3,312	3,346
Other companies	396	2,005
Minority Interests	**10,579**	**10,896**

(14) Pension Obligations

Provisions for pensions have been established to account for the obligations arising from vested pension rights and current benefits for former and active employees of the Axel Springer Group and their survivors. The pension plans are organized in accordance with the legal, tax-related and economic conditions in each country. The pension plans within the Axel Springer Group are defined benefit plans without exception. The pension commitments are based on company-wide agreements and, in some few cases, individual agreements with fixed payout amounts. The defined benefit plans are backed by provisions. Axel Springer VarioRente has offered its employees a new voluntary pension plan since 2004. Under the new plan, Axel Springer guarantees a minimum return on the employees' deferred compensation. In accordance with IAS 19, the pension provisions for the defined benefit plans were calculated on the basis of actuarial assumptions. The following parameters were applied in 2005 and 2004:

	2005	2004
Discount rate	4,25 %	5,00 %
Salary trend	0-2,5 %	0 - 2,5 %
Pension trend	1,75 %	1,50 %

With respect to life expectancies, the 2005 Mortality Tables of Dr Klaus Heubeck were used for the German companies of the Axel Springer Group.
In connection with the contribution of the rotogravure printing operations to Prinovis Ltd. & Co. KG (Hamburg), it was agreed also 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 date for the current pension obligations and the vested pension claims of former employees. By virtue of contractual agreements, Axel Springer AG is entitled to reimbursement of the pension obligations or pension expenses arising in this respect. In accordance with IAS 19, the reimbursement right is presented as a separate asset (see Note (10)), whereas in the income statement, the income from the reimbursement is netted with the corresponding pension expenses. Expenses of EUR 22,032 thousand (PY: EUR 22,070 thousand) were incurred for defined benefit plans in 2005. These expenses break down as follows:

EUR thousands	**2005**	**2004**
Service cost	5,603	5,647
Effects of plan reductions and settlements	0	52
Other effects	0	- 203
Personnel Expenses	**5,603**	**5,496**
Interest expenses	18,127	16,574
Reimbursement of interest expenses	- 1,698	0
Pension Expenses	**22,032**	**22,070**

The net obligation for pensions recognized in the balance sheet experienced the following changes in 2005:

EUR thousands	**2005**	**2004**
Provision at January 1	331,859	324,172
Pension expenses (before reimbursements)	23,730	22,070
Employee contributions	3,079	2,035
Changes in consolidation group	- 58	- 15
Transfer of pension obligations	- 12,850	269
Payments to retirees	- 18,617	- 16,672
Provision at December 31	**327,143**	**331,859**
Reimbursement claims	- 32,797	0
Net Obligation at December 31	**294,346**	**331,859**

The value of the provision breaks down as follows:

EUR thousands	**12/31/2005**	**12/31/2004**
Present value of pension obligations funded by provisions	370,151	331,216
Unrealized actuarial gains and losses	- 43,008	643
Provision	**327,143**	**331,859**

Under defined contribution plans, the Group makes payments to government pension insurance carriers in accordance with applicable laws and regulations. The ongoing contribution payments are stated as social security payments in Personnel expenses (see Note (23)). Beyond paying the contributions, the Group bears no further performance obligations.

(15) Other Provisions

The Other provisions break down as follows:

EUR thousands	Balance at 01/01/2005	Utilization	Reversal	Allocation	Other Changes	Balance at 12/31/2005
Obligations to employees for partial early retirement program	45,074	13,942	136	12,572	- 4,817	38,751
Other obligations towards employees	29,268	20,570	522	22,890	- 478	30,588
Returns	26,855	26,360	367	29,447	17	29,592
Structural measures	30,612	19,206	2,537	11,208	- 480	19,597
Litigation expenses	10,197	1,569	1,060	10,724	34	18,326
Discounts and rebates	9,845	7,396	2,329	8,545	18	8,683
Other taxes	3,986	169	202	1,111	0	4,726
Site restoration obligations	5,277	799	1,500	529	83	3,590
Miscellaneous other provisions	39,302	11,786	8,580	22,512	- 157	41,291
Other Provisions	**200,416**	**101,797**	**17,233**	**119,538**	**- 5,780**	**195,144**

The Other obligations towards employees primarily include variable compensation tied to performance and loyalty bonuses. The miscellaneous other provisions account for anticipated losses on rental agreements, interest from tax audits, surrender and retention obligations. Other changes in the amount of EUR 83 thousand (PY: EUR 17 thousand) result from changes in the consolidation group, currency translation differences and compounding.

Non-current amounts are contained in the provisions for the partial early retirement program (*Altersteilzeit*) in the amount of EUR 25,329 thousand (PY: EUR 29,807 thousand), structural measures in the amount of EUR 2,839 thousand (PY: EUR 7,291 thousand) and site restoration obligations in the amount of EUR 2,149 thousand (EUR 2,867 thousand). Non-current amounts are also contained in the miscellaneous other provisions in the amount of EUR 2,054 thousand (PY: EUR 2,939 thousand).

(16) Financial Liabilities

The financial liabilities break down as follows:

EUR thousands	12/31/2005	12/31/2005
Liabilities due to banks	254,995	270,073
Liabilities under finance leases	966	9,307
Other financial liabilities	2,000	2,174
Financial Liabilities	**257,961**	**281,554**

The liabilities due to banks at December 31, 2005 are characterized by the utilization amounts, interest rates and maturities set forth in the table below. All liabilities are denominated in euros.

2005 EUR thousands	2004 EUR thousands	Interest rate %	Maturity
100,000	100,000	3-month Euribor + 0.5	12/23/2006
41,882	42,891	5.64	10/31/2012
22,500	26,250	3-month Euribor + 0.5	09/30/2011
21,742	22,458	6.73	07/31/2011
18,239	19,326	5.65	06/30/2012
15,000	17,500	3-month Euribor + 0.5	09/30/2011
13,218	13,615	5.09	11/30/2013
10,500	13,500	3.99	03/31/2009
8,149	8,628	3-month Euribor + 0.5	10/15/2022

The interest rates indicated above are effective rates of interest. In the case of fixed-interest loans, the interest fixing date corresponds to the maturity date.
In addition, Axel Springer AG has access to confirmed short-term and long-term credit facilities in the total amount of EUR 235,000 thousand (PY: EUR 285,000 thousand), which have not been utilized to date. Short-term overdraft facilities are not presented in the table.

For more information on finance leases, please refer to Notes (5) and (37).

(17) Liabilities Due to Related Parties

The liabilities due to related parties break down as follows:

EUR thousands	12/31/2005	12/31/2004
Liabilities due to non-consolidated subsidiaries	18,446	23,690
Liabilities due to companies accounted for under the equity method	17,142	5,585
Liabilities due to associated companies	4,020	5,277
Liabilities due to other related persons and companies	6,087	3,234
Liabilities Due to Related Parties	**45,695**	**37,786**

The increase of liabilities due to companies accounted for under the equity method results from the spin-off of the rotogravure operations into the company Prinovis Ltd. & Co. KG, Hamburg.

(18) Current Income Tax Liabilities

The decrease resulted in particular from the subsequent tax payments made for financial years 1991 to 1995 as a result of tax audits and from the adjustments made in December 2005 to the prepaid taxes for 2004 and 2005.

(19) Other Liabilities and Accruals

The Other liabilities and accruals break down as follows:

EUR thousands	12/31/2005	12/31/2004
Liabilities due to employees	16,435	19,217
Debit balances in accounts receivable	10,025	13,545
Liabilities from derivatives	2,129	2,959
Other financial liabilities	30,566	31,820
Financial Liabilities	**59,155**	**67,541**
Prepaid subscriptions	40,653	38,489
Liabilities for other taxes	13,872	27,095
Liabilities due to social insurance carriers	12,651	15,465
Accrued liabilities	31,589	30,977
Liabilities for duties and contributions	6,321	7,535
Capital investment subsidies	8,026	7,415
Other Liabilities and Deferred Income	**113,112**	**126,976**
Other Liabilities and Deferred Income	**172,267**	**194,517**

The liabilities due to employees relate to outstanding wage and salary payments, management bonus and severance award claims. The accrued liabilities relate to vacation days earned but not yet taken.

Notes to the Consolidated Income Statement

(20) Revenues

The revenues break down as follows:

EUR thousands	2005	2004
Circulation	1,178,766	1,169,604
Advertising	986,013	944,980
Printing	79,564	144,147
Other	147,162	143,304
Revenues	**2,391,505**	**2,402,035**

In Rotogravure printing revenues are included in the Printing revenues until the spin-off at June 30, 2005.
The Other revenues are generated primarily in the areas of Electronic Media and merchandise.

(21) Other Operating Income

The Other operating income breaks down as follows:

EUR thousands	2005	2004
Income from other goods and services	50,061	9,612
Income from other deliveries and ancillary services	34,350	27,647
Income from chargebacks to related companies	9,248	828
Rental and leasing income	4,545	3,723
Foreign exchange gains	1,191	2,420
Income from release of capital expenditure subsidies	606	876
Income from release of allowances for doubtful receivables	0	12,528
Income from release of provisions	0	15,628
Remaining operating income	29,163	113,406
Other Operating Income	**129,164**	**186,668**

Income from the reversal of allowances for doubtful receivables and from the reversal of provisions was set off against the corresponding expenses, to the extent that these items were not significant. The netting was performed accordingly for 2005.
The income from disposal of fixed assets was generated mainly from the sale of real estate and a subsidiary.
The Remaining operating income contains the amounts recognized in income from the fair value measurement of non-current financial assets. In the previous year, this item mainly consisted of effects from the Kirch settlement.

(22) Purchased Goods and Services

The purchased goods and services break down as follows:

EUR thousands	2005	2004
Cost of raw materials and supplies and purchased goods	331,080	359,999
Cost of purchased services	429,921	385,273
Purchased Goods and Services	**761,001**	**745,272**

Both the increase in the cost of purchased goods and services and the shifts within this category were largely caused by the spin-off of rotogravure printing operations.
Paper costs accounted for EUR 248,236 thousand (PY: EUR 262,582 thousand) of the cost of raw materials and supplies. The cost of purchased services was predominantly composed of costs for third-party printer services and professional fees.

(23) Personnel Expenses

The personnel expenses break down as follows:

EUR thousands	2005	2004
Wages and salaries	562,411	617,714
Social security	79,093	91,214
Pension expenses	5,603	5,496
Other employee benefits	4,604	4,005
Expenses for share-based compensation	3,213	3,561
Personnel Expenses	**654,924**	**721,990**

Wages and salaries contain restructuring expenses in the amount of EUR 12,324 thousand (PY: EUR 20,303 thousand). The pension expenses consist of the Group's payments for pension commitments and similar obligations. The table below indicates the average number and breakdown of employees:

	2005	2004
Salaried employees	5,357	5,483
Editors	3,224	3,139
Wage-earning employees	1,585	2,078
Number of Employees	**10,166**	**10,700**

The changes in personnel expenses and in the average number of employees were influenced by the spin-off of the rotogravure printing operations.

(24) Depreciation, Amortization and Impairments

The depreciation, amortization and impairments break down as follows:

EUR thousands	2005	2004
Impairment losses in derivative goodwill	7,900	20,218
Amortization of other intangible assets	11,245	10,558
Impairment losses in other intangible assets	25	14,810
Depreciation of property, plant and equipment	58,931	68,265
Impairment losses in property, plant and equipment	89	2,927
Depreciation of investment property	873	484
Impairment losses in investment property	4,105	0
Depreciation, Amortization and Impairments	**83,168**	**117,262**

For more information on the impairment losses in derivative goodwill, please refer to Note (4); for more information on impairment losses in investment property, please refer to Note (6).
The impairment losses in non-current financial assets are included in the net income from investments.

(25) Other Operating Expenses

The Other operating expenses break down as follows:

EUR thousands	2005	2004
Shipping costs	157,880	157,090
Advertising expenses	151,143	158,827
Commissions and other compensation	106,553	101,863
Expenses for outside personnel	85,231	92,971
Maintenance and repairs	32,687	48,071
Rental and leasing expenses	24,911	32,222
Payments to related persons and companies	17,640	8,564
Travel expenses	14,948	15,596
Other taxes	5,040	6,616
Adjustment of allowances for doubtful receivables	3,563	11,766
Foreign exchange losses	1,157	556
Miscellaneous expenses	82,029	82,551
Other Operating Expenses	**682,782**	**716,693**

The rental and leasing expenses relate to agreements for the rental or leasing of real property, motor vehicles and office equipment, which are classified as operating leases.
The miscellaneous expenses include, among other things, auditing and consulting expenses, contributions, duties, fees and office supplies.
The table below presents the professional fees, recognized as expenses, for the services rendered to Axel Springer AG and its consolidated subsidiaries in the financial years 2005 and 2004 by the auditor PricewaterhouseCoopers Aktiengesellschaft:

EUR thousands	2005	2004
Audits of financial statements	708	769
Other expert opinions or appraisals	630	2,463
Tax advisory services	42	26
Other services	5	0
Total Professional Fees	**1,385**	**3,258**

The professional fees for the audit of financial statements include the audit of the separate financial statements of the Group companies and the audit of the consolidated financial statements. The Other expert opinions and appraisals include fees for the auditors' review of interim financial statements, professional fees for due diligence services, audits to verify compliance with certain contractual agreements and, in 2004, the audit to verify the correct conversion of the financial reporting system to IFRS. The tax advisory fees also include support provided with regard to specific tax questions.

(26) Income from Investments

The Other investment income contains, in particular, profit shares attributable to the Group.

(27) Net Financial Expenses

The net financial expenses break down as follows:

EUR thousands	2005	2004
Interest income on bank balances	10,582	6,497
Interest income on loans and securities	190	148
Other interest income	2,135	3,877
Interest Income	**12,907**	**10,522**
Interest expenses for liabilities due to banks	- 10,946	- 11,339
Interest expenses for pension provisions, less reimbursements	- 16,429	- 16,574
Interest expenses under finance leases	- 476	- 619
Other interest expenses	- 7,247	- 16,043
Interest and similar expenses	- 35,098	- 44,575
Other Financial Expenses	**- 2,181**	**- 266**
Net Financial Expenses	**- 24,372**	**- 34,319**

The other interest expenses in 2004 mainly consisted of interest on subsequent tax payments in connection with tax audits.

(28) Income Taxes

The income taxes paid or owed in every country and the deferred taxes are recognized under Income taxes. The income taxes consist of the trade tax, corporate income tax and solidarity surtax payable in Germany, and the corresponding foreign income taxes. Income tax expenses are broken down below with respect to the origin:

EUR thousands	2005	2004
Current taxes in Germany	110,527	129,064
Current taxes outside Germany	3,735	2,056
Current Taxes	**114,262**	**131,120**
Deferred taxes in Germany	20,606	10,990
Deferred taxes outside Germany	- 286	14
Deferred Taxes	**20,320**	**11,004**
Income Taxes for Continuing Operations	**134,582**	**142,124**
Income taxes for discontinued operations	- 3,302	- 725
Income Taxes	**131,280**	**141,399**

In the table below, the notional income tax expenses that would have arisen if the tax rate of the Group parent company Axel Springer AG, which is 39.75 % (PY: 39.50 %), had been applied to the IFRS consolidated profit before taxes and minority shares, are reconciled with the income tax expenses appearing in the income statement:

EUR thousands	**2005**	**2004**
IFRS-profit before income taxes	362,015	288,946
Group tax rate	39.75 %	39.50 %
Expected Tax Expenses	**143,901**	**114,134**
Differing tax rates	- 4,025	1,956
Change of tax rates	274	52
Permanent differences	7,348	13,212
Corrections for deferred taxes	653	- 7,817
Income taxes relating to prior years	1,398	14,841
Uncreditable income taxes	175	161
Non-deductible operating expenses	3,742	5,911
Tax-exempt income	- 17,480	- 3,779
Other effects	- 4,706	2,728
Tax Expenses on the Income Statement	**131,280**	**141,399**

Companies having the legal form of a corporation resident in Germany are subject to corporate income tax at the rate of 25 % and a solidarity surtax of 5.5 % of the corporate income tax owed. In addition, these companies are subject to trade tax, the amount of which is determined in accordance with assessment rates that vary from one municipality to the next. Companies having the legal form of an unincorporated firm are subject to trade tax exclusively. For these companies, the trade tax is deductible from their own tax base; for corporations, it is deductible from the tax base for corporate income tax. Starting with the 2004 assessment period, the use of tax loss carryforwards against the tax bases for corporate income tax and trade tax is subject to limitations. Existing tax losses carried forward can be applied without limitation against a positive tax base of up to EUR 1 million, but exceeding amounts can be reduced by no more than 60 %.

The effects of different tax rates for unincorporated firms and for foreign income taxes from the tax rate applicable to the group parent company Axel Springer AG are explained in the reconciliation of differences caused by different tax rates in Germany and abroad. The permanent differences result mainly from the amortization of goodwill and other valuation adjustments made in connection with corporations that are not taken into account for tax purposes.

Deferred tax assets and liabilities are recognized to account for temporary differences and tax loss carryforwards, as follows:

EUR thousands	**12/31/2005**		**12/31/2004**	
	Deferred	Deferred	Deferred	Deferred
Intangible assets	4,217	4,383	3,773	5,061
Assets under finance leases	0	324	0	4,798
Other property, plant and equipment	144	146,156	141	161,542
Non-current financial assets	8,763	44,037	12,927	18,629
Inventories	203	0	1,161	0
Receivables and other assets	17,207	6,700	17,561	1,685
Pension provisions	23,498	0	25,560	0
Other provisions	12,794	814	10,644	96
Liabilities	4,077	3,267	4,216	2,158
Temporary Differences	**70,903**	**205,681**	**75,983**	**193,969**
Tax Loss Carryforwards	**6,572**	**0**	**8,749**	**0**
Total	**77,475**	**205,681**	**84,732**	**193,969**
Balance set-off	- 47,786	- 47,786	- 46,971	- 46,971
Recognized on Balance Sheet	**29,689**	**157,895**	**37,761**	**146,998**

The deferred tax assets and liabilities contain deferred tax assets in the amount of EUR 716 thousand (PY: EUR 438 thousand) and deferred tax liabilities in the amount of EUR 5,736 thousand (PY: EUR 1,253 thousand), which are due to temporary differences in available-for-sale financial instruments and to derivatives used in cash flow hedges. To the extent that these items are recognized not in income, but in equity in amount of EUR 8.486 thousand the associated deferred taxes are also recognized in other accumulated equity. Deferred tax assets are recognized to account for temporary differences and tax loss carryforwards to the extent that the ability to utilize them in the near future is probable. In financial years 2005 and 2004, no deferred tax assets were recognized with respect to corporate income tax for tax loss carryforwards in the amount of EUR 30,206 thousand (PY: EUR 29,782 thousand) and for no deferred tax assets were recognized with respect to trade taxes for temporary differences in the amount of EUR 51,409 thousand (PY: EUR 61,077 thousand) because it did not appear probable that sufficient taxable income could be generated in the near future.
Under the current state of the law in Germany, the ability to carry forward temporary differences and tax loss carryforwards in Germany is not subject to any restrictions. With respect to tax loss carryforwards established outside Germany, an amount of EUR 4,256 thousand (PY: EUR 1,870 thousand) can be carried forward within the next five years.

(29) Earnings per Share

The basic and diluted earnings per share are presented below:

		2005	2004
Profit/loss from continuing operations after minority interests	EUR 000s	226,849	148,947
Profit/loss from discontinued operations	EUR 000s	- 702	- 6,075
Group share of Consolidated Net Profit for the Year	**EUR 000s**	**226,147**	**142,872**
Weighted average shares outstanding	000s	30,662	30,623
Dilution effect from exercise of options	000s	214	80
Weighted Average Shares, Diluted	**000s**	**30,876**	**30,703**
Earnings per Share from Continuing Operations			
basic	EUR	7.40	4.86
diluted	EUR	7.35	4.85
Earnings per Share from Discontinued Operations			
basic	EUR	- 0.02	- 0.20
diluted	EUR	- 0.02	- 0.20
Group Share of Consolidated Net Profit per Share			
basic	EUR	7.38	4.66
diluted	EUR	7.33	4.65

Notes to the Consolidated Cash Flow Statement

(30) Breakdown of Cash and Cash Equivalents

The cash and cash equivalents break down as follows:

EUR thousands	12/31/2005	12/31/2004
Cash	517,778	439,050
Marketable securities carried as current assets, with a term of up to three months	67,350	15,496
Cash and Cash Equivalents	**585,128**	**454,546**

None of the cash and cash equivalents stated in the consolidated cash flow statement was used for bank guarantees or security deposits.

(31) Other Disclosures

The Other non-cash income and expenses for 2005 consist in particular of income from the fair value measurement of non-current financial assets and financial instruments. In the previous year, this item consisted almost entirely of effects in the non-current financial assets resulting from the Kirch settlement.
Capital investments of EUR 3,881 thousand (PY: EUR 11,996 thousand) were not yet effected in cash in 2005. In 2005, these capital investments related mainly to property, plant and equipment. (In the previous year, they related mainly to purchased supply delivery rights).
The assets and liabilities attributable to rotogravure printing operations were taken off the books in connection with the spin-off of these operations. For information on the principal balance sheet effects of the deconsolidation of property, plant and equipment and the addition of shares in Prinovis, please refer to the Consolidated Statement of Changes in Fixed Assets. The income from fair value measurement arising in this connection is presented in the item of Other non-cash income.

Notes on Segment Reporting

(32) General Information

The segment reporting follows the guidelines set forth in IAS 14. In accordance with the internal organization of the Group, the primary reporting format is by the business segments of the Axel Springer Group. The secondary reporting format is by the geographical regions in which the Axel Springer Group operates.

(a) Business Segments
The Newspapers segment includes daily newspapers and Sunday newspapers, superregional and regional subscribed newspapers and advertising supplements. The Internet portals Bild.-T-Online, Immonet and Stepstone are also included in this segment. In addition, this segment includes investments in newspaper publishing companies in Germany. The Magazines segment includes program magazines, women's magazines, men's magazines, youth magazines, computer magazines, business magazines, news magazines and family magazines. The selection is rounded by numerous special-interest magazines. Furthermore, this segment includes investments in magazine publishing companies in Germany and abroad. The Printing segment includes three offset printing plants, investments in two offset printing plants outside Germany and the rotogravure company Prinovis. The printing plants serve the purpose of ensuring the availability of necessary printing capacities. Services/ Holding includes services such as customer service, value-added telephone services (until November 2005), TV productions, logistics, sales, direct marketing, insurance sales and office buildings, and exclu-

sively internal departments such as IT, Accounting, Personnel and Corporate Departments.

(b) Geographical Regions

The activities of the Axel Springer Group are conducted in Germany and in the rest of Europe, so that the secondary segmentation by geographical region is divided into the segments Germany and International.

(33) Segment Information

The segment information was compiled on the basis of the recognition and measurement methods applied to draw up the consolidated financial statements. External revenues represent revenues from the sale of publishing products and the provision of services to parties not related to the Group. Internal revenues result from the exchange of goods and services between the various segments. The transfer pricing is based on cost coverage.

The internationally used indicator EBITA (earnings before interest, taxes and amortization of goodwill) is used to measure segment earnings. Non-recurring, exceptional effects are deducted from this figure. According to the terms of the Management Participation Plan, which is based on the EBITA calculation, non-recurring items include effects from the sale of subsidiaries, business divisions and investments, as well as writedowns and writeups of investments, effects from the sale of real properties and special writedowns and writeups of real properties. In 2005, the effects from real property sales (EUR 33,446 thousand), the sale of a subsidiary (EUR 14,111 thousand) and writeups and writedowns of investments (EUR 12,424 thousand) were deducted. In 2004, the non-recurring effects deducted from EBITA consisted of a real estate sale (EUR 8,695 thousand) and writeups and writedowns of investments (EUR 5,834 thousand).

The earnings before interest, taxes and discontinued operations is derived from EBITA in accordance with IAS 14.

Segment assets are composed of the assets required to operate the individual segments. Derivative goodwill is attributed to the appropriate segments. Certain assets in the amount of approximately EUR 713 million are not segmented. They include cash and cash equivalents (due to the cash clearing system), current and deferred income tax assets, derivatives, loans and other financial receivables.

The segment liabilities are composed of the operating liabilities and provisions of the individual segments. Financial liabilities, current and deferred income tax liabilities and liabilities from derivatives in the total amount of approximately EUR 517 million are not included among the segment liabilities.

The capital expenditures contain expenditures for intangible assets and for property, plant and equipment.

For purposes of the geographical segment reporting, the revenues are segmented according to the location of the customer, which is usually also the location of the Group company. The segment assets and capital expenditures were determined with reference to the location of the head office of the Group company.

Other Disclosures

(34) Financial Instruments

(a) Non-Derivative Financial Instruments

The fair values of the non-derivative financial instruments are summarized below:

EUR thousands	12/31/2005		12/31/2004	
	Carrying amount	Fair value	Carrying amount	Fair value
Equity and Liabilities				
Liabilities due to banks	254,995	263,548	270,073	279,416
Liabilities under finance leases	966	966	9,307	9,256
Other financial liabilities	2,000	2,059	2,174	2,312

In the case of the other non-derivative financial instruments, the carrying amounts are the same as the fair values.

(b) Interest Rate and Currency Risks/Derivative Financial Instruments

The Axel Springer Group employs derivative financial instruments to hedge its interest rate and currency risks. The use of financial derivatives is governed by internal regulations of the Axel Springer Group and is limited to hedging existing transactions and planned transactions which are considered to be sufficiently probable. These internal regulations establish the responsibilities, framework of action and reporting requirements and require the strict separation of trading and settlement activities.

To hedge the interest rate risk, the Axel Springer Group employs interest rate derivatives in the form of interest rate swaps and forward rate agreements, only in connection with an underlying transaction. Internal finance regulations govern the objectives and methods of such activities. The Forward Rate Agreements used are 3-month contracts that extend into the fourth quarter of 2005; they are maturity-matched to the fixed interest period of a roll-over credit. The existing swap transactions are matched to the variable-interest loans with respect to their amount and maturity. Under the interest rate swaps, the variable interest payments of existing loans are exchanged for fixed interest payments. Changes in the market value of the swaps are recognized directly in equity, without effect on the income statement, because hedge accounting is used. At the balance sheet date, the positive market value changes of interest rate swaps that serve the purpose of hedging the variable interest loans were posted to the item of accumulated other equity in the amount of EUR 303 thousand. The resulting interest losses of EUR 121 thousand were classified in the reverse manner.

A syndicated line of credit was extended to the Group in connection with the planned acquisition of the TV station group ProSiebenSat.1 Media AG. To hedge the potential interest rate risk, certain portions of this credit facility were covered by contingent payer swaps. As of November 15, 2005, a positive market value change of EUR 21,095 thousand was posted to accumulated other equity, and thus not recognized in income, by application of hedge accounting. Thereafter, the swaps were classified as held-for-trading because the probability that the underlying transaction would come to pass was no longer considered high. The negative market value change of EUR 6,918 thousand in the contingent payer swap occurring after November 15, 2005 and before the balance sheet date was charged to income. The syndicated credit facility was cancelled on February 1, 2006. Consequently, the market value changes of EUR 21,095 thousand that were recognized directly in equity will be charged to the income statement in the full amount in 2006.
The foreign exchange risks resulting from the international business activities are hedged by means of forward rate agreements targeted to the strategic currencies defined for the overall Group. These transactions consist of forward sale contracts, the due dates of which correspond to the expected dates of receipt of the foreign currency amounts in question. Hedge accounting is not employed for currency purposes. At the balance sheet date, the Group had no currency derivatives because the Group's exchange rate risk was substantially lowered by the spin-off of the rotogravure operations.

The notional values and market values of the derivatives are summarized below:

EUR thousands	12/31/2005		12/31/2004	
	Notional amount	Fair value	Notional amount	Fair value
Assets				
Currency derivatives	0	0	1,439	13
Interest rate derivatives	1,477,500	14,428	0	0
Total	**1,477,500**	**14,428**	**1,439**	**13**
Equity and Liabilities				
Interest rate derivatives	8,149	2,129	152,378	2,959
Total	**8,149**	**2,129**	**152,378**	**2,959**

For more information on the H&F call option, please refer to Note (11).

(c) Credit Risk

The Axel Springer Group is exposed to the risk that business partners may not be able to fulfill their obligations toward the Axel Springer Group. The maximum risk of loss is represented by the nominal values stated under each category of financial asset.
To reduce the credit risk, the Group conducts credit checks of its business partners. Investments in securities are made only in instruments with first-class ratings. Appropriate allowances for doubtful receivables, especially trade receivables, are formed to account for discernible default risks.

(35) Relationships with Related Parties

In accordance with IAS 24, the related parties of the Axel Springer Group 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 associates of the Axel Springer Group have been defined as related parties.

The receivables and payables due from and to related parties are subject to terms and conditions that are customary for the market. In addition to the business relationships with the subsidiaries included in the consolidated financial statements by way of full consolidation, the following business relationships existed with related parties:

EUR thousands			
Balance Sheet	**Note**	**12/31/2005**	**12/31/2004**
Loans	(i)	7,637	8,405
Receivables	(ii)	66,365	30,838
Provisions	(iii)	2,247	2,018
Liabilities	(iv)	45,695	37,786
Income Statement		**2005**	**2004**
Goods and services supplied	(v)	123,913	114,013
Goods and services received	(vi)	134,325	81,428
Net financial income/expenses		392	374

(i) At the balance sheet date, the loans to related companies relate in particular to a company accounted for under the equity method.
(ii) Of the total receivables due from related companies, trade receivables accounted for EUR 27,659 thousand (PY: EUR 25,548 thousand). Of this amount, EUR 16,806 thousand (PY: EUR 14,596 thousand) was owed by associated companies, EUR 4,172 thousand (PY: EUR 3,879 thousand) by non-consolidated subsidiaries and EUR 4,892 thousand (PY: EUR 4,169 thousand) by other related companies. Valuation allowances were deducted from the receivables stated above. At the balance sheet date, significant allowances had been charged against receivables due from non-consolidated subsidiaries in the amount of EUR 23,968 thousand (PY: EUR 23,942 thousand). New valuation allowances were established and charged against income in 2005 for receivables due from non-consolidated subsidiaries in the amount of EUR 623 thousand (PY: EUR 1,329 thousand). Moreover, a receivable of EUR 32,797 thousand (PY: EUR 0) was owed by a company accounted for under the equity method, in connection with the claim to reimbursement of pension obligations (see Notes (10) and (14)).
(iii) These are pension obligations owed to members of the Management Board.
(iv) The liabilities due from related companies consisted of trade payables in the amount of EUR 42,009 thousand (PY: EUR 34,535 thousand). Of this amount, EUR 18,439 thousand (PY: EUR 23,683 thousand) was owed to non-consolidated subsidiaries and EUR 15,428 thousand (PY: EUR 3,653 thousand) to companies accounted for under the equity method. EUR 4,131 thousand (PY: EUR 2,400 thousand) relate to other related companies.
(v) Services provided to related companies were mostly related to the distribution of newspapers and magazines. Revenues of EUR 53,719 thousand (PY: EUR 53,233 thousand) were generated with other related companies in 2005 and revenues of EUR 55,891 thousand (PY: EUR 57,464 thousand) were generated with associated companies.
(vi) The services received from related companies were rendered primarily by companies accounted for under the equity method. Of this amount, EUR 17,436 thousand (PY: EUR 16,980 thousand) related to purchased publishing products and EUR 63,555 thousand (PY: EUR 22,122 thousand) related to printing plant services. In addition, services in the amount of EUR 17,813 thousand (PY: EUR 17,819 thousand) were purchased from non-consolidated subsidiaries.

Significant long-term contracts for printing services are in effect with two companies accounted for under the equity method. A contract of indefinite duration for the printing of newspapers is in effect with one company. The order volume in 2005 amounted to EUR 18 million (PY: EUR 22 million). A master agreement for the printing of magazines is in effect with the other company until December 31, 2019. Under this latter agreement, services in the amount of EUR 46 million were rendered for companies of the Axel Springer Group in the second half of 2005.

In 2005, the fixed compensation of the members of the Management Board of Axel Springer AG amounted to EUR 6,849 thousand (PY: EUR 6,213 thousand) and the variable compensation amounted to EUR 3,304 thousand (PY: EUR 9,508 thousand). A portion of the variable compensation is tied to the achievement of a certain company value, calculated on an EBITA basis. In 2004, the Management Board of Axel Springer AG purchased 62,300 shares in connection with the Management Participation Plan. This plan is accounted for in accordance with IFRS 2. In addition to the above-mentioned compensation, an amount of EUR 3,213 thousand (PY: EUR 3,561 thousand) was contained in personnel expenses as an imputed compensation component for 2005. The capital reserve was increased by the same amount.

An amount of EUR 229 thousand (PY: EUR 212 thousand) was allocated to the pension provisions in 2005.

The compensation of the members of the Supervisory Board amounted to EUR 2,248 thousand in 2005 (PY: EUR 2,010 thousand), divided into fixed compensation of EUR 800 thousand (PY: EUR 800 thousand) and variable compensation of EUR 1,448 thousand (PY: EUR 1,210 thousand).

Supervisory Board member Prof. Lepenies receives an annual compensation of EUR 125 thousand for his services as an author.

An amount of EUR 2,163 thousand (PY: EUR 1,995 thousand) was paid to former Management Board members and their survivors and an amount of EUR 26 thousand (PY: EUR 26 thousand) was paid to former special directors. A total amount of EUR 31,275 thousand (PY: EUR 28,208 thousand) was allocated to the provisions for pension obligations towards former Management Board members and their survivors and an amount of EUR 273 thousand (PY: EUR 262 thousand) was allocated to the provision for pension obligations towards former special directors.

(36) Contingent Liabilities

The contingent liabilities of the Group are presented below:

EUR thousands	12/31/2005	12/31/2004
Guarantees	23,828	24,391

At December 31, 2005, property, plant and equipment in the amount of EUR 140,831 thousand (PY: EUR 189,510 thousand) had been pledged as security for debts.

(37) Other Financial Commitments

The Other financial commitments break down as follows:

EUR thousands	12/31/2005	12/31/2004
Order obligations for		
- Intangible assets	7,927	2,521
- Property, plant and equipment	21,591	52,906
- Inventories	15,571	10,017
Future payments under operating lease	43,604	42,822
Long-term purchase obligations	516,300	459,000
Other Financial Commitments	**604,993**	**567,266**

The long-term purchase obligations relate to paper purchasing contracts.
At December 31, 2005, the future payment obligations under leases break down as follows:

EUR thousands	Due in up to one year	Due in more than one and up to five years	Due in more than five years	Total
Future payments under finance leases	601	883	0	1,484
Future payments under operating leases	12,209	31,279	116	43,604
Total	**12,810**	**32,162**	**116**	**45,088**

In the table below, the future payments under finance leases are reconciled at December 31, 2005 with the carrying amounts of the liabilities stated in the balance sheet:

EUR thousands	Due in up to one year	Due in more than one and up to five years	Due in more than five years	Total
Payments	601	883	0	1,484
Interest portion	331	187	0	518
Principal Portion	**270**	**696**	**0**	**966**

(38) Other Events

By date of August 5, 2005, Axel Springer AG entered into a share purchase agreement with P7S1 Holding L.P. to purchase all the common and preferred shares of ProSiebenSat.1 Media AG directly and indirectly held by P7S1 Holding L.P. The completion of the share purchase agreement, by virtue of which Axel Springer AG would have increased its existing indirect equity investment in ProSiebenSat.1 Media AG from approximately 12 % to 100 % of the voting common shares and 25 % of the non-voting preferred shares, was at December 31, 2005 contingent on the approval of the competent anti-trust and media oversight authorities, as was the voluntary public takeover offer, which Axel Springer AG communicated to the shareholders of ProSiebenSat.1 Media AG on September 16, 2005. Based on the foregoing, Axel Springer AG was at December 31, 2005, under the obligation, subject to the conditions precedent, to pay the purchase price EUR 2,450,000 thousand and furthermore to pay the amount of EUR 155,765 thousand to the shareholders of ProSiebenSat1. Media AG who had accepted the voluntary takeover bid by that time. The company was also under the obligation, subject to completion of the purchase agreement, to repay existing liabilities of EUR 450,000 thousand. These obligations were secured by a syndicated euro loan in the total amount of EUR 3,480,000 thousand. The interest rate was pegged to Euribor, plus a margin calculated with reference to the indebtedness of Axel Springer AG. The interest rate risk was hedged at the rate of 50 % by means of contingent swaps.
On January 10, 2006 and January 23, 2006, respectively, the Media Concentration Commission (KEK) and the German Cartel Office denied approval of the intended acquisition of ProSiebenSat.1 by Axel Springer AG. On February 1, 2006, the Management Board of Axel Springer AG and the board of P7S1 Holding L.P. resolved not to further pursue the plans for an acquisition. After intensive review, they concluded that pursuing the transaction by means such as a lawsuit or a ministerial permission process would give rise to considerable economic and legal uncertainties and therefore entail an unacceptable risk for all parties involved.
Consequently, the payment obligations and loan commitments no longer exist.

(39) Consolidation Group

No.	Fully Consolidated Subsidiaries	% of Equity Held	Held by No.	Other Info
	Domestic			
1	Axel Springer AG, Berlin	--	--	
2	AS Auto-Verlag GmbH, Hamburg	100.0	1	(1) (3)
3	AS Osteuropa GmbH, Berlin	100.0	1	
4	AS TV-Produktions- und Vertriebsgesellschaft mbH, Hamburg	100.0	1	
5	AS Venture GmbH, Berlin	100.0	1	(1) (3)
6	AS Zeitschriften Berlin GmbH, Berlin	100.0	1	(1) (3)
7	ASV Direktmarketing GmbH, Berlin	100.0	1	(1) (3)
8	Axel Springer Media Logistik GmbH, Berlin	100.0	1	(5)
9	Axel Springer TV Productions GmbH, Hamburg	100.0	1	(1) (3)
10	"Axel Springer Verlag" Beteiligungsgesellschaft mbH, Berlin	100.0	1	(1) (3)
11	Axel Springer Verlag Vertriebsgesellschaft mbH, Hamburg	100.0	1	
12	Axel Springer Young Mediahouse GmbH, Munich	100.0	1	(1) (3)
13	Bergedorfer Buchdruckerei von Ed. Wagner (GmbH & Co.), Hamburg	100.0	1	(4)
14	Berliner Wochenblatt Verlag GmbH, Berlin	100.0	27	(1)
15	Bild.T-Online.de AG & Co. KG, Berlin	63.0	1	(4)
16	Buch- und Presse-Großvertrieb Hamburg GmbH & Co. KG, Hamburg	76.9	1	(4)
17	Finanzen Verlagsgesellschaft für Kapitalmarktinformationen mbH, Munich	100.0	1	(1) (3)
18	Immonet GmbH, Hamburg	74.9	1	
19	Niendorfer Wochenblatt Verlag GmbH & Co. KG, Hamburg	75.0	27	(4)
20	PPS Presse-Programm-Service GmbH, Berlin	100.0	1	
21	Punkt Direktvertriebs GmbH, Hamburg	100.0	27	
22	"Sächsischer Bote" Wochenblatt Verlag GmbH, Dresden	100.0	27	(1)
23	SAT.1 Beteiligungs GmbH, Munich	48.2	1	(2)
24	Schwartzkopff TV- Productions GmbH & Co. KG, Hamburg	100.0	8	(4)
25	Ullstein GmbH, Berlin	100.0	10	(1) (3)
26	VVDG Verlags- und Industrieversicherungsdienste GmbH, Berlin	100.0	10	(1) (3)
27	WBV Wochenblatt Verlag GmbH, Hamburg	100.0	1	
28	ZZ-Kurier Gesellschaft für Zeitungs- und Zeitschriften-Vertrieb mbH, Hamburg	100.0	1	(1) (3)
	Foreign			
29	"Axel Springer Polska" Sp. zo.o., Warsaw/Poland	100.0	1	
30	AXEL SPRINGER - BUDAPEST GmbH, Budapest/Hungary	92.9	1	
31	Axel Springer - Ungarn GmbH, Tatabánya/Hungary	93.5	1	
32	Axel Springer España S.A., Madrid/Spain	100.0	1	
33	Axel Springer France S.A.S., Levallois-Perret/France	100.0	1	
34	Axel Springer Praha a.s., Prague/Czech Republic	100.0	1	
35	Axel Springer Presse S.A.S., Levallois-Perret/France	100.0	39	
36	Grupa Wydawnicza Axel Springer Sp. zo. o, Warsaw/Poland	100.0	1/29	
37	Handelszeitung Fachverlag AG, Zurich/Switzerland	100.0	38	
38	Handelszeitung und Finanzrundschau AG, Zurich/Switzerland	100.0	1	
39	Les Publications Grand Public S.A.S., Levallois-Perret/France	100.0	33	
40	Népújság GmbH, Békéscsaba/Hungary	94.0	10	
41	Petőfi Zeitungs- und Buchverlag GmbH, Kecskemet/ Hungary	94.0	10	
42	ZAO "Axel Springer Russia", Moscow/Russia	100.0	3	
43	Zöld Újság Massenmedien- und Verlags-AG, Budapest/Hungary	93.5	31	

No.	Fully Consolidated Special-Purpose Entities	% of equity held	Held by No.	Other Info
	Domestic			
44	AS-UNIVERSAL-FONDS	--	--	
45	Axel-Springer-Immobilien-Fonds-I Dr.Rühl & Co.KG, Düsseldorf	--	--	
46	Axel-Springer-Immobilien-Fonds-II- Produktionszentrum Dr.Rühl & Co.KG, Düsseldorf	--	--	
47	Axel-Springer-Immobilien-Fonds-III- Ostflügel Dr.Rühl & Co.KG, Düsseldorf	--	--	
	Foreign			
48	Personalvorsorgestiftung der Handelszeitung und Finanzrundschau AG, Zurich/Switzerland	--	--	

No.	Companies Accounted For under the Equity Method	% of Equity Held	Held by No.	Other Info
	Domestic			
49	Cora Verlag GmbH & Co. KG, Hamburg	50.0	10	(4)
50	Jahr Top Special Verlag GmbH & Co. KG, Hamburg	50.0	10	(4)
51	Leipziger Verlags und Druckereigesellschaft mbH & Co. KG , Leipzig	50.0	1	(4)
52	Ostsee-Zeitung GmbH & Co. KG, Rostock	50.0	1	
53	StepStone Deutschland AG, Düsseldorf	49.9	1	
54	PIN intelligente dienstleistungen AG, Berlin	30.3	1	(5)
55	PRINOVIS Ltd. & Co. KG, Hamburg	25.1	1	(5)
	Foreign			
56	EMAP France/Axel Springer (EMAS) S.E.N.C., Paris/France	50.0	1	

Other info:
(1) Management control and profit/loss transfer agreement with parent company.
(2) Consolidation of the division attributable to Axel Springer AG.
(3) Section 264 - 3 of the German Commercial Code (HGB) was applied.
(4) Section 264 b HGB was applied.
(5) Included in the consolidation group for the first time in 2005.

(40) Supervisory Board and Management Board

The Supervisory Board was composed of the following persons in 2005:

Supervisory Board Member	Seats on Other Legally Mandated Supervisory Boards	Seats on Comparable Domestic and Foreign Boards
Dr Giuseppe Vita Chairman Chairman of the Supervisory Board of Schering AG, Berlin	Allianz Lebensversicherungs-AG Hugo Boss AG (Chairman) Medical Park AG, Bad Wiessee (until 12/31/2005) Schering AG (Chairman) Vattenfall Europe AG	Riunione Adriatica di Sicurtà (RAS) S.p.A., Italy (Chairman of the Board of Directors) Techosp S.p.A., Italy Marzotto S.p.A., Italy Barilla S.p.A., Italy
Dr h c Friede Springer Vice Chairwoman Businesswoman, Berlin	Alba Berlin AG	
Dr Gerhard Cromme Chairman of the Supervisory Board ThyssenKrupp AG, Düsseldorf	Allianz AG Deutsche Lufthansa AG E.ON AG Hochtief AG Siemens AG ThyssenKrupp AG (Chairman) Volkswagen AG	Suez S.A., France BNP Paribas S.A., France Compagnie de Saint-Gobain, France
Leonhard H. Fischer Member of the Management Crédit Suisse Group, Switzerland, and CEO of Winterthur Group	DBV Winterthur Holding AG (Chairman)	
Oliver Heine Lawyer, Hamburg (since 04/20/2005)		
Klaus Krone Businessman, Berlin	Buchanan Capital Holding AG (since 08/26/2005), Chairman of the Supervisory Board Chairman of the Supervisory Board of Handelshochschule Leipzig (since 11/15/2005)	
Prof Dr Wolf Lepenies University Professor, Berlin		
Dr Michael Otto Chairman of the Management Board of Otto (GmbH & Co.), Hamburg	Gerling-Konzern Versicherungs-Beteiligungs-AG Schwab Versand GmbH (Chairman)	FORUM Grundstücksgesellschaft mbH Handelsgesellschaft Heinrich Heine GmbH (Chairman of the Advisory Board) 3 Suisses International S.A., France Crate & Barrel Holdings, Inc., USA (Board Chairman) Euromarket Design, Inc. USA (Board Chairman) Freemans plc, GB (Board Chairman) Grattan plc, GB (Board Chairman) Robert Bosch Industrietreuhand KG, Stuttgart (Partner)
Brian M. Powers CEO of the investment group Hellman & Friedman LLC, San Francisco, California, USA	ProSiebenSat.1 Media AG	SLEC Holdings Limited, Great Britain Bambino Holdings Limited, Great Britain
Axel Sven Springer Journalist, Hamburg (until 04/20/2005)		

The Management Board was composed of the following persons in 2005:

Management Board member	Seats on Other Legally Mandated Supervisory Boards	Seats on Comparable Domestic and Foreign Boards
Dr Mathias Döpfner Chairman and CEO Newspapers Division Journalist	Bayerische Hypo- und Vereinsbank AG (until 11/28/2005) ProSiebenSat.1 Media AG Schering AG	dpa Deutsche Presse Agentur GmbH (Supervisory Board) AKTUELL Presse-Fernsehen GmbH & Co. KG (until 11/30/2005) Leipziger Verlags- und Druckereigesellschaft mbH & Co. KG (Advisory Board)
Rudolf Knepper Vice Chairman Printing and Logistics Division Master's Degree in Engineering and Business Engineering		PRINOVIS Ltd., UK (Member of the Board) since 05/10/2005 PIN Group AG, Luxembourg (Board of Directors) until 10/12/2005
Steffen Naumann Chief Operating Officer and Chief Financial Officer Master's Degree in Business Administration and Economics		Axel Springer International Finance B.V., Netherlands (Supervisory Board)
Dr Andreas Wiele Magazines and International Division Lawyer		Jahr Top Special Verlag GmbH & Co. KG (Advisory Board) Handelszeitung und Finanzrundschau AG (Advisory Board) Axel Springer Praha a.s., Czech Republic (Supervisory Board) Personalvorsorgestiftung der Handelszeitung und Finanzrundschau AG (Foundation Board)

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

Axel Springer AG has published the declaration of conformity with the German Corporate Governance Code issued by the Management Board and Supervisory Board in December 2005 in accordance with Section 161 of the German Stock Corporations Act ("AktG") at 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 on page 63 of this Annual Report.

(42) Disclosures relative to reportable securities transactions or equity investments pursuant to Section 15 a WPHG und Sections 21 et seq. WPHG

In 2005 the Company did not receive any notifications.

(43) Dividend proposal

In accordance with the German Stock Corporations Act, the distributable dividend is to be determined with reference to the unappropriated profit calculated in accordance with the rules of German commercial law and presented in the annual financial statements of Axel Springer AG. The annual financial statements for fiscal year 2005 show an unappropriated profit of EUR 71,585,647.
The Management Board will propose that EUR 52,125,910 of the unappropriated net profit be used to distribute a dividend of EUR 1.70 per qualifying share for fiscal year 2005 and to appropriate the remaining amount of EUR 19,459,737 to the Other profit reserves. The treasury shares held by Axel Springer AG do not qualify for dividends.

Berlin, February 24, 2006

Axel Springer AG

(Dr. Mathias Döpfner) (Rudolf Knepper)

(Steffen Naumann) (Dr. Andreas Wiele)

Glossary

Media Glossary

Audiotex Automatic processing of added-value voice and fax services in landline or mobile phone networks.

Classified ads business Small ads that generally appear in daily newspapers arranged in specific categories, e.g. jobs, property and cars.

Content marketing Sale or licensing of content for different media, e.g. internet, television, newspapers or magazines.

Content production Production of content for different media, e.g. internet, television, newspapers or magazines.

Contract printing Production of printing orders for third parties to increase profitability by utilizing free capacities.

Digitization Conversion of creative output that has already been used for print media to electronic media, e.g. internet, television or radio.

Free advertiser Publication that appears periodically and is → financed exclusively by advertising revenues.

General-interest magazine Magazine which in contrast to a special-interest magazine aims to reach a wide public.

Gross advertising revenues Revenues generated by advertisers as a result of the placement of advertisements. Gross advertising revenues do not take any rebates, discounts or other price reductions into account that are granted to advertisers and agencies.

IVW German circulation auditing organization.

Licensed edition Print medium that appears on the basis of permission granted by a licensor to duplicate or perform works that are protected by copyright.

Newsstand paper Newspaper which in contrast to a → subscription newspaper is distributed via retail outlets.

Offset printing Printing process that works on the principle that oil and water do not mix. The printing areas on the printing plate repel water and attract the greasy ink, while the non-printing areas attract water and repel the greasy ink.

Page impressions Important criterion for analysing the → reach of websites. Page impressions are an accurate measure of how often the individual pages of a site are viewed by internet users.

Portal Websites covering a wide range of different subjects that help users to navigate the internet. Classic portals developed out of search engines and cover the entire range of internet services. Special portals such as car or book portals try to cover the complete range of their target group's interests via a joint entry platform.

Reach Percentage of a target group that is reached at least once by an advertising vehicle or a combination of advertising vehicles.

Rotogravure printing Printing process in which the printing areas are recessed in a cylinder, while the non-printing areas are raised.

Special-interest magazine Magazine which in contrast to a → generalinterest magazine covers highly specific subjects.

Subscription newspaper Newspaper which in contrast to a → newsstand paper is distributed primarily by delivery.

Teletext Non-interactive services which distribute texts and graphics via television.

Financial Glossary

Associated companies Companies are classified as associated companies if the Axel Springer Group has the ability to exert significant influence over the financial and operating policies of the company by participating in the corresponding decision processes. These are mainly investments where the Axel Springer Group has between 20 % and less than 50 % of voting rights.

Basic earnings per share Net income for the year divided by the weighted average number of ordinary shares outstanding during the year.

Cash and cash equivalents Cash on hand and cash at banks plus highly liquid funds such as certain marketable securities or demand and term deposits.

Cash flow Inflow of funds generated during a period.

Cash settlement price Share price officially quoted only once during a trading day, as opposed to the price quoted during continuous trading.

D&O insurance Liability insurance for members of corporate governing bodies or management (directors and officers) against claims arising out of their corporate service.

Deferred taxes Deferred taxes are recognized to account for the future tax effects of temporary differences between the book values of assets and liabilities for tax purposes and the carrying amounts of such assets and liabilities in the IFRS financial statements as well as for realizable loss carryforwards.

Derivative financial instruments Financial instruments for which the value is based on an underlying transaction or value (e.g. security, interest rate, currency, loan). Derivative financial instruments are utilized to hedge currency and interest rate risks.

Diluted earnings per share The calculation of diluted earnings per share additionally includes the effects of potential ordinary shares (e.g. from management participation plans). The calculation follows IAS 33.

EBIT Earnings before Interest and Taxes.

EBITA Earnings before Interest, Taxes and Amortization = earnings before interest, taxes and goodwill impairments.

EBITDA Earnings before Interest, Taxes, Depreciation and Amortization = earnings before interest, taxes, depreciation, amortization and impairments.

EBITA margin EBITA divided by revenues.

Equity method The equity method is a method of accounting for investments in consolidated financial statements under which changes in net assets are added to or deducted from acquisition cost of the investment. The equity method is used for investments in associated companies.

Equity ratio Equity divided by total liabilities and equity.

Expected net loss Amount determined in the risk management process. It is calculated by multiplying the amount of the loss by the probability that the loss will be incurred.

Fair value Amount for which assets or liabilities could be traded between knowledgeable, willing parties in an arm's length transaction. Market prices (e.g. stock exchange quotations) and reference transactions or valuation models are used to measure fair value.

Free float Portion of a company's shares held by shareholders with relatively small shareholdings, both in terms of number and percentage of shares held.

IFRS Acronym for International Financial Reporting Standards. General term for the accounting standards issued by the IASB. The IFRS consist of a theoretical Framework as well as a large number of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) covering specific subject areas in detail. The Standards are supplemented by Interpretations of specific topics issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

ISIN Acronym for International Securities Identification Number. International identification number for securities used to identify securities unambiguously worldwide.

Joint venture Form of cooperation where the joint venture is founded and managed by two or more legally separate entities.

No-par-value share Share without par value which expresses the amount of investment in an entity in terms of a percentage of equity.

Risk inventory Documentation of all information gained during risk analysis (identification and assessment of risks). A risk inventory provides information about an entity’s risk situation in a condensed format.

Risk management Systematic approach by management to recognizing, analyzing, assessing and managing risks jeopardizing the entity.

Special purpose entities Under IAS 27 in connection with SIC 12, a special purpose entity has to 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 rest with Axel Springer. This requirement is not conditional on the Axel Springer Group holding an equity interest in the special purpose entity.

Statement of cash flows Statement showing the sources and uses of cash during a fiscal year.

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Financial calender

- Annual results press conference: March 8, 2006
- Annual shareholders' meeting: April 27, 2006
- Interim report January-March May 2006
- Interim report January-June August 2006
- Interim report January-September November 2006

Information

The Annual Report
and further information
about Axel Springer are also
available on the internet:
www.axelspringer.de

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